**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, 2019

**OR**

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

**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 __________________
For the transition period from __________________ to __________________

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 | Trading Symbol (s) | Name of each exchange on which registered |
|---|---|---|
| **Common stock, par value $0.01 per share** | **SALT** | **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, 2019, there were 72,482,958 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

| | | | |
|---|---|---|---|
| Yes | x | No | |

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

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer x | Non-accelerated filer o | Emerging growth company o |

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

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

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

| | |
|---|---|
| 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 length and severity of the recent novel coronavirus (COVID-19) outbreak, including its impact on the demand for seaborne transportation of bulk goods;
- 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 charterhire rates and vessel values;
- changes in demand in the drybulk shipping industry, including the market for our vessels;
- changes in the value of our 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);
- potential exposure or loss from investment in derivative instruments or other equity investments in which we invest;
- 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, current and 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.

### A. Selected Financial Data

The selected Consolidated Statement of Operations data and the Consolidated Balance Sheet data presented as of and for the years ended December 31, 2019, 2018, 2017, 2016 and 2015, are derived from our audited consolidated financial statements. Such selected financial data should be read in connection with “Item 5. Operating Review and Prospects” and the consolidated financial statements contained in this report.

| | For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| *Dollars in thousands, except per share data* | | | | | |
| **Consolidated Statement of Operations Data:** | | | | | |
| Total vessel revenue | $ 224,579 | $ 242,502 | $ 162,205 | $ 78,402 | $ 62,521 |
| Total operating expenses | 246,031 | 199,192 | 187,777 | 179,133 | 554,130 |
| Operating (loss) income | (21,452) | 43,310 | (25,572) | (100,731) | (491,609) |
| Total other income (loss) | 66,106 | (56,008) | (34,154) | (24,104) | (19,180) |
| Net income (loss) | $ 44,654 | $ (12,698) | $ (59,726) | $ (124,835) | $ (510,789) |
| | | | | | |
| Basic weighted average shares outstanding | 68,087 | 71,827 | 71,794 | 56,174 | 21,410 |
| Diluted weighted average shares outstanding | 69,532 | 71,827 | 71,794 | 56,174 | 21,410 |
| | | | | | |
| Basic earnings (loss) per share | $ 0.66 | $ (0.18) | $ (0.83) | $ (2.22) | $ (23.86) |
| Diluted earnings (loss) per share | $ 0.64 | $ (0.18) | $ (0.83) | $ (2.22) | $ (23.86) |

| Dollars in thousands | As of December 31, 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Consolidated Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | $ 42,530 | $ 67,495 | $ 68,535 | $ 101,734 | $ 200,300 |
| Assets held for sale | 77,536 | — | — | — | 172,888 |
| Vessels, net | 1,271,993 | 1,507,918 | 1,534,782 | 1,234,081 | 764,454 |
| Vessels under construction | — | — | 6,710 | 180,000 | 288,282 |
| Equity method investment | 173,298 | 92,281 | — | — | — |
| Total assets | 1,665,559 | 1,703,826 | 1,643,410 | 1,547,157 | 1,473,093 |
| Current liabilities (including current portion of bank loans, financing obligations and Senior Notes, net) | 123,833 | 152,614 | 58,590 | 24,550 | 124,577 |
| Bank loans, net | 332,613 | 621,179 | 576,967 | 493,793 | 342,314 |
| Financing obligations | 321,646 | 69,229 | 17,747 | — | — |
| Senior Notes, net | — | — | 72,726 | 72,199 | 71,671 |
| Total liabilities | 790,592 | 843,022 | 726,030 | 590,542 | 538,562 |
| Shareholders’ equity | 874,967 | 860,804 | 917,380 | 956,615 | 934,561 |

**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. 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, or the trading price of our securities.*

**INDUSTRY SPECIFIC RISK FACTORS**

**Charterhire 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 charterhire rates and profitability. The degree of charterhire rate volatility among different types of drybulk vessels has varied widely, and in recent years charterhire 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 2019, the BDI ranged from a low of 595 on February 11, 2019 to a high of 2,518 on September 4, 2019. As of March 20, 2020, the BDI was 625.

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. Furthermore, a continued decrease in charter rates may 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, strikes and “trade wars”;
- 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, including those that are in drydock for the purpose of installing exhaust gas cleaning systems, known as scrubbers.

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.**

Since the beginning of the calendar year 2020, the outbreak of the novel coronavirus (COVID-19) has resulted in the implementation of numerous actions by governments and governmental agencies in an attempt to mitigate the spread of the virus. These measures have resulted in a significant reduction in global economic activity and extreme volatility in the global financial markets. If the COVID-19 pandemic continues on a prolonged basis or becomes more severe, the adverse impact on the global economy and the rate environment for drybulk and other cargo vessels may deteriorate further and our operations and cash flows may be negatively impacted. In addition, a prolonged negative rate environment could result in the value of our vessels being impaired which could in turn impair our ability to borrow money and to access credit and capital markets in the future. Even prior to the recent outbreak and resulting disruption of the COVID-19 virus, global financial markets and economic conditions have been, and continue to be, volatile. Relatively weak global economic conditions during periods of volatility 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, particularly 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.**

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 6.1% for the year ended December 31, 2019, which is 0.5% lower than the growth rate for the year ended December 31, 2018, and is expected to be significantly lower for 2020 as a result of the COVID-19 virus and global economic slow-down. 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, 2019, the carrying value of our vessels was $1.3 billion in total on our consolidated balance sheet, representing 145% of our shareholders' equity.

Our vessels are assessed if an event occurs or circumstances change that would more likely than not reduce the fair value of our vessels below their carrying value. As of December 31, 2019, we have determined that the estimated undiscounted future cash flows (as determined under U.S. GAAP) of our vessels exceeded the carrying value. However, if our charter rates decline, we may be required to record impairment charges on our vessels, which would require us to write down the carrying value of these assets to their fair value. Since vessels 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, which was adopted by the UN International Maritime Organization in February 2004 and entered into force on September 8, 2017, 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 must install expensive ballast water treatment systems or make port facility disposal arrangements and modify existing vessels to accommodate those 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 future ability to pay dividends on our common shares.

**Regulations relating to ballast water discharge may adversely affect our revenues and profitability.**

The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel’s ballast water. Depending on the date of the IOPP renewal survey, existing vessels constructed before September 8, 2017 must comply with the updated D-2 standard on or after September 8, 2019. For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Our vessels have been fitted with alternate management systems (“AMS”) (IMO-approved ballast water treatment systems) that comply with the updated guideline and standards, and all but two of these have also been approved by the U.S. Coast Guard. While we believe that our vessels have been fitted with systems that comply with the updated guideline and 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.

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

**Sulfur regulations to reduce air pollution from ships are likely to require retrofitting of vessels and may cause us to incur significant costs.**

In October 2016, the International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels, set January 1, 2020 as the implementation date for vessels to comply with its low sulfur fuel oil requirement, which cuts sulfur levels from 3.5% to 0.5% (“IMO 2020”). The interpretation of "fuel oil used on board" includes use in main engines, auxiliary engines and boilers. Shipowners may comply with this regulation by (i) using 0.5% sulfur fuels on board, which is available around the world but at a higher cost due to increased market demand; (ii) installing scrubbers for cleaning of the exhaust gas; or (iii) by retrofitting vessels to be powered by liquefied natural gas, which may not be a viable option for shipowners due to the lack of supply network and high costs involved in this process. Costs of compliance with these regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

We have entered into agreements with third parties to purchase Exhaust Gas Cleaning Systems, known as “scrubbers,” on 45 of our vessels for an estimated total cost of $95.4 million, which we plan to finance through increases in existing secured credit facilities, financing obligations and working capital. The systems that are being fitted are known as “open loop” designs that are “hybrid ready”, which allows them to be upgraded to a “closed loop” configuration at a future date. As of March 20, 2020, we have successfully installed scrubbers on eleven vessels in our fleet, with the remaining vessels scheduled to be retrofitted with scrubbers by the beginning of 2021. As of March 20, 2020, we have a remaining balance of approximately $67.3 million to be paid for retrofitting our current fleet with scrubbers. For our vessels that have not yet been retrofitted with scrubbers, we are complying with current IMO standards by using compliant bunkers fuels.

**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 Consultancy & Research Ltd (“SSY”), as of December 2019, newbuilding orders have been placed for approximately 9.2% 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.

**Outbreaks of epidemic and pandemic diseases, including COVID-19, and governmental responses thereto could adversely affect our business.**

Global public health threats, such as COVID-19 (as described more fully below), influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate, including China, could adversely impact our operations, the timing of completion of any outstanding or future newbuilding or scrubber-installation projects, as well as the operations of our customers. The recent outbreak of COVID-19 that began in China and subsequently spread to other parts of the world has, among other things, caused delays and uncertainties relating to newbuildings, drydockings and scrubber installations at shipyards. As of March 20, 2020, we had 34 vessels scheduled to be retrofitted with scrubbers by 2021, which retrofittings may be delayed as a result of the current coronavirus outbreak. Prolonged delays, or the perception that prolonged delays may occur or continue, could have a negative result on our business, results of operations and financial conditions.

The recent outbreak of the novel coronavirus (COVID-19), a virus causing potentially deadly respiratory tract infections first identified in China, has already caused severe global disruptions and may negatively affect economic conditions regionally as well as globally and otherwise impact our operations and the operations of our customers and suppliers. Governments in affected countries are imposing travel bans, quarantines and other emergency public health measures. In response to the virus, China, Italy, Spain and France have implemented lockdown measures, and other countries and local governments may enact similar policies. Companies are also taking precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses. These restrictions, and future prevention and mitigation measures, are likely to have an adverse impact on global economic conditions, which could materially and adversely affect our future operations. Uncertainties regarding the economic impact of the COVID-19 outbreak is likely to result in sustained market turmoil, which could also negatively impact our business, financial condition and cash flows. As a result of these measures, our vessels may not be able to call on ports, or may be restricted from disembarking from ports, located in regions affected by the outbreak. In addition we may experience severe operational disruptions and delays, unavailability of normal port infrastructure and services including limited access to equipment, critical goods and personnel, disruptions to crew change, quarantine of ships and/or crew, counterparty solidity, closure of ports and custom offices, as well as disruptions in the supply chain and industrial production, which may lead to reduced cargo demand, amongst other potential consequences attendant to epidemic and pandemic diseases. The extent of the COVID-19 outbreak's effect on our operational and financial performance will depend on future developments, including the duration, spread and intensity of the outbreak, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, although our operations have not been materially affected by the COVID-19 outbreak to date, the ultimate severity of the COVID-19 outbreak is uncertain at this time and therefore we cannot predict the impact it may have on our future operations, which impact could be material and adverse, particularly if the pandemic continues to evolve into a severe worldwide health crisis.

**World events, including terrorist attacks and political conflicts, 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, instability and other recent developments in the Middle East, North Korea and elsewhere including the 2019 events involving vessels in the Strait of Hormuz and off the coast of Gibraltar, 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.

The world economy is currently facing a number of new challenges. Geopolitical events such as the withdrawal of the U.K. from the European Union, or "Brexit," and changes in U.S. trade policies, treaties and tariffs. Brexit, or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations.

Further, governments may turn and have turned to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. In particular, there have been continuing trade tensions, including significant tariff increases, between the United States and China, resulting in leaders of the United States and China implementing certain increasingly protective trade measures. These tensions have been somewhat mitigated by the recent trade deal (first phase trade agreement) between the United States and China in early 2020 which, among other things, requires China to purchase approximately $200 billion in American products and services over the next two years, and future phases may result in decreased tariffs. The results of the 2016 presidential election and the potential results of the upcoming 2020 presidential election have created significant uncertainty about the future relationship between the United States, China and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. Protectionist developments, or the perception that they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Moreover, increasing trade protectionism may cause an increase in (a) the cost of goods exported from regions globally, (b) the length of time required to transport goods and (c) the risks associated with exporting goods. Such increases may significantly affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs, which could have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charterhire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations, financial condition and our ability to pay any cash distributions to our shareholders.

**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 charterhire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not “on-hire” for a certain number of days and is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability, of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

**If our vessels call on ports located in countries that are subject to restrictions, sanctions, or embargoes imposed by the U.S. government, the European Union, the United Nations, or other governments, it could lead to monetary fines or adversely affect our reputation and the market for our shares of common stock and their trading price.**

Although we do not expect that our vessels will call on ports located in countries or territories subject to country-wide or territory-wide sanctions or 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, and we endeavor to take precautions reasonably designed to mitigate such activities, including relevant provisions in charter agreements forbidding the use of our vessels in trade that would violate economic sanctions, on charterers’ instructions, and without our consent, our vessels may call on ports located in such countries or territories in the future.

The 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, strengthened, or lifted over time. Primary sanctions administered by the Office of Foreign Assets Control (“OFAC”) of the U.S. Department of the Treasury principally apply, with certain exceptions, to U.S. persons (defined as any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States, or any person in the United States). The United States can, however, extend secondary sanctions liability to non-U.S. persons, including non-U.S. companies, such as our Company.

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

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

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

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

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

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charterhire 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 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. 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.

**The price of fuel, or bunkers, may affect our profits.**

Despite the recent significant decline in the price of oil, since we primarily employ our vessels in the spot market or in spot market-oriented pools, we expect that fuel, or bunkers, will remain 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.

In addition, since the implementation of IMO 2020, we have been operating our vessels that have not yet been retrofitted with scrubbers using compliant low sulfur fuels, the price of which has increased as a result of increased demand. 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, the 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. 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 includes 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 insurance against loss of hire for our vessels, 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.” In addition, new IMO 2020 regulations have required, and may continue to require, significant expenditures in installing scrubbers on our fleet and operating our vessels without scrubbers using compliant 0.5% sulfur content fuels. Please see “Sulfur regulations to reduce air pollution from ships are likely to require retrofitting of vessels and may cause us to incur significant costs.”

**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, scrubber installation 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 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 Pools. During the year ended December 31, 2019, we earned approximately 31% and 60% of our revenue from the Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool, respectively. The Scorpio 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 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 any 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, or our Board of Directors, declared and we paid quarterly cash dividends of $0.02 per share in 2019. In addition, in October and December 2019 we declared and paid, respectively, a one-time special stock dividend of approximately one million shares of Scorpio Tankers Inc (NYSE: STNG), or Scorpio Tankers. 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. Please see “Item 8. Financial Information-A. Consolidated Statements and other Financial Information-Dividend Policy.”

**We may have difficulty managing growth properly.**

As of the date of this annual report, our operating fleet of 58 vessels consists of 52 wholly-owned or finance leased drybulk vessels (including 17 Kamsarmax vessels and 35 Ultramax vessels), and five time chartered-in Kamsarmax vessels and one time chartered-in Ultramax vessel. 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.

Additionally, in the event we undertake newbuilding projects, construction projects are subject to risks of delay or cost overruns inherent in any large construction project from numerous factors. 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.

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 charterhire income and the value of our vessels.**

The charterhire rates and the value and operational life of a vessel are determined by a number of factors including the vessel’s efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel’s physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new 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.

**Breakdowns in our information technology, including as a result of cyberattacks, may negatively impact our business, including our ability to service customers, and may have a material adverse effect on our future performance, results of operations, cash flows and financial position.**

Our ability to operate our business and service our customers is dependent on the continued operation of our information technology, or IT, systems, including our IT systems that relate to, among other things, the location, operation, maintenance and employment of our vessels. Our IT systems may be compromised by a malicious third party, man-made or natural events, or the intentional or inadvertent actions or inactions by our employees or third-party service providers. If our IT systems experience a breakdown, including as a result of cyberattacks, our business information may be lost, destroyed, disclosed, misappropriated, altered or accessed without consent, and our IT systems, or those of our service providers, may be disrupted.

Cybercrime attacks could cause disclosure and destruction of business databases and could expose the Company to extortion by making business data temporarily unreadable. As cyberattacks become increasingly sophisticated, and as tools and resources become more readily available to malicious third parties, there can be no guarantee that our actions, security measures and controls designed to prevent, detect or respond to intrusion, to limit access to data, to prevent destruction or alteration of data or to limit the negative impact from such attacks, can provide absolute security against compromise.

Any breakdown in our IT systems, including breaches or other compromises of information security, whether or not involving a cyberattack, may lead to lost revenues resulting from a loss in competitive advantage due to the unauthorized disclosure, alteration, destruction or use of proprietary information, including intellectual property, the failure to retain or attract customers, the disruption of critical business processes or information technology systems and the diversion of management's attention and resources. In addition, such breakdown could result in significant remediation costs, including repairing system damage, engaging third-party experts, deploying additional personnel, training employees and compensation or incentives offered to third parties whose data has been compromised. We may also be subject to legal claims or legal proceedings, including regulatory investigations and actions, and the attendant legal fees as well as potential settlements, judgments and fines.

Even without actual breaches of information security, protection against increasingly sophisticated and prevalent cyberattacks may result in significant future prevention, detection, response and management costs, or other costs, including the deployment of additional cybersecurity technologies, engaging third-party experts, deploying additional personnel and training employees. Further, as cyberthreats are continually evolving, our controls and procedures may become inadequate, and we may be required to devote additional resources to modify or enhance our systems in the future. Such expenses could have a material adverse effect on our future performance, results of operations, cash flows and financial position.

**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 or lease 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 2019 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.

**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 2019 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.

**We rely on our information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.**

The efficient operation of our business, including processing, transmitting and storing electronic and financial information, is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

**Risks Related to Our Relationship with the Scorpio Group of Companies ("Scorpio") 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 Scorpio, which is owned and controlled by the Lolli-Ghetti family, of which our co-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 Scorpio, provide commercial and technical management services to approximately 230 and 190 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 Scorpio 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, some of whom serve as members of the management teams of Scorpio Tankers Inc. (NYSE: STNG), or Scorpio Tankers, and Hermitage Offshore Services Ltd. (NYSE: PSV) (formerly Nordic American Offshore Ltd.), or Hermitage, 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 Scorpio. 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, Hermitage and Scorpio. 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 or no 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.

**The market price of shares of Scorpio Tankers, in which we have a significant investment, has fluctuated widely and may continue to fluctuate widely in the future.**

The economic slow-down resulting from the coronavirus outbreak and the international governmental responses to it has resulted in a significant reduction in share prices of the majority of publicly traded companies, including Scorpio Tankers, in which we have a significant investment. The recent decline in the trading prices of Scorpio Tankers' common stock between December 31, 2019 and March 31, 2020, has resulted in an unrealized loss in the value of our investment of approximately 51%, or $89.1 million. We cannot assure you when or if the price of Scorpio Tankers' common stock will recover the losses incurred during the first quarter of 2020.

## 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. Recently, however, there is uncertainty relating to the LIBOR calculation process which may result in the phasing out of LIBOR in the future. Indeed, the banks currently reporting information used to set LIBOR will likely stop such reporting after 2021, when their commitment to reporting information ends.

In the event of the continued or permanent unavailability of LIBOR, many of our financing agreements contain a provision requiring or permitting us to enter into negotiations with our lenders to agree to an alternative interest rate or an alternative basis for determining the interest rate. These clauses present significant uncertainties as to how alternative rates or alternative bases for determination of rates would be agreed upon, as well as the potential for disputes or litigation with our lenders regarding the appropriateness or comparability to LIBOR of any substitute indices. In the absence of an agreement between us and our lenders, most of our financing agreements provide that LIBOR would be replaced with some variation of the lenders' cost-of-funds rate. The discontinuation of LIBOR presents a number of risks to our business, including volatility in applicable interest rates among our financing agreements, increased lending costs for future financing agreements or unavailability of or difficulty in attaining financing, which could in turn have an adverse effect on our profitability, earnings and cash flow.

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 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, 2019, we had $738.7 million of outstanding indebtedness under our credit facilities and other financing obligations.

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, 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 and Financing Obligations."

**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.

On March 31, 2020, the closing price of our common shares on the NYSE was $2.53 per share. If the market price of our common shares is 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 212.5 million common shares, of which we had issued and outstanding approximately 72.5 million common shares as of December 31, 2019. 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 may 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 shareholders’ 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. Our common shares have been listed for trading on the New York Stock Exchange, or NYSE, under the symbol “SALT” since December 12, 2013.

Our principal executive offices are located at 9, Boulevard Charles III, Monaco 98000 and our telephone number at that location is +377-9798-5715. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's Internet site is http://www.sec.gov.

The address of the Company's Internet site is http://www.scorpiobulkers.com/. None of the information contained on these websites is incorporated into or forms a part of this annual report.

**Recent Developments**

***$67.3 Million Lease Financing***

In February 2020, we agreed to sell and leaseback two Ultramax vessels (SBI Cronos and SBI Achilles) and one Kamsarmax vessel (SBI Lynx) to Ocean Yield ASA for a total financing consideration of $62.8 million. We agreed to bareboat charter-in the SBI Cronos for a period of nine years, the SBI Achilles for a period of ten years and, following execution of documentation, the SBI Lynx for a period of twelve years. We have several purchase options during the charter period of each agreement, as well as a purchase option for each vessel upon the expiration of each agreement. Upon completion of all three transactions, we expect the Company's liquidity to increase by up to $33.6 million after the repayment of outstanding debt. We will also have the ability to drawdown on an additional tranche of an aggregate of up to $4.5 million to partially finance the installation of scrubbers on the three vessels.

***Vessel Disposition***

In March 2020, we entered into agreements with unaffiliated third parties to sell the SBI Jaguar and SBI Taurus, 2014 and 2015 built Ultramax vessels, respectively, and the SBI Bolero, a 2015 built Kamsarmax vessel, for approximately $53.5 million in aggregate. Delivery of the vessels is expected to take place between March and May of 2020. It is estimated that the Company's liquidity will increase by approximately $18.3 million after the repayment of outstanding debt. We estimate that we will record a loss of approximately $16.0 million in the first quarter of 2020 related to the sale and write-off $0.3 million of deferred finance charges upon the repayment of the related debt.

**Fleet Development**

***2019 Vessel Acquisitions and Dispositions***

In the second quarter of 2019, we completed the sale of the SBI Electra and SBI Flamenco, two 2015 built Kamsarmax vessels, for approximately $48.0 million in aggregate. We recorded a loss of approximately $7.4 million to reflect this sale and wrote-off deferred financing costs of $0.2 million upon the repayment of outstanding debt.

In the fourth quarter of 2019, we completed the sale of the SBI Puma and SBI Cougar, 2014 and 2015 built Ultramax vessels, respectively, for approximately $37.9 million in aggregate. We recorded a loss of approximately $4.9 million to reflect this sale and wrote-off deferred financing costs of $0.2 million upon the repayment of outstanding debt.

During 2019, the Company's Board of Directors decided to sell four Ultramax vessels and, as a result these vessels were classified as held for sale at December 31, 2019. The Company recorded a loss of approximately $25.2 million upon this classification.

***2018 Vessel Acquisitions and Dispositions***

In 2018, we took delivery of the Kamsarmax vessel, SBI Lynx, from Jiangsu Yangzijiang Shipbuilding Co. Ltd. The purchase price of $25.5 million was partially funded through a $12.8 million credit facility.

***2017 Vessel Acquisitions and Dispositions***

In 2017, we took delivery of a total of six newbuilding vessels, completing our newbuilding program that commenced shortly after our inception whereby we acquired 46 newbuilding vessels over the course of several years (the "Newbuilding Program"). In 2017 we also purchased nine secondhand Chinese-built Ultramax vessels for total consideration of $207.0 million, of which $186.7 million was paid in cash and $20.3 million was paid in the form of the Company's common shares.

In 2017, we completed the sale of the Kamsarmax vessels SBI Cakewalk and SBI Charleston for $22.5 million each, representing combined aggregate net proceeds of approximately $24.2 million after repaying outstanding indebtedness related to the vessels.

**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 58 vessels consisted of 52 wholly-owned or finance leased drybulk vessels and six time chartered-in drybulk vessels, which we refer to collectively as our “Operating Fleet” (see below table for details). Our owned and financed leased fleet has a total carrying capacity of approximately 3.6 million dwt.

**Our Fleet**

The following tables set forth certain summary information regarding our Operating Fleet 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 Carioca | 2015 | 82,000 |
| SBI Conga | 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 |
| SBI Lynx | 2018 | 82,000 |
| **Total Kamsarmax** | | **1,398,000** |
| ***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 Jaguar | 2014 | 64,000 |
| SBI Aries | 2015 | 64,000 |
| SBI Taurus | 2015 | 64,000 |
| SBI Pisces | 2016 | 64,000 |
| SBI Virgo | 2017 | 64,000 |
| **Total Ultramax** | | **2,179,800** |
| **Aggregate Owned and Finance Leased DWT** | | **3,577,800** |

* Our vessels are flagged in the Republic of the Marshall Islands or Liberia.

*Time chartered-in vessels*

| Vessel Name | Year Built | DWT | Where Built | Daily Base Rate | Earliest Expiry | |
|---|---|---|---|---|---|---|
| Ocean Phoenix Tree | 2017 | 62,100 | Japan | $ 10,885 | 30-Sep-20 | (1) |
| CL Taizhou | 2019 | 81,100 | China | Variable | 10-Mar-21 | (2) |
| CL Zhenjiang | 2019 | 81,100 | China | Variable | 7-Apr-21 | (3) |
| Yangze 11 | 2018 | 82,000 | China | $ 12,000 | 25-June-21 | (4) |
| CL Suzhou | 2018 | 81,100 | China | Variable | 13-Jul-21 | (5) |
| CL Yangzhou | 2015 | 81,100 | China | Variable | 22-Jul-21 | (6) |
| **Aggregate Time Chartered-in DWT** | | **468,500** | | | | |

(1) This vessel was originally time chartered-in for 22 to 24 months at the Company’s option at $10,125 per day. In September 2019, the Company exercised its option to extend the time charter for one year at $10,885 per day. The vessel was delivered to the Company in September 2017.

(2) This vessel has been time chartered-in for 24 to 27 months at the Company’s option at 118% of the BPI. The vessel was delivered to the Company in March 2019.

(3) This vessel has been time chartered-in for 24 to 27 months at the Company’s option at 118% of the BPI. The vessel was delivered to the Company in May 2019.

(4) This vessel is time chartered-in for 24 months at $12,000 per day for the first twelve months and at $12,500 per day for the second twelve months. The Company has the option to extend this time charter for 12 months at $13,000 per day and an additional 12 months at $14,500 per day. The vessel was delivered to the Company in July 2019.

(5) This vessel has been time chartered-in for 24 to 27 months at the Company’s option at 118% of the BPI. The vessel was delivered to the Company in July 2019.

(6) This vessel has been time chartered-in for 24 to 27 months at the Company’s option at 118% of the BPI. The vessel was delivered to the Company in August 2019.

**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 Pools, which are spot market-oriented commercial pools managed by our commercial manager, which exposes us to fluctuations in spot market charter rates. Our vessels participate in the Scorpio 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 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 Vessels” 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 Vessels**

In 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.

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.

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 15, *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 its terms. 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. Additional vessels that we may charter-in or acquire in the future are expected to be managed under the Revised Master Agreement or on substantially similar terms as the Revised Master Agreement.

SCM's commercial management services include securing employment for our vessels in the spot market or on time charters. SCM also manages the Scorpio 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, finance leased and time chartered-in vessels are employed and from which a significant portion of our revenue is generated. 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 Ultramax Pool and Scorpio Kamsarmax 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.

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 $160,000 plus charges for certain itemized services per vessel to provide technical management services for each of our owned or finance leased vessels. In addition, representatives of SSM, including certain subcontractors, previously provided us with construction supervisory services while our vessels were being constructed in shipyards. For these services, we compensated SSM for its direct expenses, which varied 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 for which we reimburse SSH for the direct and indirect expenses incurred while providing such services. The services provided to us by SSH may be sub-contracted to other entities within Scorpio.

SSH also arranges vessel sales and purchases for us, including newbuildings, for which, in respect of construction contracts executed prior to September 2016, when the Administrative Services Agreement was amended, we previously paid SSH a fee, payable in our common shares. 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 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.

**Our Customers**

We believe that developing strong relationships with the end users of our services allows us to better satisfy their needs with appropriate and capable vessels. All of our vessels are employed in Scorpio 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 31% and 60% of our revenue from the Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool, respectively, during the year ended December 31, 2019, 36% and 64% of our revenue from the Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool, respectively, during the year ended December 31, 2018, and 42% and 58% of our revenue (including commissions from SCM) from the Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool, respectively, during the year ended December 31, 2017.

**Seasonality**

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charterhire 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 as well as 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). The incomplete nature of the statistical information and market data available required SSY 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. 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 4.73 billion tonnes in 2019. This represents an increase of an estimated 1.6% from the 2018 level and an estimated 11.4% from the 2014 level, which was close to the compound annual average growth rate, or CAGR, for the period 2014 to 2019. 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 2019 trade estimates set out in the table below will be subject to revision, as final trade statistics become available, our current estimates indicate a fourth consecutive year in which annual growth in seaborne trade volumes exceeded 70 million tonnes, albeit with growth unevenly distributed between the various dry bulk cargo types.

**World Seaborne Drybulk Trade**
**(million tonnes)**

| Cargo/Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2014-19 % Growth | CAGR |
|---|---|---|---|---|---|---|---|---|
| **Major Bulks** | **3,000** | **2,992** | **3,088** | **3,192** | **3,241** | **3,258** | **9%** | **2%** |
| Iron Ore | 1,391 | 1,414 | 1,484 | 1,532 | 1,522 | 1,499 | 8% | 2% |
| Coal | 1,186 | 1,128 | 1,130 | 1,155 | 1,203 | 1,226 | 3% | 1% |
| Grains | 423 | 450 | 474 | 505 | 516 | 533 | 26% | 5% |
| **Minor Bulks** | **1,242** | **1,264** | **1,293** | **1,347** | **1,417** | **1,448** | **17%** | **3%** |
| **Total** | **4,242** | **4,256** | **4,381** | **4,539** | **4,658** | **4,706** | **11%** | **2%** |

*Totals may not add due to rounding*

***Cargo Types***

***Iron ore:*** The key raw material for steelmaking, and single largest seaborne drybulk cargo, iron ore trade expanded more than three-fold between 2002 and 2017 on the back of unprecedented Chinese import demand. Preliminary estimates for 2019 do, however, indicate a second consecutive annual decrease, but only marginally with an estimated decline of 1.5% to 1,499 million tonnes, or Mt. This compared with a CAGR of approximately 2% for the five years since 2014. Last year’s decline in trade was despite positive growth in world steel production in 2019, which rose by an estimated 3.4% to a new all-time high, led by increases in China. In addition to China which, as described elsewhere in this section, is the dominant importer accounting for over two-thirds of seaborne imports in 2019, the main import markets for iron ore are Japan, Western Europe and South Korea, while South East Asia generated positive import growth in 2019. Exports are dominated by Australia and Brazil, which together accounted for an estimated 81% of the seaborne market in 2019 with a large majority of their cargoes carried by Capesize vessels given the favorable unit economies. This market share has increased from 79% in 2014, mainly due to the introduction of additional Australian export capacity. Other iron ore exporters include South Africa, Canada, India, Sweden, Ukraine and West Africa. Brazil’s iron ore exports shrank from 390 Mt in 2018 to 337 Mt in 2019 as a result of mining restrictions imposed in the aftermath of the January 2019 Brumadinho dam failure to allow safety inspection work to take place.

***Coal:*** At an estimated 1,226 Mt in 2019, global seaborne coal trade increased by an estimated 1.9% from its 2018 level and represented only the fourth year of positive annual growth since 2013 against a background of improved overall energy demand. This is in line with a CAGR close to 1% for the entire five-year period from 2014 to 2019. 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 experienced lower trade volumes between 2014 and 2016, but have since returned to growth with steam coal reaching a new high in 2019.

Although the import market for coal was historically dominated by demand from Japan and Western Europe, the last 10-15 years have 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 2015 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, reducing the country’s steam coal imports to a six-year low. However, in 2016 both coking and steam coal imports increased, mainly as a result of government-driven cuts in domestic coal production. Further Chinese government interventions aimed at managing the domestic coal market since 2017 contributed to some significant monthly variations in import volumes, but the estimated combined annual total for coking and steam coal imports rose to a six-year high in 2019, with the coking coal annual total close to an all-time high.

India remained the world’s single largest coal importer in 2019, with gains in coking coal volumes, which are estimated to have pushed the aggregate annual volume to a record high. Annual growth in Indian imports had been dampened between 2014 and 2017, 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, more recent changes in coal trade patterns (in particular, the rising share of exports from Indonesia, Russia and the US) have 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 533 Mt in 2019, according to preliminary trade data. This was up by an estimated 3.3% from 2018 and compares with a CAGR of approximately 5% for the period from 2014 to 2019, which is the fastest rate 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, year-on-year variations in crop surpluses and deficits and, latterly, by import tariffs.

Soy is the largest of the three main categories of grain trade with Brazil, the United States and Argentina being 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. The introduction of import tariffs by China on US soybeans in 2018 served to boost soybean volumes from Brazil to China at the expense of the US in 2018 and 2019, leading US suppliers to seek alternative markets. Despite outbreaks of African swine fever reducing animal feed demand and, in turn, soybean imports into China, world soybean and meal trade continued to grow by 3.1% to an annual record of 199 Mt in 2019. 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 being 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 1.45 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 into 2019. 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). At the beginning of 2017 the Indonesian government partially relaxed its ban on unprocessed mineral ore exports with limited volumes re-entering the international market. However, uncertainties continue to surround the availability of South East Asian mineral ores with, for example, nickel ore exports from Indonesia prohibited once again from January 2020.

Despite these constraints, total minor bulk trade is estimated to have achieved a new annual record in 2019. The estimated CAGR for minor bulk trade volumes for the period from 2014 to 2019 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. Annual average growth in the major drybulk cargoes during the period from 1990 to 1999 was an estimated 2.2%, before accelerating sharply to 4.8% during the period from 2000 to 2009 and was sustained at an estimated 4.7% between 2010 and 2019.

The growth in drybulk trade volumes since 2000 has been primarily due to the rapid industrialization and urbanization of China. In the fifteen years from 2004, Chinese drybulk imports have increased more than five-fold from 357 Mt, 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 initially in response to Chinese-driven rises in commodity prices from 2004 to 2011 and subsequently reflecting movements in the commodity price cycle.

The table below provides a more detailed comparison of China's drybulk imports from 2014 to 2019, which shows a new annual record last year with preliminary data indicating an increase in aggregate volumes of 73.5 Mt to approximately 1,828 Mt in 2019. This was despite two consecutive annual declines in imports of iron ore in 2018 and 2019, which had made the greatest contribution to China's drybulk import growth over the last five years. The 138 Mt estimated net increase in iron ore imports between 2014 and 2019 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, leading to iron ore imports growing more rapidly than Chinese steel production between 2013 and 2017.

However, the relationship between the two changed in 2018, as the net fall in iron ore imports was accompanied by record levels of Chinese steel production. This was partly due to the government-enforced removal for environmental reasons of scrap steel-consuming induction furnace capacity in 2017 (which had hitherto been excluded from official Chinese steel production statistics). This move not only inflated steel production growth in 2018 official data, but also constrained iron ore consumption growth owing to the abundance of steel scrap previously used in induction furnaces. In addition, winter curtailment measures introduced by the government to combat pollution by heavy industry involve restrictions on iron ore sintering to the detriment of imported iron ore fines, while there was also some destocking at China's iron ore ports in 2018.

In 2019, constrained iron ore supply from both Australia (caused by weather-related disruption) and Brazil (chiefly from mining restrictions in the aftermath of the Brumadinho dam disaster) encouraged iron ore from alternative sources, including Canada, India, South Africa and Ukraine.

As in 2018, with grains impacted by tariffs, it was coal and, especially, the minor bulks that drove Chinese drybulk import growth in 2019. Bauxite (the main raw material for the aluminum industry) was the single largest category of minor bulk cargo imported by China in 2019, at 105.6 Mt, which was 21% above the annual total in 2018 and the highest year on record. Guinea was the biggest bauxite supplier to China, followed by Australia. There was continued resumption in imports from Indonesia in 2019, which had been the leading source of Chinese bauxite imports prior to 2014, but volumes remained modest by historical standards with the government announcing an export ban on nickel ore from January 2020. China's total annual nickel ore imports increased from 35.0 Mt in 2017 to 44.5 Mt in 2018 and an estimated 58.4 Mt in 2019.

**Chinese Drybulk Imports (Mt)**

| | **2014** | **2018** | **2019** | **CAGR** |
|---|---|---|---|---|
| Iron Ore | 932.9 | 1,064.8 | 1,070.5 | 3% |
| Coal* | 291.4 | 280.8 | 299.9 | 2% |
| Bauxite/Alumina | 41.8 | 88.0 | 107.3 | 21% |
| Grains | 90.6 | 108.6 | 106.4 | 4% |
| Other** | 181.3 | 221.2 | 246.7 | 4% |
| **Total of above** | **1,538** | **1,763.4** | **1,830.8** | 3% |

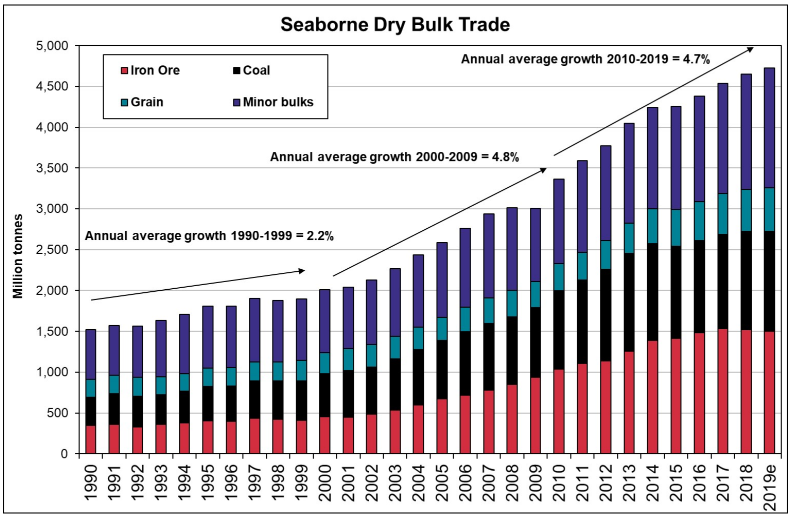
* Includes lignite, which is excluded from SSY's estimates for seaborne coal trade and categorized as a minor bulk.
** Includes mineral ores (such as nickel), pulp/wood chip/logs and petroleum coke.
*Source: Chinese Customs*

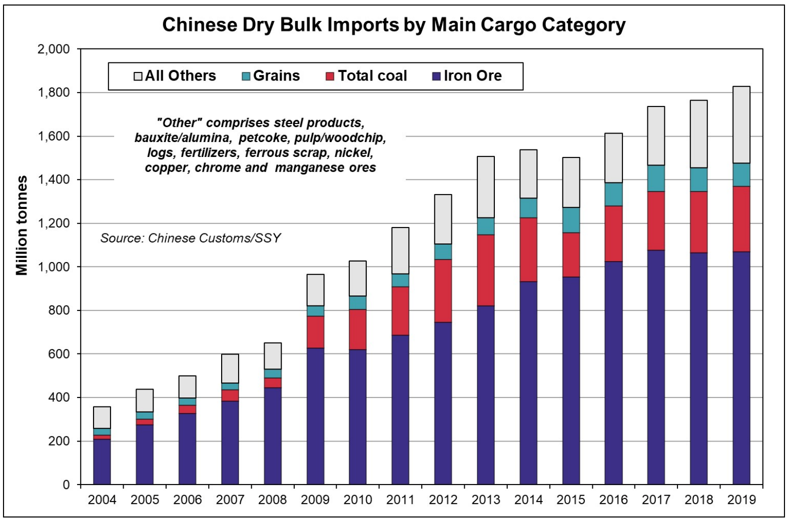
Growth in China's iron ore trades over the last 15 years has mainly been to the benefit of Capesize vessels, hauling cargoes from West Australia and Brazil. Australia and Indonesia are the primary sources of Chinese coal imports, while in the grain trades increased Chinese demand for soybeans from Latin America and the United States has boosted tonne-mile demand for Panamax and Supramax vessels.

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 2019 were estimated to be 19 Mt higher than their corresponding level in 2014, 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 South Korea, have also contributed to the region's import growth.

In contrast, European mineral imports staged only a partial recovery from their cyclical lows in 2009 and remained below their 2007 totals, before trending lower since 2014. This is partly due to slow economic growth in the Eurozone, but also policy driven changes in the region's energy mix away from coal. Consequently, Asia's share of world seaborne major bulk imports is estimated to have climbed to approximately 79% 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, but also US coal).






***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 2019, the total fleet of 10,000+ dwt drybulk carriers numbered approximately 11,292 vessels of 864.9 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 40.3% of the end-of-December 2019 total, followed by Panamaxes at 25.2%, Handymaxes at 23.5% and Handysizes at 11.0%.

**Handysize (10,000-39,999dwt):** 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 (40,000-64,999dwt):** 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 65,000 - 69,900 dwt, 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 metres, maximum length overall, or LOA, of 366m and maximum draft of 15.2m tropical fresh water, or TFW. This compares with the pre-existing, and still operational, locks which can accommodate ships to a maximum of 32.3m beam, 294.1m LOA and 12m TFW draft. For these reasons our 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. 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 (Mdwt):**

**As of December 31, 2019**

| ***Built/Dwt*** | ***10-39,999*** | ***40-64,999*** | ***65-99,999*** | ***100,000+*** | ***Total*** |
|---|---|---|---|---|---|
| Pre-1995 | 4.0 | 3.9 | 4.1 | 8.4 | 20.4 |
| 1995-99 | 8.3 | 11.0 | 13.0 | 6.7 | 39.0 |
| 2000-04 | 7.9 | 18.3 | 23.4 | 22.2 | 71.8 |
| 2005-09 | 14.1 | 33.3 | 34.5 | 59.3 | 141.2 |
| 2010-14 | 40.6 | 85.3 | 96.8 | 166.7 | 389.4 |
| 2015-19 | 19.8 | 51.9 | 46.1 | 85.5 | 203.3 |
| **Total Fleet** | **94.7** | **203.7** | **217.9** | **348.8** | **865.1** |
| ***Average Age*** | **12 Yrs** | **10 Yrs** | **10 Yrs** | **9 Yrs** | **11 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 p.a. between 2000 and 2007, inclusive) to 44.3 Mdwt in 2009, 79.8 Mdwt in 2010 and a peak of 100.6 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 in turn led to a slower pace of newbuilding deliveries in 2013 at an estimated 61.7 Mdwt followed by a further slowdown to 47.8 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 58,328 dwt Supramax vessel specifications used by the Baltic Exchange in constructing its daily Supramax Index. Using estimated bunker prices in Singapore, our calculations assume that at a speed of 14.0 knots the vessel consumes 33 tonnes of 380 centistoke fuel oil per day laden and 32 tonnes per day in ballast. 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, many vessels have been operating at slower speeds in order to lower their daily fuel consumption and costs.

Our calculations show 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 our 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 a four-year high of approximately $14,000 per day in 2018. The 2019 average of around $13,000 per day did, however, cover a wide range of daily bunkering costs from a high of approximately $19,300 per day to a low of approximately $8,500 per day, reflecting volatility in world oil markets.

Bunkering costs are a key area of attention for the shipping industry due to the International Maritime Organization's (IMO) mandated requirement for a lowering of the global limit for sulphur in marine fuel from the current 3.5% to 0.5% from 1 January 2020. In order to comply, shipowners either have to switch to alternative bunker fuels or invest in the installation of exhaust gas cleaning systems, or scrubbers, to allow the continued use of existing bunker fuels. In response to the sudden increase in demand for compliant fuel from vessels scrubbers (accounting for the majority of the dry bulk carrier fleet at 1 January 2020), the price of IMO-compliant Very Low Sulphur Fuel Oil of 0.5% Sulphur Fuel at major global bunkering centres had by the beginning of January 2020 established a significant premium to existing High Sulphur Fuel Oil of 3.5% sulphur, so doubling daily bunkering costs given spot pricing as at 1 January 2020 for vessels without on board exhaust gas cleaning systems installed.

Reflecting the increased ordering of more fuel-efficient vessels, there was a small net rise in drybulk carrier newbuilding deliveries in 2015 to 48.9 Mdwt, but the downward trend resumed in 2016 and continued in 2017 and 2018 with the 2018 annual newbuilding delivery total of 28.2 Mdwt being 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 and 2018 as vessel earnings firmed before slowing once more in 2019. The 2019 annual newbuilding delivery total subsequently rose to a three-year high of 40.9 Mdwt.

At an estimated 79.6 Mdwt, the total tonnage on order at the end of December 2019 represented approximately 9.2% of the existing fleet, compared with 11.5% at the end of December 2018. To provide some longer-term perspective, the corresponding end-year shares were 56.1% in 2007, 67.6% in 2008 and 57.3% in 2009, as illustrated in the chart below.

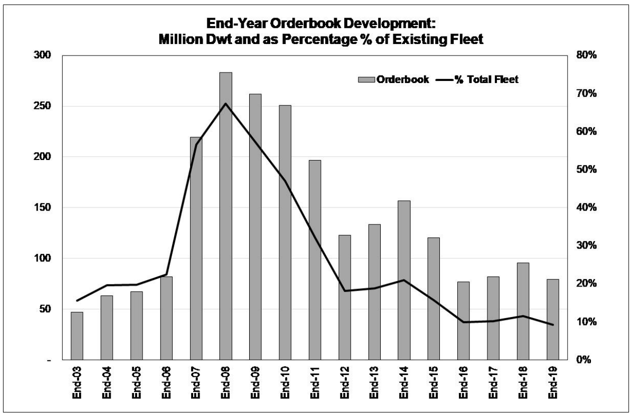
The table below summarizes the confirmed drybulk carrier orderbook as of the end of December 2019, by vessel size and scheduled year of delivery. These delivery dates can be subject to delay. For example, 2019 deliveries were an estimated 17.6% below the scheduled total as of January 1, 2020, which compared with a corresponding average rate of slippage from scheduled delivery dates in the previous five years of approximately 30.6%.

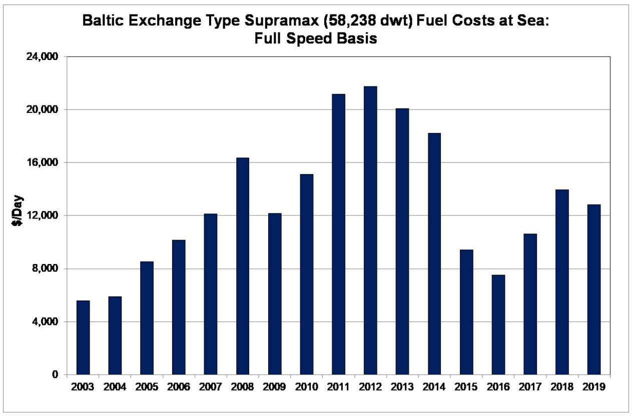
***Drybulk Carrier Newbuilding Orderbook by Size Range (Million Dwt):* As of December 31, 2019**

| *Delivery* | *10-39,999* | *40-64,999* | *65-99,999* | *100,000+* | *Total* |
|---|---|---|---|---|---|
| 2020 | 3.1 | 11 | 15.5 | 29.4 | 59 |
| 2021 | 1.1 | 2.8 | 4.1 | 11.1 | 19.1 |
| 2022 | — | 0.1 | 0.3 | 0.8 | 1.2 |
| 2023 | — | — | 0.2 | — | 0.2 |
| **Total** | **4.2** | **13.9** | **20.1** | **41.3** | **79.5** |
| ***% of Fleet*** | ***4.4%*** | ***6.8%*** | **9.2%** | **11.9%** | **9.2%** |

*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 2019, against the background of a generally firmer freight market, the average age of Handysize, Handymax and Panamax vessels scrapped was over 29 years, whereas for Capesize vessels it was 23 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 and fuel-efficiency 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 IMO's convention on Ballast Water Management, where effective implementation for existing vessels entered 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 14.8 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 10-year low of 4.8 Mdwt in 2018 followed by 7.9 Mdwt in 2019 from approximately 30.0 Mdwt per annum in both 2015 and 2016.

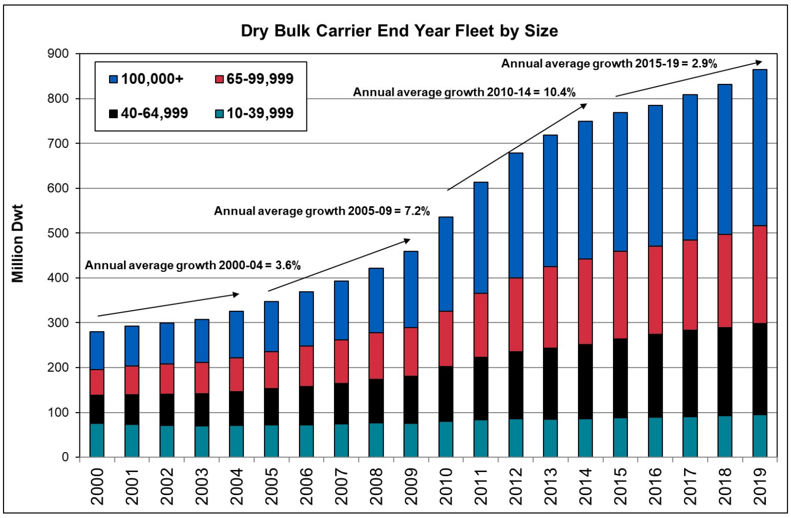



The low levels of demolition in 2018 and 2019 helped to ensure a net rise in the pool of drybulk tonnage aged over 15 years. At the end of December 2019, there were approximately 20.4 Mdwt of ships aged 25 years or older in the drybulk carrier fleet, with an additional 39.1 Mdwt aged 20 to 24 years and 71.8 Mdwt aged 15 to 19 years. The highest concentration of vessels aged 20 years and above was in the Handysize sector, accounting for 13.0% of dwt capacity in this size range as of the end of December 2019, compared with 7.3% of Handymaxes, 7.8% of Panamaxes and 4.4% of Capesizes.

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 2.2% 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 3.0% followed by a similar growth rate of 2.9% before accelerating to an estimated 4.0% between 1 January and 31 December 2019, on limited scrapping activity. 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.

The four main segments of the drybulk fleet grew at contrasting rates in 2019, ranging from an estimated 5.3% for Panamaxes to 2.2% for Handysizes. A greater contrast is apparent when reviewing fleet developments over the period between 2015 and 2019, when the 10,000-39,999 dwt Handysize fleet grew at an estimated CAGR of 2.0%, compared with 4.5% for 40,000-64,999 dwt Handymaxes, 2.7% for 65,000-99,999 dwt Panamaxes and 2.6% for 100,000+ dwt Capes. Reflecting its faster than average growth, the Handymax sector’s share of total dwt capacity has risen from 22.0% at the end of 2014 to an estimated 23.5% as of the end of December 2019. By comparison, the same five-year period saw a decreased share of the fleet accounted for by Handysizes, falling from 11.5% to 10.9%, Panamaxes, from 25.5% to 25.2% and Capesizes, from 41.0% to 40.3%.




***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(s) 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.

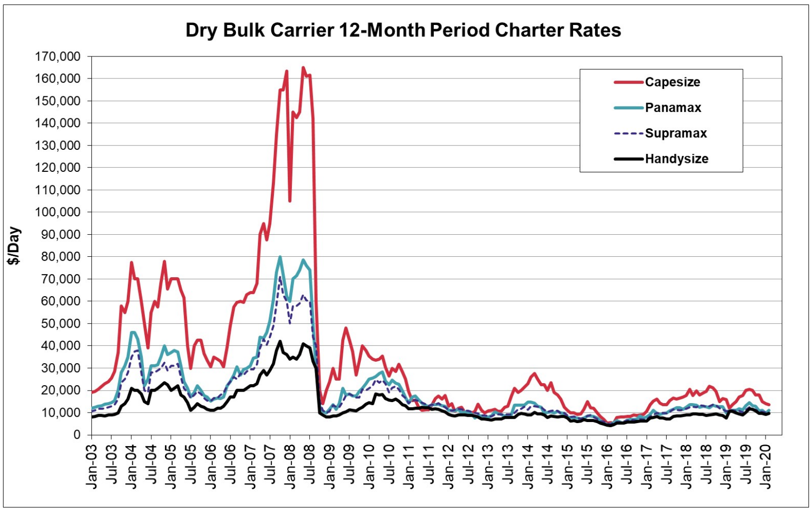
Given the diversity of routes and cargoes traded by the drybulk fleet, freight market measures tend to focus on average worldwide spot earnings (expressed in US$ per day). The most recognized of these measures are published on a daily basis by the Baltic Exchange in London. In addition to global averages for standard designs of Handysize (38,200 dwt), Supramax (58,328 dwt), Panamax (82,500 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).

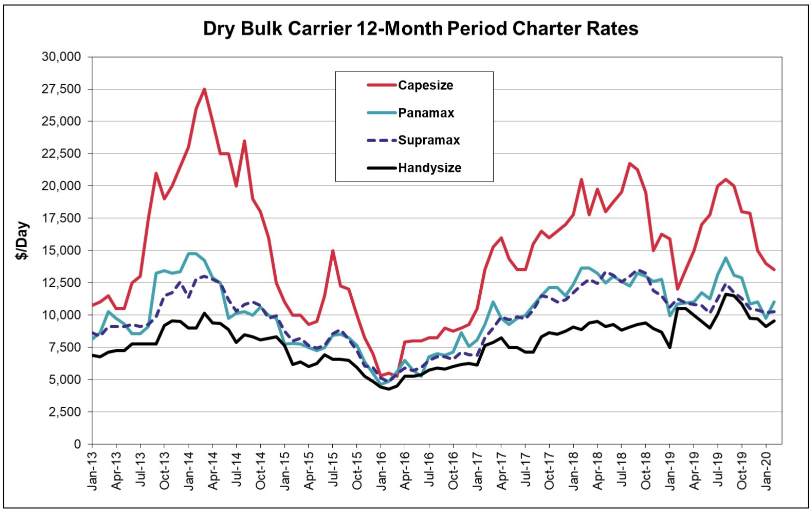
From its all-time high of almost 12,000 points in May 2008, just prior to the global financial crisis, the BDI fell to below 700 points in December of the same year. After partial recovery in 2009, negative pressure on freight markets returned under the weight of sustained fleet supply growth. At 920 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, monthly and quarterly lows in the first quarter of 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. Despite a partial rebound over the rest of the year, the BDI's annual average in 2016 of 673 points was the lowest since its inception in 1985.

However, 2017 did see the first rise in the BDI's annual average for four years, to 1,145 points. This was followed by further gains in 2018, when the annual average of 1,353 points was a 7-year high and was followed by an identical annual average in 2019. Volatility remained a feature of drybulk spot markets in 2019, with the BDI moving from a monthly average of 629 points in February followed by an average of 2,255 in September, before retreating below 800 points once more in early 2020.

The first of the charts below traces developments in representative 12-month charter rates for the four main vessel sizes from January 2003 to early March 2020, 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 2013. 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 the commencement of a revival during the second half of 2016. This was followed by further increases in 2017 and 2018, which saw period rates rise to their highest levels since 2014 before some softening into early 2019. Subsequently, period rates recovered over the course of 2019, but softened again from late 2019. 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).

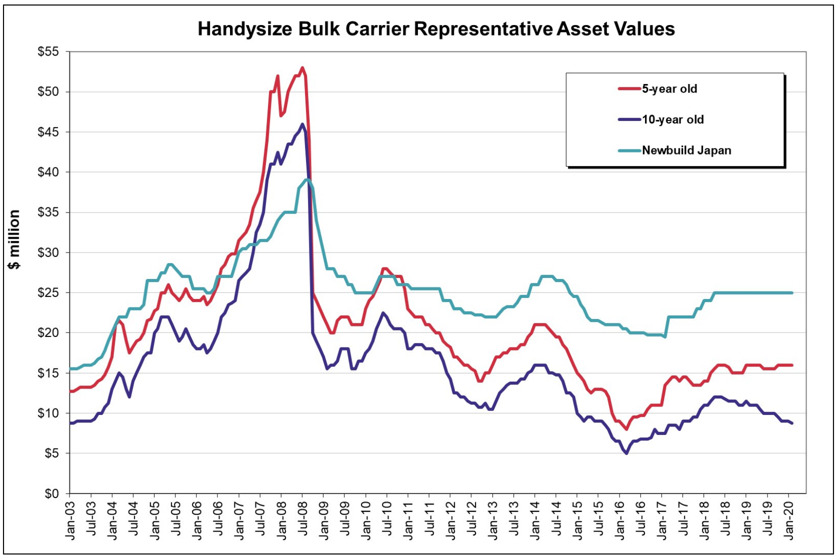
Panamax bulk carrier newbuilding prices in Japan peaked at $56 million in the third quarter of 2008 and subsequently fell to $29 million in the final quarter of 2012. By the end of 2013 Japanese prices had climbed to a 38-month high of $35 million, chiefly as the result of recovering newbuilding demand, 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 that year, Japanese Panamax newbuilding prices reached their lowest level since 2003 at an estimated $23.5 million. From these lows there was a sharp rebound in Japanese prices to an estimated $33.0 million during the second half of 2018, before easing to $32.0 million through most of 2019.

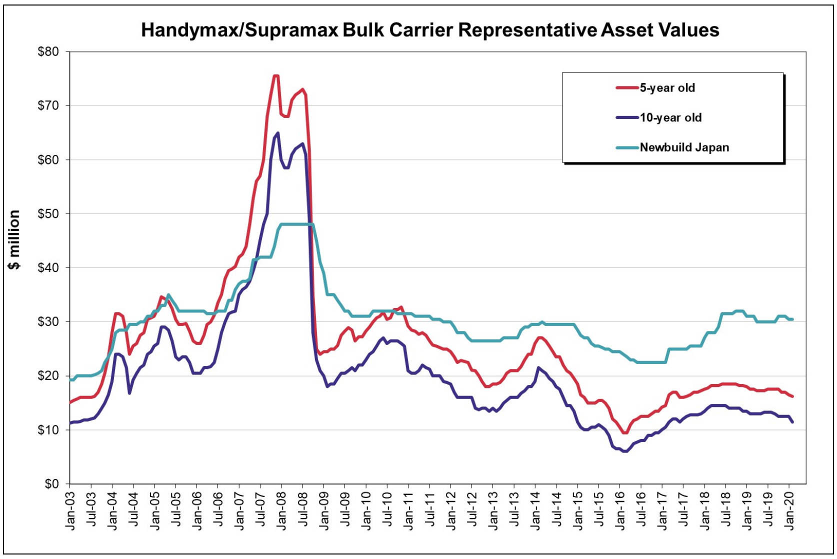
Second-hand values are primarily shaped by actual and anticipated earnings, newbuilding replacement costs (which are relevant for modern vessels) and residual scrap value (more relevant for older units). To an extent, prices are also influenced by the availability and cost of ship financing, as this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

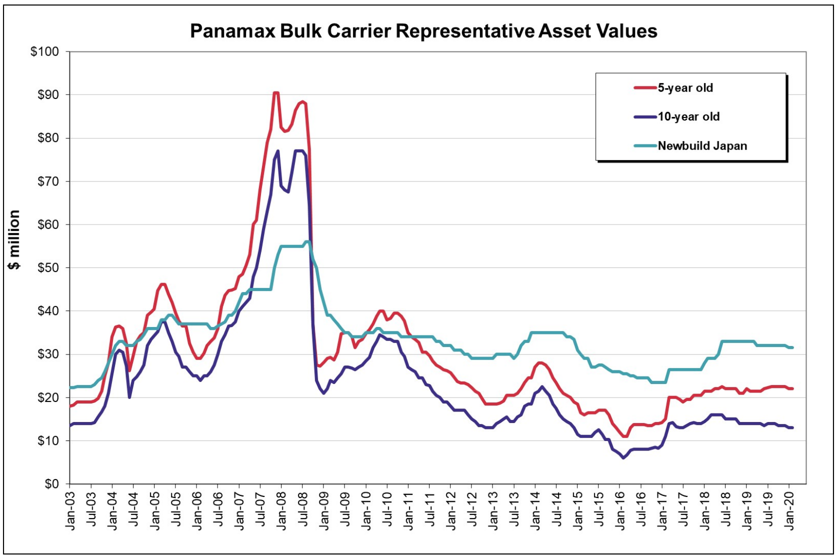
The charts below compare the development of representative newbuilding, five-year old and ten-year old second-hand prices for Handysize, Handymax, Panamax and Capesize vessels since 2003. Individual vessel prices vary according to such factors as specific size, age, cargo gear, yard of build and fuel 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.

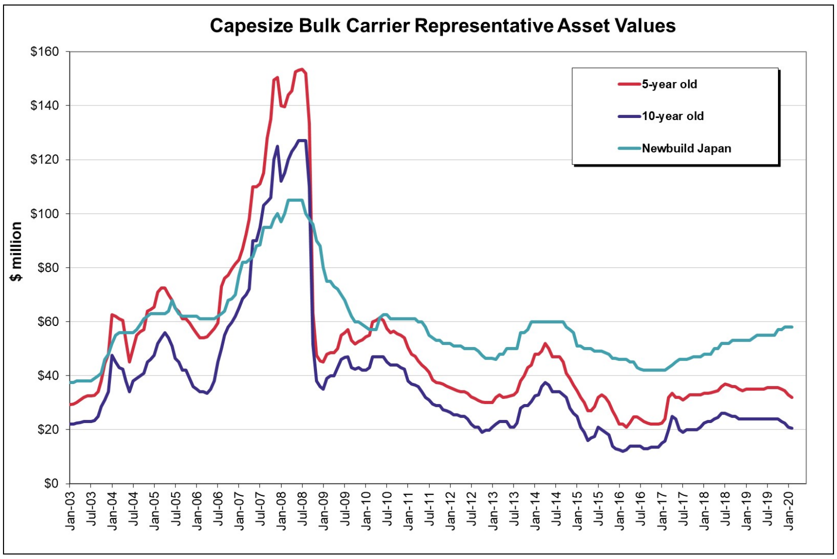
Consequently, the percentage decline in second-hand prices between 2008 and 2012 was more severe than for newbuildings. Prices showed a firmer trend from the beginning of 2013 to March 2014, when five-year old values rose by an average of approximately 50%, led by a 60-70% increase in Capesize prices. 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 $22.5 million at the end of 2019.

There were similar percentage movements in Supramax and Handysize five-year old prices over the same period, while Capesize values are estimated to have shown smaller, but still substantial, percentage increases from the lows of 2016.




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-03 Jul-03 Jan-04 Jul-04 Jan-05 Jul-05 Jan-06 Jul-06 Jan-07 Jul-07 Jan-08 Jul-08 Jan-09 Jul-09 Jan-10 Jul-10 Jan-11 Jul-11 Jan-12 Jul-12 Jan-13 Jul-13 Jan-14 Jul-14 Jan-15 Jul-15 Jan-16 Jul-16 Jan-17 Jul-17 Jan-18 Jul-18 Jan-19 Jul-19 Jan-20


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-03 Jul-03 Jan-04 Jul-04 Jan-05 Jul-05 Jan-06 Jul-06 Jan-07 Jul-07 Jan-08 Jul-08 Jan-09 Jul-09 Jan-10 Jul-10 Jan-11 Jul-11 Jan-12 Jul-12 Jan-13 Jul-13 Jan-14 Jul-14 Jan-15 Jul-15 Jan-16 Jul-16 Jan-17 Jul-17 Jan-18 Jul-18 Jan-19 Jul-19 Jan-20




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

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

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the United States Coast Guard (“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 permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

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

***International Maritime Organization***

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (the “IMO”), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as “MARPOL,” adopted the International Convention for the Safety of Life at Sea of 1974 (“SOLAS Convention”), and the International Convention on Load Lines of 1966 (the “LL Convention”). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to drybulk, tanker and LNG carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried in bulk in liquid or in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997; new emissions standards, titled IMO-2020, became effective on January 1, 2020.

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

In June 2015 the IMO formally adopted the International Code of Safety for Ships using Gases or Low flashpoint Fuels, or the "IGF Code", which is designed to minimize the risks involved with ships using low flashpoint fuels- including LNG. The IGF Code will be mandatory under SOLAS through the adopted amendments. The IGF Code and the amendments to SOLAS became effective January 1, 2017.

*Air Emissions*

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

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

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

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

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

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

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

*Safety Management System Requirements*

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

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

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

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

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

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

The IMO's Maritime Safety Committee and MEPC, respectively, each adopted relevant parts of the International Code for Ships Operating in Polar Water (the "Polar Code"). The Polar Code, which entered into force on January 1, 2017, covers design, construction, equipment, operational, training, search and rescue as well as environmental protection matters relevant to ships operating in the waters surrounding the two poles. It also includes mandatory measures regarding safety and pollution prevention as well as recommendatory provisions. The Polar Code applies to new ships constructed after January 1, 2017, and after January 1, 2018, ships constructed before January 1, 2017 are required to meet the relevant requirements by the earlier of their first intermediate or renewal survey.

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

*Pollution Control and Liability Requirements*

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

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

Once mid-ocean ballast water treatment requirements become mandatory under the BWM Convention, the cost of compliance could increase for ocean carriers and may have a material effect on our operations. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The U.S., for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements.

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

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

*Anti-Fouling Requirements*

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

*Compliance Enforcement*

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future**.** The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

***United States Regulations***

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

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

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

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

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

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

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

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

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

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective November 12, 2019, the USCG adjusted the limits of OPA liability for non-tank vessels, edible oil tank vessels, and any oil spill response vessels, to the greater of $1,200 per gross ton or $997,100 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident as required by law where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

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

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

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

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

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 operation.

*Other United States Environmental Initiatives*

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

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

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

***European Union Regulations***

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually, which may cause us to incur additional expenses.

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

***International Labour Organization***

The International Labor Organization (the "ILO") is a specialized agency of the UN that has adopted the Maritime Labor Convention 2006 ("MLC 2006"). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with MLC 2006 for all ships of 500 gross tons or engaged in international trade and flying the flag of a Member and operating from a port, or between ports, in another country. We believe that all our vessels are in substantial compliance with and are certified to meet MLC 2006.

***Greenhouse Gas Regulation***

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the

Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. The U.S. initially entered into the agreement, but on June 1, 2017, the U.S. President announced that the United States intends to withdraw from the Paris Agreement, which provides for a four-year exit process, meaning that the earliest possible effective withdrawal date cannot be before November 4, 2020. The timing and effect of such action has yet to be determined.

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

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

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

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

***Vessel Security Regulations***

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

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port Facilities Security Code (“the ISPS Code”). The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate (“ISSC”) from a recognized security organization approved by the vessel’s flag state. Ships operating without a valid certificate may be detained, expelled from or refused entry at port until they obtain an ISSC. The various requirements, some of which are found in the SOLAS Convention, include, for example, on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship’s identity, position, course, speed and navigational status; on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore; the development of vessel security plans; ship identification number to be permanently marked on a vessel’s hull; a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and compliance with flag state security certification requirements.

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

**Inspection by Classification Societies**

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 SOLAS. Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified “in class” by a classification society which is a member of the International Association of Classification Societies, the IACS. The IACS has adopted harmonized Common Structural Rules, or “the Rules”, which apply to oil tankers and bulkers contracted for construction on or after July 1, 2015. The Rules attempt to create a level of consistency between IACS Societies. All our vessels are certified as being “in class” by all the applicable Classification Societies (e.g. American Bureau of Shipping, Lloyd’s Register of Shipping).

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel’s machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be drydocked every 30 to 36 months for inspection of the underwater parts of the vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

**Risk of Loss and Liability Insurance**

***General***

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes liabilities upon shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the United States market. We carry insurance coverage as customary in the shipping industry. However, not all risks can be insured, specific claims may be rejected, and we might not be always able to obtain adequate insurance coverage at reasonable rates.

***Marine Risks Covered***

We procure marine hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance and war risk insurance and freight, demurrage and defense insurance for our fleet. We generally do not maintain insurance against loss of hire (except for certain charters for which we consider it appropriate), which is mainly triggered when H&M covered risks that result in the loss of use of a vessel.

***Protection and Indemnity Insurance***

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

Our current protection and indemnity insurance coverage for pollution is $1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world’s commercial tonnage and have entered into a pooling agreement to reinsure each association’s liabilities. The International Group’s website states that the Pool provides a mechanism for sharing all claims in excess of US$10 million up to, currently, approximately US$ 8.2 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 our claim records as well as the claim records of all other members of the individual associations and members of the shipping 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. Please see Exhibit 8.1 to this annual report for a list of our current subsidiaries.

### D. Property, Plants and Equipment

Our only material physical assets consist of our vessels 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.

We are organized by vessel type into two operating 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.

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 or finance leased 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 |

During 2019, and as of the date of this annual report, all of our owned, finance leased and time chartered-in vessels are operating in the Scorpio 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, which it may choose to subcontract to other parties at its discretion.

***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, and TCE revenue as determined in accordance with U.S. GAAP for the years ended December 31, 2019, and 2018, as well as reconciliations of adjusted net income or loss and related per share amounts and adjusted EBITDA in accordance with U.S. GAAP for the year ended December 31, 2019 are provided below.

***EBITDA***

| | For the Year Ended December 31, | |
|---|---|---|
| *In thousands* | **2019** | **2018** |
| Net income (loss) | $ 44,654 | $ (12,698) |
| Adjustments: | | |
| Net interest expense | 42,887 | 39,180 |
| Depreciation and amortization [1] | 70,775 | 74,070 |
| **EBITDA** | $ 158,316 | $ 100,552 |

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

***Adjusted net loss***

| | For the Year Ended December 31, 2019 | |
|---|---|---|
| *In thousands, except per share amounts* | **Amount** | **Per share** |
| Net income (loss) | $ 44,654 | $ 0.64 |
| Adjustments: | | |
| Loss / write down on assets held for sale | 37,289 | 0.54 |
| Write off of deferred financing cost | 681 | 0.01 |
| Total adjustments | 37,970 | 0.55 |
| **Adjusted net income (loss)** | $ 82,624 | $ 1.19 |

***Adjusted EBITDA***

| | | For the Year Ended December 31, |
|---|---|---|
| *In thousands* | | **2019** |
| Net income (loss) | $ | 44,654 |
| Impact of Adjustments [(1)] | | 37,970 |
| **Adjusted net income (loss)** | | 82,624 |
| Add Back: | | |
| Net interest expense | | 42,887 |
| Depreciation and amortization [(2)] | | 70,094 |
| **Adjusted EBITDA** | $ | 195,605 |

[(1)] Includes loss/write down on assets held for sale of $37.3 million and a write off of deferred financing costs of $0.7 million for 2019 and loss/write down on assets held for sale of $17.7 million and a write off of deferred financing costs of $0.5 million for 2017.
[(2)] Includes depreciation, amortization of deferred financing costs and restricted stock amortization.

***TCE Revenue***

Time Charter Equivalent, or 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 charterhire rates for vessels on voyage charters are generally not expressed in per-day amounts while charterhire rates for vessels on time charters generally are expressed in such amounts.

| | For the Year Ended December 31, | | | |
|---|---|---|---|---|
| *In thousands* | **2019** | | **2018** | |
| Vessel Revenues | $ | 224,579 | $ | 242,502 |
| Less: | | | | |
| Voyage expenses | | (4,200) | | (549) |
| **TCE revenue** | $ | 220,379 | $ | 241,953 |

***Executive Summary for the Year Ended December 31, 2019***

For the year ended December 31, 2019, net income was $44.7 million, or $0.64 per diluted share, compared to a net loss of $12.7 million, or $0.18 per diluted share, in the same period in 2018. Results for 2019 include a non-cash gain of approximately $114.7 million and cash dividend income of $2.2 million, or $1.68 per diluted share, primarily from the Company's equity investment in Scorpio Tankers Inc., a related party, charges of approximately $38.0 million, or $0.55 per diluted share, related to the sales of the SBI Electra, SBI Flamenco, SBI Cougar and SBI Puma and the related write-off of deferred financing costs on the credit facilities related to those vessels, as well as the classification of four Ultramax vessels as held for sale, and the write-off of deferred financing costs of approximately $3.1 million, or $0.04 per diluted share, related to the refinancing of existing debt. EBITDA for 2019 and 2018 were $158.3 million and $100.6 million, respectively (see Non-GAAP Financial Measures below).

For 2019, the Company's adjusted net income was $82.6 million, or $1.19 adjusted per diluted share, which excludes the impact of the write-down of assets either sold or held for sale and the write-off of related deferred financing costs totaling $38.0 million. Adjusted EBITDA for 2019 was $195.6 million. There were no such non-GAAP adjustments to net loss in 2018 (see Non-GAAP Financial Measures below).

Total vessel revenues for 2019 were $224.6 million compared to $242.5 million for prior year period. Our TCE revenue (see Non-GAAP Financial Measures) for 2019 was $220.4 million, a decrease of $21.6 million from the prior year period.

Total operating expenses for the year ended December 31, 2019 were $246.0 million, including the write-down of assets either sold or held for sale of $37.3 million, compared to $199.2 million in 2018. This increase was due primarily to the aforementioned write-downs and an increase in charterhire expense due to the increase in the number of vessels time chartered-in.

During 2019, we paid a special stock dividend to our shareholders of an aggregate of approximately one million shares of common stock of Scorpio Tankers, a related party. We also maintained our $0.02 quarterly dividend, paying out approximately $5.7 million in cash in aggregate.

**Results for the Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018**

***Ultramax Operations***

| | For the Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2019 | 2018 | Change | % Change |
| **TCE Revenue:** | | | | |
| Vessel revenue | $ 138,387 | $ 155,197 | $ (16,810) | (11) |
| Voyage expenses | 1,512 | 330 | 1,182 | 358 |
| **TCE Revenue** | $ 136,875 | $ 154,867 | $ (17,992) | (12) |
| **Operating expenses:** | | | | |
| Vessel operating costs | 67,305 | 71,220 | (3,915) | (5) |
| Charterhire expense | 3,726 | 3,754 | (28) | (1) |
| Vessel depreciation | 35,932 | 37,287 | (1,355) | (4) |
| General and administrative expense | 4,152 | 4,344 | (192) | (4) |
| Loss / write down on assets held for sale | 29,936 | — | 29,936 | NA |
| **Total operating expenses** | $ 141,051 | $ 116,605 | $ 24,446 | 21 |
| **Operating (loss) income** | $ (4,176) | $ 38,262 | $ (42,438) | (111) |

Vessel revenue for our Ultramax Operations decreased to $138.4 million in 2019 from $155.2 million in 2018.

TCE revenue (see Non-GAAP Financial Measures) for our Ultramax Operations was $136.9 million for 2019 compared to $154.9 million for the prior year. During both periods, our Ultramax fleet consisted of a day-weighted average of 37 vessels owned or finance leased and one vessel time chartered-in. TCE revenue per day was $10,291 and $11,226 for 2019 and 2018, respectively.

| | For the Year Ended December 31, | | | |
|---|---|---|---|---|
| **Ultramax Operations:** | 2019 | 2018 | Change | % Change |
| TCE Revenue | $ 136,875 | $ 154,867 | $ (17,992) | (12) |
| TCE Revenue / Day | $ 10,291 | $ 11,226 | $ (935) | (8) |
| Revenue Days | 13,300 | 13,795 | (495) | (4) |

Our Ultramax Operations vessel operating costs were $67.3 million in 2019, including approximately $2.3 million of takeover costs and contingency expenses compared with vessel operating costs for the prior year of $71.2 million, relating to 37 vessels owned or finance leased on average during both periods. Daily operating costs excluding takeover costs and contingency expenses for 2019 of $4,873 were down slightly from the prior year period of $4,962 due to the timing of repairs and the purchase of spares and stores.

Charterhire expense for our Ultramax Operations was approximately $3.7 million for 2019 and $3.8 million for 2018 and relates to the vessel the Company time chartered-in at $10,125 per day until September 2019, when the Company exercised its option to extend the time charter for one year at $10,885 per day.

Ultramax Operations depreciation decreased from $37.3 million in 2018 to $35.9 million in 2019 due to the sale or classification as held for sale of a total of six vessels during 2019.

General and administrative expense for the Company's Ultramax Operations, which consists primarily of administrative service fees, which are incurred on a per vessel per day basis, and bank charges, which are incurred based on the number of transactions, was $4.2 million for 2019 and $4.3 million for 2018.

During 2019, the Company recorded a write-down on assets held for sale related to the classification of six vessels as held for sale. The sale of the SBI Cougar and SBI Puma was completed in October 2019 and four vessels remained classified as held for sale at December 31, 2019.

***Kamsarmax Operations***

| | For the Year Ended December 31, | | Change | % Change |
|---|---|---|---|---|
| | **2019** | **2018** | | |
| **TCE Revenue:** | | | | |
| Vessel revenue | $ 86,192 | $ 87,305 | $ (1,113) | (1) |
| Voyage expenses | 2,688 | 219 | 2,469 | 1,127 |
| **TCE Revenue** | $ 83,504 | $ 87,086 | $ (3,582) | (4) |
| **Operating expenses:** | | | | |
| Vessel operating costs | 33,816 | 34,255 | (439) | (1) |
| Charterhire expense | 13,498 | 422 | 13,076 | 3,099 |
| Vessel depreciation | 18,292 | 19,320 | (1,028) | (5) |
| General and administrative expense | 2,083 | 2,069 | 14 | 1 |
| Loss / write down on assets held for sale | 7,353 | — | 7,353 | NA |
| **Total operating expenses** | $ 75,042 | $ 56,066 | $ 18,976 | 34 |
| **Operating loss** | $ 8,462 | $ 31,020 | $ (22,558) | 73 |

Vessel revenue for our Kamsarmax Operations decreased slightly to $86.2 million in 2019 from $87.3 million in the prior year.

TCE revenue (see Non-GAAP Financial Measures) for our Kamsarmax Operations was $83.5 million for 2019 associated with a day-weighted average of 18 vessels owned or finance leased and three vessels time chartered-in, compared to $87.1 million for the prior year, associated with a day-weighted average of 19 vessels owned or finance leased. TCE revenue per day was $11,671 and $13,127 for 2019 and 2018, respectively.

| | For the Year Ended December 31, | | Change | % Change |
|---|---|---|---|---|
| **Kamsarmax Operations:** | **2019** | **2018** | | |
| TCE Revenue | $ 83,504 | $ 87,086 | $ (3,582) | (4) |
| TCE Revenue / Day | $ 11,671 | $ 13,127 | $ (1,456) | (11) |
| Revenue Days | 7,155 | 6,634 | 521 | 8 |

Kamsarmax Operations vessel operating costs were $33.8 million for 2019, including approximately $1.2 million of takeover costs and contingency expenses, compared with vessel operating costs of $34.3 million in the prior year and related to 18 and 19 vessels owned or finance leased on average, respectively. Daily operating costs excluding takeover costs and contingency expenses increased for 2019 from 2018 at $4,986 and $4,940, respectively, due to the timing of spares and stores purchases as well as the timing of repairs and maintenance.

Kamsarmax Operations charterhire expense was $13.5 million in 2019, relating to five vessels we began time chartering-in during 2019. Prior to that, we were a party to a profit and loss sharing agreement related to one Kamsarmax vessel with a third party for which we recorded our residual share of the profit or loss.

Kamsarmax Operations depreciation was $18.3 million and $19.3 million in 2019 and 2018, respectively reflecting the decrease in vessels owned or finance leased following the sale of the SBI Electra and SBI Flamenco.

General and administrative expense for Kamsarmax Operations was $2.1 million for both 2019 and 2018. The expense consists primarily of administrative services fees, which are incurred on a per vessel per day basis, and bank charges, which are incurred based on the number of transactions.

During 2019, we recorded a write-down of assets held for sale related to the sale of the SBI Electra and SBI Flamenco totaling approximately $7.4 million.

***Corporate***

Certain general and administrative expenses the Company incurs, as well as all of its financial expenses and investment income or losses, are not attributable to a specific segment. Accordingly, these costs are not allocated to the Company's segments. These general and administrative expenses, including compensation, audit, legal and other professional fees, as well as the costs of being a public company, such as director fees, were $25.7 million and $25.9 million in 2019 and 2018, respectively. The year over year decrease is due primarily to fees incurred in relation to the investment in Scorpio Tankers Inc., offset in part by an increase in non-cash restricted stock amortization.

We recorded a non-cash gain of approximately $114.7 million and cash dividend income of $2.2 million during 2019 and a non-cash loss of approximately $7.7 million and cash dividend income of $0.5 million during 2018 primarily from our equity investment in Scorpio Tankers.

Financial expenses, net of interest income increased to $50.7 million in 2019 from $48.8 million in the prior year period due to higher levels of debt. In 2019, approximately $3.7 million of deferred financing costs were written off related to vessel sales and debt refinancings under our new sale and leaseback transactions.

**Results for the Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017**

For a discussion of our results for the year ended December 31, 2018 compared to the year ended December 31, 2017, please see "Item 5 - Operating and Financial Review and Prospects - A. Operating Results - Results for the Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017" contained in our annual report on Form 20-F for the year ended December 31, 2018, filed with the SEC on March 20, 2019.

**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, 2019. If we were to apply those valuations to the carrying value of our vessels as of December 31, 2019, the aggregate carrying value would exceed the aggregate fair value of our vessels by approximately $156.0 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**

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 or asset group and its eventual disposition.

For purposes of recognition and measurement of an impairment loss, long-lived assets are grouped with other assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets, which is generally at the vessel pool level for vessels operating within pools. In performing our impairment review, we perform a recoverability test comparing an estimate of undiscounted cash flows to carrying value to determine if the asset group is impaired. In developing our estimates of undiscounted cash flows, we make significant assumptions and estimates about 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 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.

An impairment loss is recognized when the carrying amount of the asset group is greater than both the undiscounted cash flows and its fair value. In instances where the carrying value of an asset group is not recoverable, measurement of the impairment loss is based upon the amount by which the collective fair values of the vessels in the asset group exceed their collective carrying values. The fair values are determined based upon available market data as well as third party valuations performed on each individual vessel.

During our fourth quarter 2019 assessment, we determined that the undiscounted future income streams expected to be generated by each asset group, over their remaining operating lives exceeded and therefore would be sufficient to recover their respective carrying values and, accordingly, we confirmed that our vessels were not impaired under U.S. GAAP. As of December 31, 2019 we owned 52 vessels with an average remaining useful life of 21.1 years.

During our fourth quarter 2018 assessment, we determined that the undiscounted future income streams expected to be generated by each asset group, over their remaining operating lives exceeded and therefore would be sufficient to recover their respective carrying values and, accordingly, we confirmed that our vessels were not impaired under U.S. GAAP.

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

In our impairment testing, we also examine the sensitivity of the future income streams expected to be earned and carrying values to be recovered 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 a sensitivity analysis based on more conservative expected useful lives and carrying amounts for our vessels. In the sensitivity analysis, we decreased our vessels' estimated useful lives by approximately 5% for each vessel class and increased the carrying values of our Kamsarmax fleet and our Ultramax fleet by 8% and 19%, respectively, (holding all other critical assumptions constant). We then evaluated the outcome of the sensitivity analysis performed to assess their impact on our conclusions. In the analysis, we found that there was no impairment of any of our assets or asset groups.

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 decrease, 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 we participate 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 Pools, in the spot market or, under certain circumstances on time charter. We believe that the Scorpio 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, 2019, cash and cash equivalents totaled $42.5 million. We believe that our current cash and cash equivalents balance and operating cash flows, our ability to sell or refinance certain vessels or to sell our investment in Scorpio Tankers, as well as our access to credit markets 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 contractual payments for exhaust gas cleaning systems (see *Liquidity Risk* section of Note 1, *Organization and Basis of Presentation*, to the consolidated financial statements).

***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) | 2019 | 2018 | 2017 |
| Net income (loss) | $ 44,654 | $ (12,698) | $ (59,726) |
| Adjustment to reconcile net loss to net cash provided by (used in) operating activities: | (15,997) | 81,247 | 84,181 |
| Related party balances | 2,993 | (195) | (7,568) |
| Effect of changes in other working capital and operating assets and liabilities | 2,230 | 2,092 | 2,695 |
| Net cash provided by operating activities | $ 33,880 | $ 70,446 | $ 19,582 |

The cash flow provided by operating activities for 2019 reflects the lower time charter rates earned during the period. Our non-cash items include unrealized gains on investments, the loss/write-down on vessels held for sale, vessel depreciation, amortization of restricted stock and deferred financing costs.

***Investing Activities***

Net cash provided by investing activities of $53.8 million during 2019 primarily reflects the proceeds received from the sale of four vessels partially offset by payments made on our scrubber program.

***Financing Activities***

Net cash used financing activities of $112.7 million primarily reflects the redemption of our Senior Notes, repayment of debt related to vessel sales and the repayment of the revolving line of credit available under the $184.0 Million Credit Facility.

***Secured Credit Facilities and Financing Obligations***

As of December 31, 2019, we had $738.7 million of outstanding borrowings under the credit agreements and financing obligations described below as shown in the following table (dollars in thousands):

| | December 31, 2019 | March 31, 2020 |
|---|---|---|
| | Amount outstanding | Amount outstanding |
| $12.5 Million Credit Facility | $ 8,617 | $ — |
| $27.3 Million Credit Facility | 8,813 | — |
| $85.5 Million Credit Facility | 46,499 | 45,404 |
| $38.7 Million Credit Facility | 10,200 | 9,900 |
| $12.8 Million Credit Facility | 11,475 | 11,475 |
| $30.0 Million Credit Facility | 27,198 | 26,642 |
| $60.0 Million Credit Facility | 26,573 | 26,008 |
| $184.0 Million Credit Facility | 130,145 | 161,374 |
| $34.0 Million Credit Facility | 31,571 | 33,714 |
| $90.0 Million Credit Facility | 82,100 | 80,125 |
| $19.6 Million Lease Financing - SBI Rumba | 16,883 | 16,570 |
| $19.0 Million Lease Financing - SBI Tango | 17,303 | 17,008 |
| $19.0 Million Lease Financing - SBI Echo | 17,396 | 17,116 |
| $20.5 Million Lease Financing - SBI Hermes | 19,059 | 18,739 |
| $21.4 Million Lease Financing - SBI Samba | 20,384 | 20,033 |
| CMBFL Lease Financing | 113,006 | 110,325 |
| $45.0 Million Lease Financing - SBI Virgo & SBI Libra | 40,027 | 39,279 |
| AVIC Lease Financing | 111,450 | 109,077 |
| $67.3 Million Lease Financing | — | 40,726 |
| Total | $ 738,699 | $ 783,515 |

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**

Our credit facilities and financing obligations 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.

- Minimum liquidity of not less than the greater of $25.0 million or $0.7 million per owned vessel.

- Minimum fair value of the collateral for each credit facility, such that the aggregate fair value of the vessels collateralizing the credit facility is between 140% and 160% 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.

- Minimum fair value of the vessel for certain financing obligations be 115% of the principal amount outstanding under such financing obligation, or, if we do not meet this threshold, to prepay a portion of the financing obligation 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; or
- 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.

In addition, the Company's credit facilities and finance leases contain subjective acceleration clauses under which the debt could become due and payable in the event of a material adverse change in the Company's 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, 2019, 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.

***AVIC Lease Financing***

On June 27, 2019, we closed a financing transaction involving the sale and leaseback of three Ultramax vessels (SBI Antares, SBI Bravo and SBI Leo) and on July 16, 2019, we closed a financing transaction involving the sale and leaseback of three additional Ultramax vessels (SBI Hydra, SBI Lyra, and SBI Maia) to AVIC International Leasing Co., Ltd. As part of these transactions, we agreed to bareboat charter-in the vessels for a period of eight years and will have purchase options beginning after the end of the second year of each bareboat charter agreement. We also have a purchase obligation for each vessel upon the expiration of each bareboat charter agreement.

This transaction provides financing for the installation of scrubbers for each of the six vessels included at the lowest of (a) 82% of the scrubber market value, (b) 82% of the scrubber price and (c) approximately $1.6 million, which will amortize over five years at $82,000 per quarter per vessel once drawn down. Approximately $1.6 million of the available financing was drawn-down in the fourth quarter of 2019.

***$45.0 Million Lease Financing - SBI Virgo and SBI Libra***

On May 21, 2019, we closed a financing transaction with an unaffiliated third party involving the sale and leaseback of the SBI Virgo and SBI Libra for a consideration of $21.0 million per vessel. As part of this transaction, we agreed to bareboat charter-in the vessels for a period of 11 years and will have purchase options beginning after the end of the fourth year of each bareboat charter agreement.

This transaction provides up to $1.5 million of financing for the installation of scrubbers for each of the vessels included. These will amortize at $1,370 per day per vessel for the first two years and $685 per day per vessel for the following two years once drawn down.

***CMBFL Lease Financing***

On May 24, 2019, we closed a financing transaction with CMB Financial Leasing Co., Ltd. involving the sale and leaseback of three Ultramax vessels (SBI Pegasus, SBI Subaru and SBI Ursa) and four Kamsarmax vessels (SBI Lambada, SBI Macarena, SBI Carioca and SBI Capoeira). As part of this transaction, we agreed to bareboat charter-in the vessels for a period of seven years. In addition, we have purchase options beginning after the end of the third year of each bareboat charter agreement, as well as a purchase option for each vessel upon the expiration of each bareboat charter agreement.

This transaction provides financing for the installation of scrubbers for each of the seven vessels included at the lowest of (a) 75% of the scrubber market value, (b) 75% of the scrubber price or (c) approximately $1.7 million, which will amortize proportionally over the remaining term of the lease with a balloon payment made at maturity.

***$21.4 Million Lease Financing - SBI Samba***

On April 15, 2019, we closed a financing transaction with an unaffiliated third party involving the sale and leaseback of the SBI Samba, a 2015 Japanese built Kamsarmax vessel, for consideration of $21.4 million. As part of the transaction, we make monthly payments of $208,354 under a five-year bareboat charter agreement with the buyer. The transaction also provides us with the option to repurchase the vessel beginning on the third anniversary of the sale until the end of the bareboat charter agreement.

***$19.0 Million Lease Financing - SBI Echo***

On July 18, 2018, we closed a financing transaction with an unaffiliated third party involving the sale and leaseback of the SBI Echo, a 2015 Japanese built Ultramax vessel, for consideration of $19.0 million. As part of the transaction, we make monthly payments of $164,250 under a five-year bareboat charter agreement with the buyer. The transaction also provides us with options to repurchase the vessel beginning on the third anniversary of the sale until the end of the bareboat charter agreement.

***$19.0 Million Lease Financing - SBI Tango***

On July 18, 2018, we closed a financing transaction with an unaffiliated third party involving the sale and leaseback of the SBI Tango, a 2015 Japanese built Ultramax vessel, for consideration of $19.0 million. As part of the transaction, we make monthly payments of $164,250 under a five-year bareboat charter agreement with the buyer. The transaction also provides us with options to repurchase the vessel beginning on the third anniversary of the sale until the end of the bareboat charter agreement.

***$20.5 Million Lease Financing - SBI Hermes***

On November 16, 2018, we closed a financing transaction with an unaffiliated third party involving the sale and leaseback of the SBI Hermes, a 2016 Japanese built Ultramax vessel, for consideration of $20.5 million. As part of the transaction, we make monthly payments of $177,938 under a five-year bareboat charter agreement with the buyer. The transaction also provides us with options to repurchase the vessel beginning on the third anniversary of the sale until the end of the bareboat charter agreement.

***$19.6 Million Lease Financing - SBI Rumba***

On October 25, 2017, we closed a financing transaction with unaffiliated third parties involving the sale and leaseback of the SBI Rumba, a 2015 Japanese built Kamsarmax 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 until the end of the bareboat charter agreement.

***$67.3 Million Lease Financing***

In February 2020, we agreed to sell and leaseback two Ultramax vessels (SBI Cronos and SBI Achilles) and one Kamsarmax vessel (SBI Lynx) to Ocean Yield ASA for a total financing consideration of $62.8 million. The Company agreed to bareboat charter-in the SBI Cronos for a period of nine years, the SBI Achilles for a period of ten years and, following the execution of documentation, the SBI Lynx for a period of twelve years. The Company has several purchase options during the charter period of each agreement, as well as a purchase option for each vessel upon the expiration of each agreement. Upon completion of all three transactions, we expect the Company's liquidity to increase by up to $33.6 million after the repayment of outstanding debt. We will also have the ability to drawdown on an additional tranche of an aggregate of up to $4.5 million to partially finance the installation of scrubbers on the three vessels.

***$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 in our then existing Newbuilding Program 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 had a final maturity of six years from the drawdown date of the respective vessel, while the tranche for the Ultramax vessel was scheduled to mature on September 21, 2021. This facility bore interest at LIBOR plus a margin of 2.97%. This facility was secured by, among other things, a first preferred mortgage on the three vessels and was guaranteed by each of the vessel owning subsidiaries.

During the second quarter of 2019, we repaid and terminated this credit facility upon the completion of the $21.4 Million Lease Financing - SBI Samba.

***$30.0 Million Credit Facility***

On September 13, 2018, we entered into a senior secured credit facility for up to $30.0 million with ING Bank N.V. to refinance two of our Kamsarmax vessels (SBI Zumba and SBI Parapara). The facility has a final maturity date of five years from drawdown date and bears interest at LIBOR plus a margin of 2.20% per annum. This facility is secured by, among other things, a first preferred mortgage on the two Kamsarmax vessels and is guaranteed by each of the vessel owning subsidiaries.

On August 28, 2019, this facility was increased by approximately $2.6 million in the aggregate for the financing of the installation of scrubbers on the two vessels financed under this facility. Once drawn down, the amounts will amortize over twelve equal quarterly payments.

***$60.0 Million Credit Facility***

On September 11, 2018, we entered into a senior secured credit facility for up to $60.0 million to finance up to 60% of the fair market value of two Ultramax vessels (SBI Perseus and SBI Phoebe) and two Kamsarmax vessels (SBI Electra and SBI Flamenco). The SBI Electra and SBI Flamenco were sold in the second quarter of 2019 and the related debt was repaid. The facility has a final maturity date of five years from drawdown date and bears interest at LIBOR plus a margin of 2.25% per annum. This facility is secured by, among other things, a first preferred mortgage on the two remaining Ultramax vessels and is guaranteed by each of the vessel owning subsidiaries.

On July 23, 2019, this facility was increased by approximately $2.9 million in the aggregate for the financing of the installation of scrubbers on the two vessels financed under this facility, which will amortize in equal quarterly payments over the remaining term of the facility once drawn down (but no more than 14 quarterly installments).

***$184.0 Million Credit Facility***

On September 21, 2018, we entered into a senior secured credit facility for up to $184.0 million with Nordea Bank ABP, New York Branch, and Skandinaviska Enskilda Banken AB (publ) to refinance up to 60% of the fair market value of six Ultramax vessels (SBI Athena, SBI Thalia, SBI Zeus, SBI Hera, SBI Poseidon and SBI Apollo) and six Kamsarmax vessels (SBI Conga, SBI Bolero, SBI Sousta, SBI Rock, SBI Reggae and SBI Mazurka). The facility, which is comprised of a term loan of up to $104.0 million and a revolver of up to $80.0 million, has a final maturity date of five years from signing date and bears interest at LIBOR plus a margin of 2.40% per annum. This facility is secured by, among other things, a first preferred mortgage on the twelve vessels and is guaranteed by each of the vessel owning subsidiaries.

On June 19, 2019, this facility was increased by approximately $17.4 million in the aggregate for the financing of the installation of scrubbers on the twelve vessels financed under this facility. The repayment profile is on a fifteen year age adjusted profile.

We expect to repay approximately $12.5 million of this facility and write-off approximately $0.1 million of deferred financing costs as part of the sale of the SBI Bolero, which is expected to close in the second quarter of 2020. The financing available for the installation of scrubbers is also expected to be reduced by approximately $1.5 million.

***$34.0 Million Credit Facility***

On October 3, 2018, we entered into a senior secured credit facility for up to $34.0 million with a leading European financial institution to refinance up to 62.5% of the fair market value of two Kamsarmax vessels (SBI Jive and SBI Swing). The loan facility, which is comprised of a term loan up to $17.0 million and a revolver up to $17.0 million, has a final maturity date of seven years from signing date and bears interest at LIBOR plus a margin of 2.35% per annum. This facility is secured by, among other things, a first preferred mortgage on the two vessels and is guaranteed by each of the vessel owning subsidiaries.

On June 17, 2019, this facility was increased by $3.0 million in the aggregate for the financing of the installation of scrubbers for each of the two vessels which will amortize at $125,000 per quarter per vessel once drawn down. In the first quarter of 2020, the entire $3.0 million of available financing was drawn-down.

***$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 in our then existing 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 bore interest at LIBOR plus a margin of 2.925% per annum and had a term of seven years. This facility was secured by, among other things, a first preferred cross-collateralized mortgage on each of the 21 vessels (consisting of 15 Ultramax vessels and six Kamsarmax vessels) and was guaranteed by each of the vessel owning subsidiaries.

During the third quarter of 2019, we repaid and terminated this credit facility upon the completion of the AVIC Lease Financing.

***$90.0 Million Credit Facility***

On November 8, 2018, we entered into a senior secured credit facility for up to $90.0 million with Nordea Bank ABP, New York Branch and DVB Bank SE. The loan facility, which has a final maturity date of five years from signing date and bears interest at LIBOR plus a margin of 2.35% per annum, is being used to finance up to 60% of the fair market value of six Ultramax vessels (SBI Orion, SBI Hyperion, SBI Tethys, SBI Hercules, SBI Samson and SBI Phoenix). This facility is secured by, among other things, a first preferred mortgage on the six vessels and is guaranteed by each of the vessel owning subsidiaries.

On June 14, 2019, this facility was increased by approximately $8.7 million in the aggregate for the financing of the installation of scrubbers on the six vessels financed under this facility. The repayment profile is on a fifteen-year age adjusted profile.

***$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 in our then existing Newbuilding Program 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% per annum. This facility is secured by, among other things, a first preferred mortgage on the Ultramax vessel and is guaranteed by the vessel owning subsidiary.

This credit facility was repaid in full and terminated upon the closing of the sale and leaseback transaction concerning the SBI Cronos under the $67.3 Million Lease Financing in March 2020.

***$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 originally used to finance a portion of the purchase price of two Ultramax vessels in our then existing Newbuilding Program. Each tranche had or has a maturity of five years from the drawdown date. This facility bears interest at LIBOR plus a margin of 2.95% per annum. During 2018, we repaid approximately $8.8 million of the $27.3 Million Credit Facility upon the completion of the $20.5 Million Lease Financing - SBI Hermes transaction and refinanced the SBI Hermes. This facility is secured by, among other things, a first preferred mortgage on the remaining Ultramax vessel and is guaranteed by the vessel owning subsidiary.

This credit facility was repaid in full and terminated upon the closing of the sale and leaseback transaction concerning the SBI Achilles under $67.3 Million Lease Financing.

***$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% per annum. Subsequently, two Ultramax vessels were financed by the $45.0 Million Lease Financing - SBI Virgo and SBI Libra. This facility is secured by, among other things, a first preferred mortgage on the four remaining Ultramax vessels and is guaranteed by each vessel owning subsidiary.

On October 21, 2019, this facility was increased by approximately $5.7 million in the aggregate for the financing for the installation of scrubbers on the four remaining vessels financed under this facility, which will amortize in equal quarterly payments (once drawn down) until December 31, 2022.

We expect to repay approximately $11.1 million of this facility and write-off approximately $0.1 million of deferred financing costs as part of the sale of the SBI Taurus, which is expected to close in the second quarter of 2020. The financing available for the installation of scrubbers is also expected to be reduced by approximately $1.5 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% per annum. During October 2019, the Company prepaid approximately $21.9 million of this facility and wrote-off approximately $0.2 million of deferred financing costs as part of the sale of the SBI Puma and SBI Cougar. This facility is secured by, among other things, a first preferred mortgage on the remaining Ultramax vessel and is guaranteed by the vessel owning subsidiary.

We repaid this facility in full in April 2020 as part of the sale of the SBI Jaguar, which is expected to close in the second quarter of 2020.

***$12.8 Million Credit Facility***

On June 21, 2018, we entered into a $12.8 million senior secured credit facility with BNP Paribas to finance a portion of the purchase price of one Kamsarmax vessel, the SBI Lynx, delivered from Jiangsu New Yangzijiang Shipbuilding Co., Ltd. in China in June 2018. The loan facility has a final maturity date of June 15, 2023 and bears interest at LIBOR plus a margin of 2.40% per annum. This facility is secured by, among other things, a first preferred mortgage on the vessel and is guaranteed by the vessel owning subsidiary.

On August 6, 2019, this facility was increased by approximately $1.4 million for the financing of the installation of a scrubber on the vessel financed under this facility, which will be repaid in full upon final maturity on June 15, 2023.

This credit facility is expected to be repaid in full and terminated upon the closing of the sale and leaseback transaction concerning the SBI Lynx under $67.3 Million Lease Financing.

**Senior Notes**

On September 22, 2014, we issued $65.0 million aggregate principal amount of our 7.50% Senior Unsecured Notes (the “Senior Notes”) in a registered public offering. The Senior Notes were due to mature on September 15, 2019 and could be redeemed in whole or in part at any time, or from time to time, after September 15, 2016. Interest on the Senior Notes was 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 then existing 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 commenced trading on the NYSE on September 29, 2014 under the symbol “SLTB.”

On August 2, 2019, we redeemed the entire outstanding balance of the Senior Notes of $73,625,000. The redemption price of the Senior Notes was equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, August 2, 2019.

***COVID-19***

The outbreak of the novel COVID-19 virus (“coronavirus”) that originated in China in December 2019 and that has, as of the date of this report, spread to most developed nations of the world has resulted in the implementation of numerous actions taken by governments and governmental agencies in an attempt to control or mitigate the spread of the virus. These measures have resulted in a significant reduction in global economic activity and extreme volatility in the global financial markets. A significant reduction in manufacturing and other economic activities has and is expected to continue to have a materially adverse impact on the global demand for raw materials, coal and other bulk cargoes that our customers transport on our vessels. This significant decline in the demand for dry bulk tonnage has resulted in a significant volatility in dry bulk charter spot rates, with the BDI ranging from 976 to 411 during the first quarter of the year, and may materially and adversely impact our ability to charter our vessels. When these measures and the resulting economic impact will end and what the long-term impact of such measures on the global economy will be are not known at this time. As a result, the extent to which Covid-19 will impact the Company’s results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the virus and the actions to contain or treat its impact, among others. Accordingly, an estimate of the impact cannot be made at this time.

***Investment in Scorpio Tankers***

The economic slow-down resulting from the coronavirus outbreak and the international governmental responses to it has resulted in a significant reduction in share prices of the majority of publicly traded companies, including Scorpio Tankers, in which we have a significant investment. The recent decline in the trading prices of Scorpio Tankers’ common stock between December 31, 2019 and March 31, 2020, has resulted in an unrealized loss in the value of our investment of approximately 51%, or $89.1 million. We cannot assure you when or if the price of Scorpio Tankers’ common stock will recover the losses incurred during the first quarter of 2020.

**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, 2019, we agreed to guarantee certain obligations of certain related parties arising from bunker purchases made through October 2020 on behalf of the vessels we own. The maximum potential amount of future payments is $2.0 million.

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, 2019:

| (in millions of U.S. dollars) | Less than 1 year | 1 to 3 years | 3 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Exhaust cleaning systems [1] | $ 64.6 | $ 1.8 | $ — | $ — | $ 66.4 |
| Time charter-in commitments [2] | 28.2 | 12.2 | — | — | 40.4 |
| Contractual guarantees [3] | 2.0 | — | — | — | 2.0 |
| Bank loans [4] | 45.7 | 85.3 | 232.7 | 19.4 | 383.1 |
| Interest payments [5] | 16.4 | 26.1 | 8.7 | 0.6 | 51.8 |
| Financing obligations [6] | 47.4 | 91.3 | 77.0 | 116.5 | 332.2 |
| Commercial management fee [7] | 1.4 | — | — | — | 1.4 |
| Technical management fee [8] | 2.1 | — | — | — | 2.1 |
| **Total** | $ 207.8 | $ 216.7 | $ 318.4 | $ 136.5 | $ 879.4 |

(1) Represents the unpaid installments as of December 31, 2019 relating to the purchase of exhaust gas cleaning systems.

(2) Represents the amounts expected to be paid by us on the vessels that we have time chartered-in as of December 31, 2019, assuming we redeliver the vessel to its owner on the earliest redelivery date.

(3) Represents contractual guarantees of certain obligations of certain related parties arising from bunker purchases made through October 2020 on behalf of the vessels we own. The maximum potential amount of future payments is $2.0 million. See Note 15 to our consolidated financial statements included herein.

(4) Represents the repayment of installments under the bank loans outstanding as of December 31, 2019.

(5) Represents the interest payments on outstanding balances of our bank loans at the interest rates in effect at December 31, 2019.

(6) Represents the monthly payments under bareboat charter agreements.

(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 as of December 31, 2019. 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 as of December 31, 2019.

*Financial Guarantee*

In January 2020, the Company agreed to guarantee certain obligations of certain related parties arising from bunker purchases made through January 2021 on behalf of the vessels we own. The maximum potential amount of future payments is $1.0 million.

**G. Safe Harbor**

See "Cautionary Statement Regarding Forward-Looking Statements" at the beginning of this annual report.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

**A. Directors and Senior Management**

Set forth below are the names, ages and positions of our directors and executive officers. Our Board of Directors is elected annually on a staggered basis, and each director elected holds office for a three-year term or until their successor shall have been duly elected and qualified, except in the event of their death, resignation, removal or the earlier termination of their term of office. Our Class A directors will serve for a term expiring at the 2020 annual meeting of our shareholders, our Class B directors will serve for a term expiring at the 2021 annual meeting, and our Class C directors will serve for a term expiring at the 2022 annual meeting of shareholders. 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 | 41 | Chairman, Class A Director and Chief Executive Officer |
| Robert Bugbee | 59 | Class B Director and President |
| Cameron Mackey | 51 | Chief Operating Officer |
| Filippo Lauro | 43 | Vice President |
| Hugh Baker | 52 | Chief Financial Officer |
| Fan Yang | 31 | Secretary |
| Einar Michael Steimler | 71 | Class B Director |
| Roberto Giorgi | 69 | Class A Director |
| Christian M. Gut | 40 | Class C Director |
| Thomas Ostrander | 69 | Class A Director |
| James B. Nish | 61 | Class C Director |
| Berit Ledel Henriksen | 66 | Class B Director |

On February 27, 2019, the Company increased the size of its Board of Directors from seven to eight members, and appointed Berit Ledel Henriksen to serve as a Class B Director, effective as of the same date. The Board of Directors has determined that Ms. Henriksen is an “independent director” as such term is defined under the Securities Exchange Act of 1934, as amended, and the New York Exchange Listing Manual.

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 the Company’s Chairman and a Class A Director since April 2013 and as Chief Executive Officer since July 2013. Mr. Emanuele Lauro has also served as Chairman and Chief Executive Officer of Scorpio Tankers Inc. (NYSE: STNG) since its initial public offering in April 2010, and of Hermitage Offshore Services Ltd. (NYSE: PSV) since December 2018. He also served as director of the Standard Club from May 2013 to January 2019. Mr. Emanuele Lauro joined Scorpio in 2003 and has continued to serve there in a senior management position since 2004. Under his leadership, Scorpio has grown from an owner of three vessels in 2003 to become a leading operator and manager of more than 250 vessels in 2019. Over the course of the last several years, Mr. Emanuele Lauro has founded and developed all of the Scorpio 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. He has a degree in international business from the European Business School, London. Mr. Emanuele 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 a Class B Director since April 2013 and as President since July 2013. He has more than 35 years of experience in the shipping industry. Mr. Bugbee has also served as President and Director of Scorpio Tankers Inc. since its initial public offering in April 2010 and of Hermitage Offshore Services Ltd. since December 2018. He joined Scorpio in March 2009 and has continued to serve there in a senior management position. Prior to joining Scorpio, Mr. Bugbee was a partner at Ospraie Management LLP between 2007 and 2008, a company which advises and invests in commodities and basic industries. From 1995 to 2007, he 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, Mr. Bugbee 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 the Company's Chief Operating Officer since July 2013. Mr. Mackey has also served as Chief Operating Officer of Scorpio Tankers Inc, since its initial public offering in April 2010 and as a Director since May 2013, and as Chief Operating Officer of Hermitage Offshore Services Ltd. since December 2018 and as a director since July 2019. He joined Scorpio in March 2009, where he continues to serve in a senior management position. Prior to joining Scorpio, Mr. Mackey 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. Mr. Mackey 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 2016. He has also served as Vice President of Scorpio Tankers Inc. since May 2015, and of Hermitage Offshore Services Ltd. since December 2018. Mr. Filippo Lauro joined Scorpio in 2010 and has continued to serve there in a senior management position. Prior to joining Scorpio, he 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 2013. Since 2012, Mr. Baker has also been employed by Scorpio Tankers Inc. 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.

Fan Yang, *Secretary*

Fan Yang has served as our Secretary since December 2018. Ms. Yang joined Scorpio in February 2018 and also serves as Secretary of Scorpio Tankers and Hermitage Offshore Services Ltd. Ms. Yang is admitted as a solicitor of the Supreme Court of England and Wales. Prior to joining Scorpio, Ms. Yang was in private practice in London at Travers Smith LLP and Freshfields Bruckhaus Deringer LLP, and led a law reform project at the Law Commission, an independent body that makes recommendations for the reform of the law of England and Wales to Parliament. She has a BA in Law from the University of Cambridge.

Roberto Giorgi, *Director*

Roberto Giorgi has served as a Class A Director of the Company since the closing of its initial public offering in December 2013. In addition, Mr. Giorgi has served as Chairman of Fraser Yachts' Advisory Committee since January 2020, where he also served as Chairman between September 2014 and December 2019, 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 the Chairman of the Nominating and Corporate Governance Committee and a member of the Compensation Committee. Mr. Steimler has over 47 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 sub-fund of Millennia SICAV-RAIF, launched in 2018 focused on marketplace consumer lending. He has over 17 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 the Co-Head then Head of the Global Industrial Group for North America and the Co-Head of the Global Industrial 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 over 30 years of experience in investment banking, serving clients across a variety of international industrial markets. Since 2015, he has served 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, and was also appointed as Chairman of its Capital Structure and Asset Management Committee in 2018. Mr. Nish has also 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, he was Group Head of Middle Corporate Investment Banking at J.P. Morgan. From 1986 to 2008, Mr. Nish 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.

Berit Ledel Henriksen, *Director*

Berit Ledel Henriksen has served as our Class B Director since February 2019. Ms. Henriksen has extensive experience from the banking and finance industries. She serves as a director of Ferd Holding AS, a Norwegian investment company that manages a broad portfolio of privately owned and Nordic listed companies. Furthermore, Ms. Henriksen serves on the board of directors of three privately held companies in Norway, and on the Nomination Committees of Equinor ASA and Norsk Hydro ASA, two Norwegian listed companies. She is also a member of Norsk Hydro ASA's Corporate Assembly. From 1985 to 2017, Ms. Henriksen held a range of management positions at DNB, Norway's largest financial services group, where she focused on shipping, energy and other international industries. Ms. Henriksen most recently served as DNB's Executive Vice President and Global Head of Energy, and was Head of DNB Americas in New York between 1998 and 2004. She also previously held various other bank related board positions. Ms. Henriksen has an MBA from the Ivey Business School at the University of Western Ontario, and a BSc from the Dalhousie University in Halifax, Canada.

## 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. There are no material post-employment benefits for our executive officers or directors. By law, our employees in Monaco are entitled to a one-time payment of up to two months salary upon retirement if they meet certain minimum service requirements. For the year ended December 31, 2019, we paid an aggregate compensation to our directors and senior management of approximately $7.3 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 a meaningful component of our compensation package for our directors and management to consist of equity interests in us in order to provide them on an on-going basis with a meaningful percentage of ownership in us on an on-going basis.

### 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, 2019, we had reserved a total of 7,608,327 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 July 22, 2019, we granted 1,090,700 restricted shares with an aggregate fair value of $7.3 million to our officers, employees and SSH employees pursuant to the Equity Incentive Plan. These awards will vest in three equal annual installments beginning on May 24, 2021.

On June 5, 2019, we granted 180,000 restricted shares with an aggregate fair value of $0.8 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 September 28, 2018, we granted 1,189,350 restricted shares with an aggregate fair value of $8.6 million to our officers, employees and members of our Board of Directors pursuant to the Equity Incentive Plan. Of these restricted shares, 150,000 restricted shares vest in three equal annual installments beginning June 10, 2019 and 1,039,350 restricted shares vest in three equal annual installments beginning on June 10, 2020.

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.

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 eight directors, six 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 of Directors has an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee. Our Audit Committee is comprised of Messrs. Ostrander, Nish and Giorgi. 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 Scorpio that our Board of Directors believes may present potential conflicts of interests between us and Scorpio. 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. Our shareholders may also nominate directors in accordance with procedures set forth in our bylaws. The Compensation Committee oversees our equity incentive plan and recommends director and senior employee compensation.

## D. Employees

For the years ended December 31, 2019 we had seven full time equivalents (excluding our executive officers) and for the years ended December 31, 2018 and 2017 we had six full time equivalents (excluding our executive officers).

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 March 31, 2020. 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 Holdings Limited | 13,977,513 | (2) | 19.3% |
| GRM Investments Ltd. | 12,839,328 | (3) | 17.7% |
| Evermore Global Advisors, LLC * | 5,800,417 | (4) | 8.0% |
| Directors and executive officers as a group | 5,613,719 | (5) | 7.7% |

(1) Calculated based on 72,476,958 common shares outstanding as of March 31, 2020.

(2) This information is derived from a Schedule 13D/A filed with the SEC on February 22, 2019 by Scorpio Holdings Limited, Scorpio Services Holding Limited, Scorpio Assets Holding Limited, Scorpio Assets SALT Limited, and Ms. Annalisa Lolli-Ghetti. Ms. Annalisa Lolli-Ghetti may be deemed to be the ultimate beneficial owner of these shares by virtue of being the majority shareholder of Scorpio Holdings Limited. 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 Scorpio Holdings Limited, 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 30, 2020.

(5) Assuming the full exercise of call options on 730,000 common shares.

* Includes common shares held by funds managed thereby.

As of March 23, 2020, we had 108 shareholders of record, 31 of which were located in the United States and held an aggregate of 68,782,736 shares of our common stock, representing 94.9% 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 66,769,809 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 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 its terms. 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. Additional vessels that we may charter-in or acquire in the future are expected to be managed under the Revised Master Agreement or on substantially similar terms as the Revised Master Agreement.

SCM's commercial management services include securing employment for our vessels in the spot market or on time charters. SCM also manages the Scorpio 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, finance leased and time chartered-in vessels are employed and from which a significant portion of our revenue is generated. 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 Ultramax Pool and Scorpio Kamsarmax 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.

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 $160,000 plus charges for certain itemized services per vessel to provide technical management services for each of our owned or finance leased vessels. In addition, representatives of SSM, including certain subcontractors, previously provided us with construction supervisory services while our vessels were being constructed in shipyards. For these services, we compensated SSM for its direct expenses, which varied 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 for which we reimburse SSH for the direct and indirect expenses incurred while providing such services. The services provided to us by SSH may be sub-contracted to other entities within Scorpio.

SSH also arranges vessel sales and purchases for us, including newbuildings, for which, in respect of construction contracts executed prior to September 2016, when the Administrative Services Agreement was amended, we previously paid SSH a fee, payable in our common shares. 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 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.

**Other Related Party Transactions**

During the year ended December 31, 2019, the Company time-chartered out four Kamsarmax vessels to the Scorpio Kamsarmax Pool for a period of 24-27 months at rates linked to the BPI. The related income is recorded as Vessel Revenues in the Consolidated Statement of Operations.

In 2016, an Executive Officer of the Company acquired a minority interest, which in 2018 increased to a majority interest, in an insurance broker which arranges hull and machinery and war risk insurance for certain of our owned and finance leased vessels. This broker has arranged such policies for the Company since 2013 and the extent of the coverage and the manner in which the policies are priced did not change as a result of this transaction. In September 2018 the Executive Officer disposed of their interest in the insurance broker in its entirety to a third party not affiliated with the Company. The amounts recorded reflect the amortization of the policy premiums, which are paid directly to the broker, who then remits the premiums to the underwriters. Such payments, which are made in advance, are classified as prepaid expenses and other current assets on the Consolidated Balance Sheet until they are expensed at which point they are recorded as vessel operating expenses in the Consolidated Statement of Operations.

In October 2018, the Company invested $100.0 million in Scorpio Tankers for approximately 54.1 million (which was subsequently adjusted to 5.4 million after a one-for-ten reverse stock split effected on January 18, 2019), or 10.9% (as of October 12, 2018), of Scorpio Tankers issued and outstanding common shares. The investment was part of a larger $337.0 million equity raise by Scorpio Tankers through a public offering of its common shares. Scorpio Tankers is a large international shipping company incorporated in the Republic of the Marshall Islands engaged in seaborne transportation of refined petroleum products. The Company and Scorpio Tankers have a number of common shareholders. They also share a number of directors and officers, including Mr. Emanuele Lauro who serves as the Chairman and Chief Executive Officer of both companies, Mr. Robert Bugbee, who serves as President and a Director of both companies, Mr. Cameron Mackey, who serves as Chief Operating Officer of both companies, and Mr. Filippo Lauro, who serves as Vice President of both companies. There are no other significant transactions between the Company and Scorpio Tankers.

Representatives of SSM, including certain subcontractors, provide supervisory services during drydocking, for which they are compensated.

SUK allocates salaries of certain SUK employees to the Company for services performed for the Company.

The Company pays a related party port agent for supply and logistical services, which are charged as vessel operating costs.

The Company pays a related bunker supplier for bunkers, which are charged as voyage expenses. Beginning in October 2019, the Company agreed to guarantee certain obligations of certain related parties arising from bunker purchases made through January 2021 on behalf of the vessels we own.

The Company pays the related party travel service provider for travel services, such as flights, which are charged as general and administrative services.

Please see Note 15, *Related Party Transactions*, to our consolidated financial statements for additional information about our related party transactions.

**Related Party Balances**

For the years ended December 31, 2019, 2018 and 2017, we had the following transactions 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, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Vessel revenue | | | |
| Scorpio Kamsarmax Pool | $ 69,368 | $ 87,305 | $ 67,825 |
| Scorpio Ultramax Pool | 133,655 | 155,197 | 94,380 |
| Total vessel revenue | $ 203,023 | $ 242,502 | $ 162,205 |
| Voyage expense | | | |
| SCM | $ 295 | $ — | $ 172 |
| Bunker supplier | 1,653 | — | — |
| Total voyage expense | $ 1,948 | $ — | $ 172 |
| Vessel operating cost | | | |
| SSM | $ 12,970 | $ 13,361 | $ 9,379 |
| Port agent | 267 | 117 | 13 |
| Insurance brokerage | — | 1,721 | — |
| Total vessel operating cost | $ 13,237 | $ 15,199 | $ 9,392 |
| General and administrative expense: | | | |
| SCM | $ 103 | $ 45 | $ 108 |
| SSM | 267 | 99 | — |
| SSH | 6,657 | 6,707 | 5,643 |
| Scorpio UK Limited | 2,923 | 1,665 | 971 |
| Travel provider | 122 | — | — |
| Total general and administrative expense | $ 10,072 | $ 8,516 | $ 6,722 |
| Income (loss) from equity investment | | | |
| Scorpio Tankers Inc. | $ 116,878 | $ (7,178) | $ — |
| Write down on assets held for sale | | | |
| SCM | $ 414 | $ — | $ 147 |
| SSM | 400 | — | 200 |
| Total write down on assets held for sale | $ 814 | $ — | $ 347 |

At December 31, 2019 and 2018, we had the following balances with related parties, which have been included in the consolidated balance sheets (amounts in thousands):

| | As of December 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Assets** | | |
| Due from related parties-current: | | |
| Scorpio Kamsarmax Pool | $ 5,241 | $ 4,017 |
| Scorpio Ultramax Pool | 677 | 3,321 |
| SUK | 36 | — |
| **Total due from related parties-current** | **$ 5,954** | **$ 7,338** |
| Due from related parties non-current: | | |
| Scorpio Kamsarmax Pool | $ 4,767 | $ 4,806 |
| Scorpio Ultramax Pool | 9,463 | 10,542 |
| **Total due from related parties non-current** | **$ 14,230** | **$ 15,348** |
| **Equity investment in Scorpio Tankers Inc.** | **$ 173,298** | **$ 92,281** |
| **Liabilities** | | |
| Due to related parties-current: | | |
| SCM | $ 227 | $ 8 |
| SSM | 200 | 116 |
| SSH | 312 | 357 |
| Port Agent | 13 | — |
| Bunker Supplier | 220 | — |
| **Total due from related parties-current** | **$ 972** | **$ 481** |

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

**Related Party Share Issuances**

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.

In December 2019, we paid a special stock dividend to our shareholders of an aggregate of approximately one million shares of common stock of Scorpio Tankers, a related party. Our Board of Directors also declared and we paid a quarterly cash dividend of $0.02 per share, totaling approximately $5.7 million in the aggregate. In January 2020, our Board of Directors declared a quarterly cash dividend of $0.02 per share, payable on or about March 13, 2020, to all shareholders of record as of February 14, 2020. 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.

Please see “Item 9. Offer and the Listing - C. Markets”

### B. Plan of Distribution

Not applicable

### C. Markets

Our common shares have traded on the NYSE since December 12, 2013, under the symbol “SALT”. During the period from September 29, 2014 through August 2, 2019, our Senior Notes traded on the NYSE under the symbol “SLTB.”

### 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 162,500,000, consisting of 112,500,000 common shares, par value $0.01 per share, and 50,000,000 preferred shares, par value $0.01 per share. In June 2018, 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 262,500,000, consisting of 212,500,000 common shares, par value $0.01 per share, and 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 exhibit 2.2 to this annual report, titled “Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.”

### C. Material contracts.

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 the contracts that 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. Certain of these material agreements that are to be performed in whole or in part at or after the date of this annual report are attached as exhibits to this annual report.

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, persons required to recognize income for U.S. federal income tax purposes no later than when such income is included on an “applicable financial statement”, persons subject to the “base erosion and anti-avoidance” tax and investors that own, actually or under applicable constructive ownership rules, 10% or more of 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, are 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 2019 taxable year and were not subject to the 5% Override Rule, and we intend to take that position on our 2019 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 a rate of 21%. 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 generally 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 2019 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 2019 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 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 are available from http://www.sec.gov.

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, 2019, we have variable-rate borrowings totaling $647.7 million. A one percent increase in LIBOR rates would increase our interest payments by approximately $6.5 million per year from January 1, 2020. 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 drybulk 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 Pools. Our owned and chartered-in vessels operated for 20,455 days in the spot market or in the Scorpio Pools during 2019. 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 at that time of 52 vessels would increase or decrease our operating income by $19.0 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 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 such items are defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2019. 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, 2019 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) and 15d - 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, 2019 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, 2019 based on the criteria in Internal Control—Integrated Framework issued by COSO (2013).

**C. Attestation Report of the Registered Public Accounting Firm.**

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers Audit, an independent registered public accounting firm, as stated in their report which appears herein.

**D. Changes in Internal Control Over Financial Reporting.**

There were no changes in internal control over financial reporting (as defined by Rules 13a-15(t) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## 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" under the rules of the NYSE and the rules and regulations of the SEC.

## ITEM 16B. CODE OF ETHICS

We have adopted a Code of Conduct and Ethics that applies to all of our 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, 2019 and December 31, 2018 was PricewaterhouseCoopers Audit, and the audit fees for those periods were approximately $445,000 and $349,000 respectively.

**B. Audit-Related Fees**

None.

**C. Tax Fees**

None.

**D. All Other Fees**

None.

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

Our Audit Committee 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

None.

## ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

## 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 Conduct and 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 2019 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.

Separate consolidated financial statements and notes thereto for Scorpio Tankers as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 are being provided pursuant to Rule 3-09 of Regulation S-X as Exhibit 99.1.

**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 (2) |
| 1.3 | Certificate of Correction to the Amended and Restated Articles of Incorporation of the Company (3) |
| 1.4 | Amendment to the Amended and Restated Articles of Incorporation of the Company, effective June 1, 2016 (4) |
| 1.5 | Amendment to the Amended and Restated Articles of Incorporation of the Company, effective June 1, 2018 (5) |
| 1.6 | Amended and Restated Bylaws of the Company (1) |
| 2.1 | Form of Common Share Certificate (3) |
| 2.2 | Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 |
| 4.1 | Master Agreement (1) |
| 4.2 | Administrative Services Agreement (1) |
| 4.3 | Equity Incentive Plan (1) |
| 4.4 | $12.5 Million Credit Facility (3) |
| 4.5 | $27.3 Million Credit Facility (3) |
| 4.6 | Deed of Amendment to the Master Agreement, Dated September 29, 2016 (4) |
| 4.7 | Deed of Amendment to the Master Agreement, Dated November 25, 2016 (4) |
| 4.8 | Letter Agreement, dated February 25, 2016 relating to the $12.5 Million Senior Secured Credit Facility (4) |
| 4.9 | Letter Agreement, dated June 14, 2016, relating to the $12.5 Million Senior Secured Credit Facility (4) |
| 4.10 | Letter Agreement, dated December 16, 2016, relating to the $12.5 Million Senior Secured Credit Facility (4) |
| 4.11 | First Supplemental Agreement to the $27.3 Million Senior Secured Credit Facility, dated April 6, 2016 (4) |
| 4.12 | Second Supplemental Agreement to the $27.3 Million Senior Secured Credit Facility, dated June 2, 2016 (4) |
| 4.13 | Third Supplemental Agreement to the $27.3 Million Senior Secured Credit Facility, dated December 30, 2016 (4) |
| 4.14 | $85.5 Million Senior Secured Credit Facility (4) |
| 4.15 | Amendment to $85.5 Million Senior Secured Credit Facility |
| 4.16 | $38.7 Million Senior Secured Credit Facility (4) |
| 4.17 | $19.6 Million Lease Financing (4) |
| 4.18 | Deed of Amendment to the Master Agreement, dated February 22, 2018 (4) |
| 4.19 | $12.8 Million Credit Facility (6) |
| 4.20 | $19.0 Million Lease Financing - SBI Echo (6) |
| 4.21 | $19.0 Million Lease Financing - SBI Tango (6) |
| 4.22 | $30.0 Million Credit Facility (6) |
| 4.23 | $60.0 Million Credit Facility (6) |
| 4.24 | $184.0 Million Credit Facility (6) |
| 4.25 | $34.0 Million Credit Facility (6) |
| 4.26 | $90.0 Million Credit Facility (6) |
| 4.27 | $20.5 Million Lease Financing - SBI Hermes (6) |
| 4.28 | Scorpio Bulkers Framework Agreement (6) |
| 8.1 | List of Subsidiaries |
| 11.1 | Code of Conduct and Ethics (6) |
| 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 PricewaterhouseCoopers Audit |

| | |
|---|---|
| 15.2 | Consent of SSY Consultancy & Research Ltd |
| 99.1 | Audited financial statements of Scorpio Tankers Inc as of December 31, 2019 and for each of the three years ended December 31, 2019. (7) |
| 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 Report on Form 6-K, filed with the SEC on January 4, 2016.

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

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

(5) Incorporated by reference to the Company's Report on Form 6-K, filed with the SEC on June 1, 2018.

(6) Incorporated by reference to the Company's Annual Report on Form 20-F, filed with the SEC on March 20, 2019.

(7) The financial statements as of December 31, 2019 and for each of the three years in the period ended December 31, 2019 of Scorpio Tankers Inc., prepared by Scorpio Tankers and audited by its independent registered public accounting firm, are included in this Annual Report pursuant to Rule 3-09 of Regulation S-X.

**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.

Scorpio Bulkers Inc.
(Registrant)

/s/ Emanuele Lauro

Emanuele Lauro
Chief Executive Officer

Dated April 1, 2020

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**Report of Independent Registered Public Accounting Firm**

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 (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, of changes in shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with 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, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

*Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

***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 15B. 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.

/s/ PricewaterhouseCoopers Audit
Marseille, France
April 1, 2020

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, | |
|---|---|---|
| | **2019** | **2018** |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 42,530 | $ 67,495 |
| Due from related parties | 5,954 | 7,338 |
| Inventories | 6,371 | 3,595 |
| Prepaid expenses and other current assets | 10,431 | 5,671 |
| Total current assets | 65,286 | 84,099 |
| Non-current assets | | |
| Vessels, net | 1,271,993 | 1,507,918 |
| Equity investment | 173,298 | 92,281 |
| Assets held for sale | 77,536 | — |
| Deferred financing cost, net | 2,982 | 3,706 |
| Other assets | 60,234 | 474 |
| Due from related parties | 14,230 | 15,348 |
| Total non-current assets | 1,600,273 | 1,619,727 |
| Total assets | $ 1,665,559 | $ 1,703,826 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities | | |
| Bank loans, net | $ 44,956 | $ 60,310 |
| Financing obligation | 29,159 | 4,594 |
| Senior Notes, net | — | 73,253 |
| Accounts payable and accrued expenses | 48,746 | 13,976 |
| Due to related parties | 972 | 481 |
| Total current liabilities | 123,833 | 152,614 |
| Non-current liabilities | | |
| Bank loans, net | 332,613 | 621,179 |
| Financing obligation | 321,646 | 69,229 |
| Other liabilities | 12,500 | — |
| Total non-current liabilities | 666,759 | 690,408 |
| Total liabilities | 790,592 | 843,022 |
| Commitment and contingencies (Note 7) | | |
| Shareholders' equity | | |
| Preferred shares, $0.01 par value per share; 50,000,000 shares authorized; no shares issued or outstanding | — | — |
| Common shares, $0.01 par value per share; authorized 212,500,000 shares as of December 31, 2019 and 2018; outstanding 72,482,958 shares and 71,217,258 shares as of December 31, 2019 and 2018, respectively | 809 | 796 |
| Paid-in capital | 1,717,144 | 1,747,648 |
| Common shares held in treasury, at cost; 8,567,846 shares at December 31, 2019 and 2018 | (56,720) | (56,720) |
| Accumulated deficit | (786,266) | (830,920) |
| Total shareholders' equity | 874,967 | 860,804 |
| Total liabilities and shareholders' equity | $ 1,665,559 | $ 1,703,826 |

See notes to the consolidated financial statements.

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

| | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| **Revenue:** | | | |
| Vessel revenue | $ 21,556 | $ — | $ — |
| Vessel revenue-related party pools | 203,023 | 242,502 | 162,205 |
| **Total vessel revenue** | 224,579 | 242,502 | 162,205 |
| **Operating expenses:** | | | |
| Voyage expenses | 2,252 | 549 | 257 |
| Voyage expenses-related party | 1,948 | — | 172 |
| Vessel operating costs | 87,884 | 90,276 | 77,272 |
| Vessel operating costs-related party | 13,237 | 15,199 | 9,392 |
| Charterhire expense | 17,224 | 4,176 | 5,392 |
| Vessel depreciation | 54,224 | 56,607 | 48,510 |
| General and administrative expenses | 21,901 | 23,869 | 22,359 |
| General and administrative expenses-related party | 10,072 | 8,516 | 6,722 |
| Loss / write down on assets held for sale | 36,475 | — | 17,354 |
| Loss / write down on assets held for sale-related party | 814 | — | 347 |
| **Total operating expenses** | 246,031 | 199,192 | 187,777 |
| **Operating (loss) income** | (21,452) | 43,310 | (25,572) |
| **Other income (expense):** | | | |
| Interest income | 1,450 | 1,107 | 1,100 |
| Gain on sale of equity investment | 47 | — | — |
| Income (loss) from equity investment-related party | 116,878 | (7,178) | — |
| Foreign exchange loss | (115) | (68) | (292) |
| Financial expense, net | (52,154) | (49,869) | (34,962) |
| **Total other income (expense)** | 66,106 | (56,008) | (34,154) |
| **Net income (loss)** | $ 44,654 | $ (12,698) | $ (59,726) |
| Weighted-average shares outstanding: | | | |
| Basic | 68,087 | 71,827 | 71,794 |
| Diluted | 69,532 | 71,827 | 71,794 |
| Earnings (loss) per common share: | | | |
| Basic | $ 0.66 | $ (0.18) | $ (0.83) |
| Diluted | $ 0.64 | $ (0.18) | $ (0.83) |

See notes to the consolidated financial statements.

**Scorpio Bulkers Inc. and Subsidiaries**
**Consolidated Statements 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, 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 ($0.02 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 |
| Net loss | | | | | (12,698) | (12,698) |
| Common stock issued | 1,592,594 | 16 | (16) | — | — | — |
| Purchase of common stock for treasury | (7,102,398) | — | — | (45,716) | — | (45,716) |
| Cash dividends declared on common stock ($0.08 per common share) | — | — | (6,042) | — | — | (6,042) |
| Issuance of restricted stock, net of forfeitures | 1,824,698 | 18 | (18) | — | — | — |
| Restricted stock amortization | — | — | 7,880 | — | — | 7,880 |
| Balance as of December 31, 2018 | 71,217,258 | 796 | 1,747,648 | (56,720) | (830,920) | 860,804 |
| Net income | | | | | 44,654 | 44,654 |
| Cash dividends declared on common stock ($0.08 per common share) | | — | (5,748) | — | — | (5,748) |
| Non-cash stock dividends declared on common stock | | — | (33,699) | — | — | (33,699) |
| Issuance of restricted stock, net of forfeitures | 1,265,700 | 13 | (13) | — | — | — |
| Restricted stock amortization | | — | 8,956 | — | — | 8,956 |
| Balance as of December 31, 2019 | 72,482,958 | 809 | 1,717,144 | (56,720) | (786,266) | 874,967 |

See notes to the consolidated financial statements.

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

| | December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| **Operating activities** | | | |
| Net income (loss) | $ 44,654 | $ (12,698) | $ (59,726) |
| **Adjustment to reconcile net income (loss) to net cash provided by operating activities:** | | | |
| Restricted stock amortization | 8,956 | 7,880 | 12,645 |
| Vessel depreciation | 54,224 | 56,607 | 48,510 |
| Amortization of deferred financing costs | 6,915 | 9,582 | 6,085 |
| Write off of deferred financing costs | 681 | — | 470 |
| Loss / write down on assets held for sale | 33,389 | — | 16,471 |
| Net unrealized (gains) losses on investments | (114,762) | 7,719 | — |
| Dividend income on investment in Scorpio Tankers (related party) | (2,163) | (541) | — |
| Drydocking expenditures | (3,237) | — | — |
| **Changes in operating assets and liabilities:** | | | |
| (Decrease) increase in inventories, prepaid expenses and other assets | 5,259 | (1,798) | 1,982 |
| Decrease in accounts payable and accrued expenses | (3,029) | 3,890 | 713 |
| Increase (decrease) in related party balances | 2,993 | (195) | (7,568) |
| **Net cash provided by operating activities** | 33,880 | 70,446 | 19,582 |
| **Investing activities** | | | |
| Equity investment | (1,500) | (100,000) | — |
| Sale of equity investment | 1,547 | — | — |
| Dividend income on equity investment | 2,163 | 541 | — |
| Proceeds from sale of assets held for sale | 84,241 | — | 44,340 |
| Scrubber payments | (32,610) | (1,235) | — |
| Payments for vessels and vessels under construction | — | (21,799) | (217,033) |
| **Net cash provided by (used in) investing activities** | 53,841 | (122,493) | (172,693) |
| **Financing activities** | | | |
| Common stock repurchased | — | (45,716) | (11,004) |
| Dividends paid | (5,748) | (6,042) | (1,509) |
| Proceeds from issuance of debt | 306,710 | 469,225 | 287,554 |
| Repayments of long term debt | (409,002) | (358,858) | (153,003) |
| Debt issue cost paid | (4,646) | (7,602) | (2,126) |
| **Net cash (used in) provided by financing activities** | (112,686) | 51,007 | 119,912 |
| Decrease in cash and cash equivalents | (24,965) | (1,040) | (33,199) |
| Cash and cash equivalents, beginning of period | 67,495 | 68,535 | 101,734 |
| **Cash and cash equivalents, end of period** | $ 42,530 | $ 67,495 | $ 68,535 |
| **Supplemental cash flow information:** | | | |
| Interest paid | $ 46,428 | $ 39,727 | $ 27,667 |
| **Non-cash activities** | | | |
| Right of use assets obtained in exchange for operating lease liabilities | $ 50,296 | $ — | $ — |
| Dividend distributed in stocks of Scorpio Tankers Inc. | 33,699 | — | — |
| Interest capitalized | — | — | 361 |

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

| | | | |
|---|---|---|---|
| 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 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.

The Company's vessels transport a broad range of major and minor bulk commodities, including ores, coal, grains, and fertilizers, along worldwide shipping routes, and are, or are expected to be, employed primarily in the spot market or in spot market-oriented pools of similarly sized vessels. As of December 31, 2019, the Company owned or finance leased 52 vessels consisting of 17 Kamsarmax vessels and 35 Ultramax vessels and time chartered-in five Kamsarmax vessels and one Ultramax vessel.

The Company is organized by vessel type into two operating segments (see Note 17, Segments, to the consolidated financial statements):

- Ultramax - includes vessels ranging from approximately 60,200 DWT to 64,000 DWT
- Kamsarmax - includes vessels ranging from approximately 82,000 DWT to 84,000 DWT

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

The Company's vessels are technically managed by Scorpio Ship Management S.A.M., or SSM, an entity controlled 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.

The Company has also entered into an administrative services agreement, as amended from time to time, or the Amended Administrative Services Agreement, with Scorpio Services Holding Limited, or SSH, an entity controlled by the Lolli-Ghetti family. The administrative services provided under this agreement primarily include provision of administrative staff, office space and accounting, legal compliance, financial and information technology 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.

Comprehensive income is net income and thus not presented separately.

*Going concern*

The Company's revenue is primarily derived from pool revenue. The bulker shipping industry is volatile and a sustained cyclical downturn 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 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 value of its 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.

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.

The Company consolidates entities in which it holds a controlling financial interest. A controlling financial interest is one in which the Company has a majority voting interest or one in which the Company is the primary beneficiary of a variable interest entity ("VIE"). The Company evaluates financial instruments, service contracts, and other arrangements to determine if any variable interests relating to an entity exist. For entities in which the Company has a variable interest, the Company determines if the entity is a VIE by considering whether the entity's equity investment at risk is sufficient to finance its activities without additional subordinated financial support and whether the entity's at risk equity holders have the characteristics of a controlling financial interest. In performing the analysis of whether the Company is the primary beneficiary of a VIE, the Company considers whether it individually has the power to direct the activities of the VIE that most significantly affect the entity's performance and also has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

*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*

The Company adopted ASU 2014-9, "Revenue from Contracts with Customers", for the reporting period commencing on January 1, 2018 and elected to use the modified retrospective approach. The core principal of the standard is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring such goods or services to a customer (as defined in the standard). Its adoption primarily changes the method of recognizing revenue for voyage charters from the discharge-to-discharge method to the loading-to-discharge method. Under the discharge-to-discharge method, revenue is recognized from the discharge of the prior voyage, or contract date of the current voyage if later, until the discharge of the current voyage. Under the load-to-discharge method, revenue is recognized from the load of a voyage until its discharge. The quantitative impact of the adoption of this new guidance did not have any effect on the timing of revenue recognition and therefore required no adjustment to the opening retained earnings as of January 1, 2018 as the Company was not engaged in any voyage charters. At the present time, virtually all of the Company's revenues are sourced from commercial pools which, along with time charters, fall under the guidance of US GAAP for leases. In commercial pools the Company participates 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. The operation of the pool enables both pool customers and participants to share the benefits achieved from these efficiencies. Under pooling arrangements, vessels are leased to and placed at the disposal and control of the pool during their participation in the pool. The Pool Manager negotiates and enters into arrangements for the commercial employment and operation of the pool vessels so as to secure the highest earnings to be shared among the pool participants. All revenues earned by the pool from the operation of the pool vessels, after deduction of all costs involved in the operation of the pool, is shared among the pool participants based upon pool points, in accordance with the contract.

*Voyage expenses*

Voyage expenses 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 Charterhire expense in 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 15, *Related Party Transactions*). Pursuant to the Revised Master Agreement, SSM provides us with technical services, and we provide it with the ability to subcontract technical management of our vessels.

*Foreign currencies*

The individual financial statements of Scorpio Bulkers Inc. and each of its subsidiaries are maintained 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 consolidated 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 consist mainly of lubricating oils used in the operations of the vessels 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 its 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 occurs prior to the expiry of the period, the remaining balance is expensed.

Costs capitalized as part of the drydock include actual costs incurred at the drydock yard and parts and supplies used in making such repairs. We only include in deferred drydocking costs those direct costs that are incurred as part of the drydocking to meet regulatory requirements, or are expenditures that extend the economic life of 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. Expenditures for normal maintenance and repairs, whether incurred as part of the drydocking or not, are expensed as incurred.

*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 or asset group and its eventual disposition.

For purposes of recognition and measurement of an impairment loss, long-lived assets are grouped with other assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets, which is generally at the vessel pool level for vessels operating within pools. In performing its impairment review, the Company performs a recoverability test comparing an estimate of undiscounted cash flows to carrying value to determine if the asset group is impaired. In developing its estimates of undiscounted cash flows, the Company makes significant assumptions and estimates about 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.

An impairment loss is recognized when the carrying amount of the asset group is greater than both the undiscounted cash flows and its fair value. In instances where the carrying value of an asset group is not recoverable, measurement of the impairment loss is based upon the amount by which the collective fair values of the vessels in the asset group exceed their collective carrying values. The fair values are determined based upon available market data as well as third party valuations performed on each individual vessel.

During our fourth quarter 2019 assessment, we determined that the undiscounted future income streams expected to be generated by each asset group, over their remaining operating lives exceeded and therefore would be sufficient to recover their respective carrying values and, accordingly, we confirmed that our vessels were not impaired under U.S. GAAP. As of December 31, 2019 we owned 52 vessels with an average remaining useful life of 21 years.

During our fourth quarter 2018 assessment, we determined that the undiscounted future income streams expected to be generated by each asset group, over their remaining operating lives exceeded and therefore would be sufficient to recover their respective carrying values and, accordingly, we confirmed that our vessels were not impaired under U.S. GAAP. As of December 31, 2018 we owned 56 vessels with an average remaining useful life of 22 years.

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

In our impairment testing, we also examine the sensitivity of the future income streams expected to be earned and carrying values to be recovered 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 a sensitivity analysis based on more conservative expected useful lives and carrying amounts for our vessels. In the sensitivity analysis, we decreased our vessels' estimated useful lives by approximately 5% for each vessel class and increased the carrying values of our Kamsarmax fleet and our Ultramax fleet by 8% and 19%, respectively, (holding all other critical assumptions constant). We then evaluated the outcome of the sensitivity analysis performed to assess their impact on our conclusions. In the analysis, we found that there was no impairment of any of our assets or asset groups.

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 decrease, 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 the Company participates with respect to the expectation of future rates over an extended period of time that are utilized in the analyses.

*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. Please also see "*Equity Investments*" below.

*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 secured credit facilities and financing obligations. 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 $3.8 million, $9.6 million, and $6.1 million, respectively, for the years ended December 31, 2019, 2018 and 2017. Deferred financing costs were $20.0 million and $37.8 million, and accumulated amortization was $6.7 million and $21.7 million as of December 31, 2019 and 2018, respectively. Amortization for the next five years based on balances as of December 31, 2019 are as follows (in millions):

| | | |
|---|---|---|
| 2020 | $ | 3.6 |
| 2021 | | 3.2 |
| 2022 | | 2.8 |
| 2023 | | 2.0 |
| 2024 | | 0.6 |
| Total | $ | 12.2 |

The Company wrote off $3.8 million during both years ended December 31, 2019 and 2018 related to the refinancing of existing debt and the repayment of debt.

*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 plan. Share-based compensation expense requires measurement of compensation cost for share-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 vessel owning subsidiaries are incorporated in the Republic of the Marshall Islands. In accordance with the income tax laws of the Marshall Islands, we are not subject to Marshall 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 15, *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 31%, and 60% of its revenues from two customers during the year ended December 31, 2019. The Company earned 36% and 64% of its revenues, from two customers during the year ended December 31, 2018. During the year ended December 31, 2017, the Company earned 42% and 58% of its revenues (including commissions from SCM) from two customers. Management does not believe significant risk exists in connection with the Company’s concentrations of credit at December 31, 2019 due to the number of charterers with which the pools conduct business.

At December 31, 2019, the Company maintains all of its cash and cash equivalents with five 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 margins, net income 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. We could also pursue other means to raise liquidity, such as through the sale of vessels, to meet these obligations. There can be no assurance that these or other measures will be successful and a deterioration in economic conditions or a failure to refinance our debt that is maturing could cause us to breach our debt covenants and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Based on internal forecasts and projections, which assume the refinancing of certain outstanding debt and the financing of the final portion of our investment in scrubbers, and that take into account reasonably possible changes in our trading performance, in addition to our ability to (i) sell or refinance certain vessels or to (ii) sell our investment in Scorpio Tankers Inc. ("Scorpio Tankers"), we believe that we have adequate financial resources to continue in operation and meet our financial commitments (including but not limited to debt service obligations, installments relating to the purchase of exhaust gas cleaning systems and charterhire commitments) for a period of at least 12 months from the date of issuance 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.

*Equity Investments*

We account for equity investments under the equity method. Equity investments for which we have the ability to exercise significant influence, but not control over the investee and are not the primary beneficiary of the investee's activities are accounted for under the equity method. At December 31, 2019, the Company's equity method investments consist solely of an approximately 7.6% common stock ownership interest in a related party, Scorpio Tankers Inc., over which it has the ability to exercise significant influence, acquired in October 2018. In accounting for its investment in Scorpio Tankers, the Company has elected to use the fair value option, available under ASC 825 for investments subject to the equity method of accounting, as it more accurately reflects the economic substance of its ownership interest in Scorpio Tankers. The initial election of the fair value option did not have any impact on the Company's earnings. The Company measures its fair value based upon the quoted market price of Scorpio Tankers common stock. Our share of gains and losses in the fair value of the Scorpio Tankers investment as well as dividend income are recorded in Income (loss) from equity investment - related party in the Consolidated Statement of Operations. At December 31, 2019, the Company did not have any cost method investments.

*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 as 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 counterparty 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.

*Recently adopted accounting standards*

The Company has adopted Financial Accounting Standards Board, or the FASB, Accounting Standards Codification, or the ASC, Topic 842, “Leases” effective January 1, 2019 using the modified retrospective transition approach, which allows the Company to recognize a cumulative effect adjustment to the opening balance of accumulated deficit in the period of adoption rather than restate its comparative prior year periods. Under the new lease standard, lessees are required to recognize a right-of-use asset and a lease liability for substantially all leases. The cumulative effect adjustment to the Company’s opening balance of accumulated deficit was zero.

The Company determines if an arrangement contains a lease at inception. This determination requires judgment with arrangements generally considered to contain a lease when all of the following apply:

- It conveys the right to control the use of an identified asset for a period of time to the lessee;
- The lessee enjoys substantially all economic benefits from the use of the asset; and
- The lessee directs the use of the identified asset.

At the present time, substantially all of the Company’s revenues are sourced from commercial pools, which along with time charters, fall under the guidance of U.S. GAAP for leases. Based on the Company's analysis of its contracts, the Company determined that its pool arrangements meet the definition of operating leases under ASC 842. As lessor, the Company leases its vessels to pools, which manage the vessels in order to enter into transportation contracts with their customers and enjoy the economic benefits derived from such arrangements. Furthermore, the pools can direct the use of a vessel (subject to certain limitations in the pool or charter agreement) throughout the period of use. The Company, as lessor, elected to apply the practical expedient to not separate lease and associated non-lease components and instead to account for each separate lease component and the associated non-lease components as a single component, as the criteria for not separating the lease and non-lease components of its arrangements are met since: (a) the timing and pattern of transfer are the same for both the lease and non-lease components, (b) the lease component of the contracts, if accounted for separately, would be classified as an operating lease, and (c) the lease component is the predominant component in the arrangement.

Under the commercial pool agreements, the pool participants share the revenue generated by the entire pool in accordance with a point system that allocates points to each vessel in the pool, based upon performance, age and other factors. As a pool participant, the Company accounts for its vessels as assets and records lease revenue for each period as the variability associated with lease payments is resolved.

At times, the Company charters in vessels to supplement its own fleet and engages them in time charters to the commercial pools. Subsequent to the January 1, 2019 adoption date, the Company entered into agreements to lease six vessels from third parties for which it recognized the operating lease right-of-use assets and the corresponding lease liabilities on the consolidated balance sheet. At lease commencement, the Company calculates the present value of lease payments discounted at the rate implicit in the lease, if available, or otherwise at its incremental borrowing rate. The Company’s incremental borrowing rate reflects the interest rate it would need to pay to borrow funds on a collateralized basis over a similar term and in a similar economic environment.

The Company also enters into sale and leaseback transactions, all of which contain lessee fixed price repurchase obligations. In accordance with ASC 842, such transactions are accounted for as failed sales and accordingly, the Company continues to recognize these vessels at their net book values on the consolidated balance sheet while also recognizing their financial liabilities for the financing amount drawn down on the accompanying consolidated balance sheet under “Financing obligation” and the variable amount of consideration paid under “Financial expense, net” in the accompanying consolidated statement of operations.

The Company recognizes lease payments for all operating leases as charterhire expense on the consolidated statements of operations on a straight-line basis over the lease term.

In May 2014, the FASB issued Accounting Standard Update, or ASU, 2014-09, “Revenue from Contracts with Customers” (Topic 606). This standard requires entities to (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company adopted ASU 2014-09 for the reporting period commencing on January 1, 2018 and elected to use the modified retrospective approach. Its adoption primarily changes the method of recognizing revenue for voyage charters from the discharge-to-discharge method to the loading-to-discharge method. Under the discharge-to-discharge method, revenue is recognized from the discharge of the prior voyage, or contract date of the current voyage if later, until the discharge of the current voyage. Under the load-to-discharge method, revenue is recognized from the load of a voyage until its discharge. The Company’s quantitative assessment of the effects of the adoption of this new guidance indicated that the financial impact of the change in timing of revenue recognition as outlined above required no adjustment to the opening retained earnings as of January 1, 2018 as the Company was not engaged in any voyage charters. At the present time, virtually all of the Company’s revenues are sourced from commercial pools which, along with time charters, fall under the guidance of ASC Topic 842 “Leases”.

In May 2017, the FASB issued 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. The adoption of ASU 2017-09 did not have a significant impact on the Company’s 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. The adoption of ASU 2016-018 did not have a significant impact on the Company’s 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 or 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. The adoption of ASU 2016-15 did not have a significant impact on the Company’s Consolidated Statement of Cash Flows.

## 2. Cash and cash equivalents

Cash and cash equivalents included $10.1 million of short-term deposits with original maturities of less than three months, at December 31, 2018. There were no such short-term deposits at December 31, 2019.

**SCORPIO BULKERS INC. AND SUBSIDIARIES**
Notes to the Consolidated Financial Statements
(Dollars in thousands, except per share, per day and per vessel data)

### 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, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Net income (loss) for basic and diluted earnings per share | $ 44,654 | $ (12,698) | $ (59,726) |
| | | | |
| Shares of common stock and common stock equivalents: | | | |
| Weighted average shares basic | 68,087 | 71,827 | 71,794 |
| Effect of dilutive securities | 1,445 | — | — |
| Weighted average common shares - diluted | 69,532 | 71,827 | 71,794 |
| | | | |
| Earnings (loss) per share: | | | |
| Basic | $ 0.66 | $ (0.18) | $ (0.83) |
| Diluted | $ 0.64 | $ (0.18) | $ (0.83) |

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, 2019, 2018 and 2017 (in thousands).

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Share equivalents | 1,831 | 3,754 | 4,734 |

### 4. Vessels

At December 31, 2019, the Company owned or finance leased 17 Kamsarmax vessels and 35 Ultramax vessels. A rollforward of activity within vessels is as follows (in thousands):

| | |
|---|---|
| Balance December 31, 2017 | $ 1,534,782 |
| Transfer from vessels under construction and other additions | 29,743 |
| Depreciation | (56,607) |
| Balance December 31, 2018 | $ 1,507,918 |
| Transfer to assets held for sale | (199,059) |
| Other additions | 17,358 |
| Depreciation | (54,224) |
| Balance December 31, 2019 | $ 1,271,993 |

Depreciation includes depreciation related to our finance leased vessels. Related vessels serve as collateral against existing secured credit facilities.

*Owned or Finance Leased vessels*

**SCORPIO BULKERS INC. AND SUBSIDIARIES**
Notes to the Consolidated Financial Statements
(Dollars in thousands, except per share, per day and per vessel data)

| 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 |
| **Total Ultramax** | | **2,179,800** | |
| SBI Samba | 2015 | 84,000 | Kamsarmax |
| SBI Rumba | 2015 | 84,000 | Kamsarmax |
| SBI Capoeira | 2015 | 82,000 | Kamsarmax |
| SBI Carioca | 2015 | 82,000 | Kamsarmax |
| SBI Conga | 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 |

(Dollars in thousands, except per share, per day and per vessel data)

| Vessel Name | Year Built | DWT | Vessel Type |
|---|---|---|---|
| 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 |
| SBI Lynx | 2018 | 82,000 | Kamsarmax |
| **Total Kamsarmax** | | **1,398,000** | |
| **Total Owned or Finance Leased Vessels DWT** | | **3,577,800** | |

**5. Assets Held for Sale**

Assets held for sale at December 31, 2019 were $77.5 million. There were no vessels classified as held for sale at December 31, 2018.

During 2019, the Company entered into agreements with unaffiliated third parties to sell:

- The SBI Electra and SBI Flamenco, two 2015 Kamsarmax vessels, for approximately $48.0 million in aggregate. Delivery of the vessels occurred in the second quarter of 2019. As a result, the Company recorded a write-down of approximately $7.4 million.

- The SBI Puma and SBI Cougar, 2014 and 2015 built Ultramax vessels, respectively, for approximately $37.9 million in aggregate. Delivery of the vessels occurred in the fourth quarter of 2019. As a result, the Company recorded a write-down of approximately $4.7 million.

During 2019, the Company's Board of Directors made the decision to sell four Ultramax vessels and as such these vessels were classified as held for sale at December 31, 2019. The Company recorded a loss of approximately $25.2 million upon this classification.

**6. Leases**

As of December 31, 2019, the Company is lessor for 58 vessel operating leases with commercial shipping pools, of which 52 are owned or finance leased by the Company.

The following are the Company contracts that fall under ASC 842:

*As Lessor: Commercial pool/time charter out contracts*

The Company's vessel revenues are primarily sourced from commercial pools, which along with time charters, fall under ASC 842. As lessor, the Company leases its vessels to pools, which manage the vessels in order to enter into transportation contracts with their customers, direct the use of the vessel, and enjoy the economic benefits derived from such arrangements. Under the commercial pool agreements, the pool participants share the revenue generated by the entire pool in accordance with a point system that allocates points to each vessel in the pool based upon performance, age and other factors. As a pool participant, the Company accounts for its vessels as assets and records lease revenue each period as the variability associated with lease payments is resolved. Please see Note 4, "Vessels" and Note 15, "Related Party Transactions."

*As Lessee: Time charter in contracts*

At January 1, 2019, the Company's operating fleet included only one chartered-in vessel, which was chartered-in in September 2017 and had a remaining lease term of nine months. In September 2019, the Company exercised its lease extension option for this chartered-in 62,100 dwt, 2017 built Japanese vessel, Ocean Phoenix Tree, for one year at $10,885 per day. In October 2019, the Company chartered the vessel out at $10,885 per day for a maximum of twelve months. During 2019, the Company also entered into operating leases for five additional chartered-in vessels as follows:

In March 2019, the Company became party to a three-way arrangement with simultaneously occurring, back-to-back charters whereby the Company chartered-in a 81,100 dwt, 2019 built Chinese vessel, CL Taizhou, from the vessel owner and simultaneously chartered it out to the Scorpio Kamsarmax Pool, or SKPL, a related party, at identical rates. The hire rate is tied to the BPI at 118% of BPI with an option to convert to a fixed rate.

In May 2019, the Company became party to a second three-way arrangement with the same parties whereby the Company chartered-in another 81,100 dwt, 2019 built Chinese vessel, CL Zhenjiang, from the vessel owner and simultaneously chartered it out to SKPL, at identical rates. The hire rate is tied to the BPI at 118% of BPI with an option to convert to a fixed rate.

In July 2019, the Company became party to a third, three-way arrangement with the same parties whereby the Company chartered-in another 81,100 dwt, 2018 built Chinese vessel, CL Suzhou, from the vessel owner and simultaneously chartered it out to SKPL, at identical rates. The hire rate is tied to the BPI at 118% of BPI with an option to convert to a fixed rate.

In August 2019, the Company became party to a fourth three-way arrangement with the same parties whereby the Company chartered-in another 81,100 dwt, 2015 built Chinese vessel, CL Yangzhou, from the vessel owner and simultaneously chartered it out to SKPL, at identical rates. The hire rate is tied to the BPI at 118% of BPI with an option to convert to a fixed rate. At the present time, the Company is not reasonably certain to exercise its renewal option, which accordingly, is not included in the right-of-use asset or liability calculations.

The above three-way charter-in and charter-out agreements were (i) negotiated as a package with the same commercial objective, (ii) with the amount of consideration to be received from the charter-out contract depending on the price of the charter-in contract, and (iii) the rights to use underlying assets conveyed in the contracts involving a single lease component. However, in accordance with the contract combination guidance in ASC 842 requiring that both contracts be entered into either with the same counterparty or with related parties in order to be combined, the respective charter-in and charter-out components of the agreement are accounted for as two separate lease contracts. Accordingly, the Company recognized the required operating lease right-of-use assets and the corresponding lease liabilities on the consolidated balance sheet.

In July 2019, the Company became party to an arrangement whereby the Company chartered-in an 82,000 dwt, 2018 built Chinese vessel, Yangze 11, for 24 months at $12,000 per day and $12,500 per day, for the first and second years, respectively. The lease arrangement contains extension options for $13,000 per day and $14,500 per day for a third and fourth year, respectively. The lease agreement also provides options to purchase the vessel as soon as the end of the first year. At the present time, the Company is not reasonably certain to exercise the renewal or purchase options. Accordingly, these options were not included in the right-of-use asset or liability calculations.

Operating lease right-of-use assets and lease liabilities for charter-in lease terms not qualifying for any exceptions as of December 31, 2019 and January 1, 2019 (in thousands):

| Description | Location in Balance Sheet | December 31, 2019 | January 1, 2019 |
|---|---|---|---|
| Assets: | | | |
| Right of use assets | Other assets | $ 39,155 | $ 2,650 |
| | | | |
| Liabilities: | | | |
| Current portion - operating leases | Accounts payable and accrued expenses | $ 26,655 | $ 2,650 |
| Non-current portion - operating leases | Other liabilities | $ 12,500 | $ — |

Maturities of operating lease liabilities for charter-in contracts with initial noncancelable terms in excess of one year at December 31, 2019 are as follows (in thousands):

| Year | | |
|---|---|---|
| 2020 | $ | 28,147 |
| 2021 | | 12,236 |
| 2022 | | — |
| 2023 | | — |
| 2024 | | — |
| Thereafter | | — |
| Total lease payments | $ | 40,383 |
| Less: Imputed interest ** | | (1,228) |
| Total present value of operating lease liabilities | $ | 39,155 |
| Less: Current portion | | (26,655) |
| Non-current operating lease liabilities | $ | 12,500 |

**Based on incremental weighted average borrowing rate of 4.8%

Future minimum lease payments under operating leases for charter-in contracts with noncancelable terms at December 31, 2018 are as follows (in thousands):

| Year | | |
|---|---|---|
| 2019 | $ | 2,690 |
| 2020 | | — |
| 2021 | | — |
| 2022 | | — |
| 2023 | | — |
| Thereafter | | — |
| Total lease payments | $ | 2,690 |

The following table summarizes lease cost (in thousands):

| | | Twelve months ended December 31, 2019 |
|---|---|---|
| Operating lease costs | $ | 17,782 |
| Variable lease costs | $ | 10,642 |
| Sublease income | $ | 17,825 |

The following table summarizes other supplemental information about the Company’s operating leases as of December 31, 2019:

| | | |
|---|---|---|
| Weighted average discount rate | | 4.8% |
| Weighted average remaining lease term | | 1.4 years |
| Cash paid for the amounts included in the measurement of lease liabilities for operating leases (in thousands) | $ | 15,287 |
| Right-of-use assets obtained in exchange for new operating lease liabilities (in thousands) | $ | 50,296 |

(Dollars in thousands, except per share, per day and per vessel data)

## 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 which are not predictable. At the current time, the Company does not believe that any legal matters could have a material adverse effect on its financial position or future results of operations and therefore has not recorded any reserves in relation thereto as of December 31, 2019.

*Capital Commitments*

The Company is a party to agreements to purchase and install exhaust gas cleaning systems for 41 of its vessels. The total value of these agreements is estimated to be $95.5 million, of which $66.4 million remained unpaid at December 31, 2019. Payments are expected to be made throughout 2020 as the scrubber systems are installed on the vessels, with final payments expected to be made in the first quarter of 2021.

*Time chartered-in vessels*

The Company time charters-in six vessels, one of which was entered into and operated out of a spot market-oriented commercial pool managed by our commercial manager and the other five have been time chartered-out at matching terms. The terms of the time charter-in contracts are summarized as follows:

| Vessel Type | Year Built | DWT | Where Built | Daily Base Rate | Earliest Expiry |
|---|---|---|---|---|---|
| Ultramax | 2017 | 62,100 | Japan | $10,885 | 30-Sep-20 |
| Kamsarmax | 2019 | 81,100 | China | Variable | 10-Mar-21 |
| Kamsarmax | 2019 | 81,100 | China | Variable | 7-Apr-21 |
| Kamsarmax | 2018 | 82,000 | China | $12,000 | 25-June-21 |
| Kamsarmax | 2018 | 81,100 | China | Variable | 13-Jul-21 |
| Kamsarmax | 2015 | 81,100 | China | Variable | 22-Jul-21 |

Assuming the Company redelivers the vessels to their owners on the earliest redelivery date and based on the variable rates in effect at December 31, 2019, the Company estimates that as of December 31, 2019 it would expect to pay $40.4 million in time charter-in fees during 2020 and 2021 on the above contracts.

*Debt*

See Note 11, *Debt*, to the consolidated financial statements for a schedule of debt and financing obligation payments as of December 31, 2019.

*Other*

The Company also has certain commitments related to the commercial and technical management of its vessels. As of December 31, 2019, we would be obligated to pay termination fees of $3.5 million to SCM and SSM if we were to cancel our service agreements with them as of December 31, 2019. We are also required to pay SCM for each vessel that we own an amount equal to three 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.

There are no material post-employment benefits for our executive officers or directors. By law, our employees in Monaco are entitled to a one-time payment of up to two months salary upon retirement if they meet certain minimum service requirements.

The Company agreed to guarantee certain obligations of certain related parties arising from bunker purchases made through October 2020 on behalf of the vessels we own. The maximum potential amount of future payments is $2.0 million.

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## 8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

| | As of | |
|---|---|---|
| (in thousands) | December 31, 2019 | December 31, 2018 |
| Accounts payable | $ 4,984 | $ 4,948 |
| Accrued operating | 36,177 | 1,705 |
| Accrued administrative | 7,585 | 7,323 |
| Accounts payable and accrued expenses | $ 48,746 | $ 13,976 |

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, finance leased and chartered-in vessels (see Note 6, "*Leases*" for additional information), 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, 2019 the Company had:

- Approximately 72.5 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 $56.7 million representing the cost at which the Company repurchased approximately 8.6 million shares

*Share Repurchase Program*

In January 2019, the Company's Board of Directors authorized a new share repurchase program to purchase up to an aggregate of $50.0 million of its common shares. This new share repurchase program replaced the Company's previous share repurchase program that was authorized in October 2018 and that was terminated in conjunction with the authorization of the new share repurchase program. The specific timing and amounts of the repurchases were in the sole discretion of management and subject to variation based on market conditions and other factors. The Company is not obligated under the terms of the program to repurchase any of its common shares. The authorization had no expiration date. As of December 31, 2019, the entire $50.0 million remained available under the program.

*Dividend*

During 2019 and 2018, the Company's Board of Directors declared and paid quarterly cash dividends totaling $0.08 per share, or $5.7 million and $6.0 million, respectively.

During 2019, the Company's Board of Directors declared a one-time special stock dividend to the shareholders of the Company of an aggregate of approximately one million shares of common stock of Scorpio Tankers Inc. (NYSE:STNG), a related party. For each common share that a shareholder held in the Company on November 15, 2019, that shareholder received 0.0138 shares of common stock of Scorpio Tankers Inc. Following the payment of the special dividend, the Company continues to own approximately 4.4 million common shares of Scorpio Tankers Inc.

*Other*

In June 2018, upon receiving shareholder approval, the Company further amended its Amended and Restated Articles of Incorporation to increase the Company's total number of authorized shares to 262,500,000, consisting of 212,500,000 common shares and 50,000,000 preferred shares.

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 exercised in the first quarter of 2018.

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 then existing Newbuilding Program.

## 10. Equity Incentive Plan

The Scorpio Bulkers Inc. 2013 Equity Incentive Plan, or the Plan, was approved by the Company's Board of Directors and became effective on September 30, 2013 and was last amended to reserve additional common shares for issuance pursuant to the Plan on December 10, 2019. 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 of Directors 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, 2019, we had reserved a total of 7,608,327 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 of Directors, unless terminated, or extended by the Board of Directors. After the termination 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 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 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, 2019.

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.

The Company recorded share-based compensation expense of $9.0 million, $7.9 million, and $12.6 million for the years ended December 31, 2019, 2018 and 2017, respectively, related to restricted stock awards, which is included in General and administrative expenses in the Consolidated Statement of Operations.

(Dollars in thousands, except per share, per day and per vessel data)

A summary of activity for restricted stock awards during the three years ended December 31, 2019 is as follows:

| | Number of Shares | Weighted Average Grant Date Fair Value $ |
|---|---|---|
| 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 |
| Granted | 1,835,532 | 7.33 |
| Vested | (1,212,629) | 11.79 |
| Forfeited | (10,834) | 6.57 |
| Outstanding at December 31, 2018 | 3,753,639 | 6.56 |
| Granted | 1,270,700 | 6.34 |
| Vested | (1,369,481) | 7.08 |
| Forfeited | (5,000) | 7.01 |
| Outstanding at December 31, 2019 | 3,649,858 | $ 6.29 |

As of December 31, 2019, there was $12.1 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 2019, restricted stock with a fair value of approximately $6.5 million vested.

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## 11. Debt

The Company's long-term debt consists of bank loans and financing obligations, summarized as follows:

| (amounts in thousands) | December 31, 2019 | 2018 |
|---|---|---|
| Senior Notes | $ — | $ 73,625 |
| Credit Facilities: | | |
| $330 Million Credit Facility | $ — | $ 140,677 |
| $42 Million Credit Facility | — | 14,105 |
| $12.5 Million Credit Facility | 8,617 | 9,400 |
| $27.3 Million Credit Facility | 8,813 | 9,008 |
| $85.5 Million Credit Facility | 46,499 | 78,972 |
| $38.7 Million Credit Facility | 10,200 | 35,100 |
| $12.8 Million Credit Facility | 11,475 | 12,325 |
| $30.0 Million Credit Facility | 27,198 | 29,420 |
| $60.0 Million Credit Facility | 26,573 | 58,797 |
| $184.0 Million Credit Facility | 130,145 | 180,229 |
| $34.0 Million Credit Facility | 31,571 | 34,000 |
| $90.0 Million Credit Facility | 82,100 | 90,000 |
| $19.6 Million Lease Financing - SBI Rumba | 16,883 | 18,101 |
| $19.0 Million Lease Financing - SBI Tango | 17,303 | 18,451 |
| $19.0 Million Lease Financing - SBI Echo | 17,396 | 18,481 |
| $20.5 Million Lease Financing - SBI Hermes | 19,059 | 20,299 |
| $21.4 Million Lease Financing - SBI Samba | 20,384 | — |
| CMBFL Lease Financing | 113,006 | — |
| $45.0 Million Lease Financing - SBI Virgo & SBI Libra | 40,027 | — |
| AVIC Lease Financing | 111,450 | — |
| Total bank loans, financing obligations and senior notes outstanding | 738,699 | 767,365 |
| Less: Current portion | (75,276) | (66,156) |
| | $ 663,423 | $ 701,209 |

| (amounts in thousands) | December 31, 2019 Current | Non-current | Total | December 31, 2018 Current | Non-current | Total |
|---|---|---|---|---|---|---|
| Total bank loans and financing obligations, gross | 75,276 | 663,423 | 738,699 | 139,781 | 701,209 | 840,990 |
| Unamortized deferred financing costs | (1,161) | (9,164) | (10,325) | (1,624) | (10,801) | (12,425) |
| Total bank loans and financing obligations, net | 74,115 | 654,259 | 728,374 | 138,157 | 690,408 | 828,565 |

The future principal and estimated interest payments (based on the interest rates in effect as of December 31, 2019) under the Company's long-term debt over the next five years on the Company's credit facilities and financing obligations as of December 31, 2019 is as follows:

| (amounts in thousands) | Principal on Bank Loans | Interest on Bank Loans | Financing Obligations | Total |
|---|---|---|---|---|
| 2020 | 45,727 | 16,374 | 47,433 | 109,534 |
| 2021 | 43,706 | 14,050 | 46,188 | 103,944 |
| 2022 | 41,627 | 12,088 | 45,122 | 98,837 |
| 2023 | 230,274 | 7,767 | 81,578 | 319,619 |
| 2024 | 2,429 | 914 | 48,888 | 52,231 |
| Thereafter | 19,428 | 619 | 176,872 | 196,919 |
| **Total** | 383,191 | 51,812 | 446,081 | 881,084 |

*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.

The Senior Notes were redeemed on August 2, 2019. The redemption price of the Senior Notes was equal to 100% of the principal amount redeemed, plus accrued and unpaid interest to, but excluding, August 2, 2019.

The Senior Notes bore 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 were 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 were the Company's senior unsecured obligations and ranked equally with all of its existing and future senior unsecured and unsubordinated debt and were effectively subordinated to its existing and future secured debt, to the extent of the value of the assets securing such debt, and were structurally subordinated to all existing and future debt and other liabilities of the Company's subsidiaries. No sinking fund was 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 were listed on the New York Stock Exchange under the symbol “SLTB”. The Senior Notes required the Company 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 have occurred as a result of such payment. If the Company underwent a change of control, holders may have required it 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 included:

- Net borrowings shall not equal or exceed 70% of total assets.
- Tangible net worth shall always exceed $500.0 million.

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*Secured Credit Facilities*

The Company had 10 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, 2019.

| | $12.5 Million Credit Facility | $27.3 Million Credit Facility | $85.5 Million Credit Facility | $38.7 Million Credit Facility | $12.8 Million Credit Facility | $30.0 Million Credit Facility | $60.0 Million Credit Facility | $184.0 Million Credit Facility | $34.0 Million Credit Facility | $90.0 Million Credit Facility |
|---|---|---|---|---|---|---|---|---|---|---|
| Date of Agreement | December 22, 2015 | December 22, 2015 | December 5, 2017 | December 13, 2017 | June 21, 2018 | September 13, 2018 | September 11, 2018 | September 21, 2018 | October 3, 2018 | November 8, 2018 |
| Total Vessels Financed | | | | | | | | | | |
| Kamsarmax | — | — | — | — | 1 | 2 | — | 6 | 2 | — |
| Ultramax | 1 | 1 | 4 | 1 | — | — | 2 | 6 | — | 6 |
| Interest Rate-LIBOR+ | 3.000% | 2.950% | 2.850% | 2.850% | 2.400% | 2.200% | 2.250% | 2.400% | 2.350% | 2.350% |
| Commitment Fee | —% | 1.180% | 1.140% | 0.998% | 0.960% | 0.880% | 0.900% | 0.960% | 1.175% | 1.000% |
| Maturity Date | December 22, 2020 | 5 years from each drawdown | February 15, 2023 | December 13, 2022 | June 15, 2023 | September 18, 2023 | September 14, 2023 | September 21, 2023 | October 3, 2025 | November 8, 2023 |
| Amount outstanding (in thousands) | 8,617 | 8,813 | 46,499 | 10,200 | 11,475 | 27,198 | 26,573 | 130,145 | 31,571 | 82,100 |
| Carrying Value of Vessels Collateralized (in thousands) | 27,592 | 28,309 | 85,846 | 19,974 | 26,336 | 59,240 | 54,002 | 338,230 | 53,633 | 132,989 |
| Amount Available (in thousands) | — | — | — | — | 1,398 | 2,585 | 2,862 | 17,448 | 3,000 | 8,706 |

***Secured Credit Facilities and Financing Obligations***

***$30.0 Million Credit Facility***

On August 28, 2019, this facility was increased by approximately $2.6 million in the aggregate for the financing of the installation of scrubbers on the two vessels financed under this facility. Once drawn down the amounts will amortize over 12 equal quarterly payments.

***$60.0 Million Credit Facility***

On July 23, 2019, this facility was increased by approximately $2.9 million in the aggregate for the financing of the installation of scrubbers on the two vessels financed under this facility, which will amortize in equal quarterly payments over the remaining term of the facility once drawn down (but no more than 14 quarterly payments).

***$184.0 Million Credit Facility***

On June 19, 2019, this facility was increased by approximately $17.4 million in the aggregate for the financing of the installation of scrubbers on the twelve vessels financed under this facility. The repayment profile is on a fifteen-year age adjusted profile.

***$34.0 Million Credit Facility***

On June 17, 2019, this facility was increased by $3.0 million in the aggregate for the financing of the installation of scrubbers for each of the two vessels which will amortize at $125,000 per quarter per vessel once drawn down.

***$90.0 Million Credit Facility***

On June 14, 2019, this facility was increased by approximately $8.7 million in the aggregate for the financing of the installation of scrubbers on the six vessels financed under this facility. The repayment profile is on a fifteen-year age adjusted profile.

***$12.8 Million Credit Facility***

On August 6, 2019, this facility was increased by approximately $1.4 million for the financing of the installation of a scrubber on the vessel financed under this facility, which will be repaid in full upon final maturity on June 15, 2023.

***$85.5 Million Credit Facility***

On October 21, 2019, this facility was increased by approximately $5.7 million in the aggregate for the financing for the installation of scrubbers on the vessels financed under this facility, which will amortize in equal quarterly payments (once drawn down) until December 31, 2022.

***$19.6 Million Lease Financing - SBI Rumba***

On October 25, 2017, the Company closed a financing transaction with unaffiliated third parties involving the sale and leaseback of the SBI Rumba, a 2015 Japanese built Kamsarmax 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 buyers, 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 bareboat charter agreement.

***$19.0 Million Lease Financing - SBI Tango***

On July 18, 2018, the Company closed a financing transaction with an unaffiliated third party involving the sale and leaseback of the SBI Tango, a 2015 Japanese built Ultramax vessel, for consideration of $19.0 million. As part of the transaction, the Company makes monthly payments of $164,250 under a five-year bareboat charter agreement with the buyer. The agreement also provides the Company with options to repurchase the vessel beginning on the third anniversary of the sale until the end of the bareboat charter agreement.

***$19.0 Million Lease Financing - SBI Echo***

On July 18, 2018, the Company closed a financing transaction with an unaffiliated third party involving the sale and leaseback of the SBI Echo, a 2015 Japanese built Ultramax vessel, for consideration of $19.0 million. As part of the transaction, the Company makes monthly payments of $164,250 under a five-year bareboat charter agreement with the buyer. The agreement also provides the Company with options to repurchase the vessel beginning on the third anniversary of the sale until the end of the bareboat charter agreement.

***$20.5 Million Lease Financing - SBI Hermes***

On November 16, 2018, the Company closed a financing transaction with an unaffiliated third party involving the sale and leaseback of the SBI Hermes, a 2016 Japanese built Ultramax vessel, for consideration of $20.5 million. As part of the transaction, the Company agreed with the buyer to bareboat charter the vessel for a period of five years at $177,938 per month. The transaction also provides the Company with an option to repurchase the vessel beginning on the third anniversary of the sale until the end of the bareboat charter agreement.

***$21.4 Million Lease Financing - SBI Samba***

On April 15, 2019, the Company closed a financing transaction with an unaffiliated third party involving the sale and leaseback of the SBI Samba, a 2015 Japanese built Kamsarmax vessel, for consideration of $21.4 million. As part of the transaction, the Company makes monthly payments of $208,354 under a five-year bareboat charter agreement with the buyer. The transaction also provides the Company with the option to repurchase the vessel beginning on the third anniversary of the sale until the end of the bareboat charter agreement.

***CMBFL Lease Financing***

On May 24, 2019, the Company closed a financing transaction with CMB Financial Leasing Co., Ltd. involving the sale and leaseback of three Ultramax vessels (SBI Pegasus, SBI Subaru and SBI Ursa) and four Kamsarmax vessels (SBI Lambada, SBI Macarena, SBI Carioca and SBI Capoeira). As part of this transaction, the Company agreed to bareboat charter-in the vessels for a period of seven years. In addition, the Company has purchase options beginning after the end of the third year of each bareboat charter agreement, as well as a purchase option for each vessel upon the expiration of each bareboat charter agreement.

This transaction provides financing for the installation of scrubbers for each of the seven vessels included at the lowest of (i) 75% of the scrubber market value, (b) 75% of the scrubber price or (c) approximately $1.7 million, which will amortize proportionally over the remaining term of the lease with a balloon payment made at maturity.

***$45.0 Million Lease Financing - SBI Virgo and SBI Libra***

On May 21, 2019, the Company closed a financing transaction with an unaffiliated third party involving the sale and leaseback of the SBI Virgo and SBI Libra for a consideration of $21.0 million per vessel. As part of this transaction, the Company agreed to bareboat charter-in the vessels for a period of 11 years and will have purchase options beginning after the end of the fourth year of each bareboat charter agreement.

This transaction provides up to $1.5 million of financing for the installation of scrubbers for each of the vessels included. These will amortize at $1,370 per day per vessel for the first 2 years and $685 per day per vessel for the following 2 years once drawn down.

***AVIC Lease Financing***

On June 27, 2019, the Company closed a financing transaction involving the sale and leaseback of three Ultramax vessels (SBI Antares, SBI Bravo and SBI Leo) and on July 16, 2019, the Company closed a financing transaction involving the sale and leaseback of three additional Ultramax vessels (SBI Hydra, SBI Lyra and SBI Maia) to AVIC International Leasing Co., Ltd. As part of these transactions, the Company agreed to bareboat charter-in the vessels for a period of eight years and has purchase options beginning after the end of the second year of each bareboat charter agreement, as well as a purchase obligation for each vessel upon the expiration of each bareboat charter agreement.

This transaction provides financing for the installation of scrubbers for each of the six vessels included at the lowest of (i) 82% of the scrubber market value, (b) 82% of the scrubber price and (c) approximately $1.6 million, which will amortize over 5 years at $82,000 per quarter per vessel once drawn down. Approximately $1.6 million of the available financing was drawn-down in the fourth quarter of 2019.

In addition to the credit agreements and financing obligations described above, which are in effect as of December 31, 2019, the Company entered into the following agreements which were repaid in full during 2019.

***$42.0 Million Senior Secured Credit Facility***

On January 30, 2015, the Company entered into a senior secured credit facility for up to $42.0 million with a leading European financial institution which was originally used to finance a portion of the purchase price of two Kamsarmax vessels and one Ultramax vessel.

During 2019, the Company repaid this loan and terminated the credit facility. The vessels previously financed by the loan are now financed under three financing obligations.

***$38.7 Million Credit Facility***

During October 2019, the Company prepaid approximately $21.9 million of this facility and wrote-off approximately $0.2 million of deferred financing costs as part of the sale of the SBI Puma and SBI Cougar.

***$330.0 Million Credit Facility***

On July 29, 2014, the Company entered into a $330.0 million senior secured credit facility with Credit Agricole Corporate and Investment Bank and Deutsche Bank AG London which was originally used to finance a portion of the purchase price of 22 of the vessels in the Company's then existing Newbuilding Program, and subsequently reduced by $15.0 million due to its sale of one of the vessels that was to collateralize this facility.

During 2019, the Company repaid and terminated this credit facility upon the completion of the AVIC Lease Financing.

***Loan Covenants***

Each of the Company's credit agreements and financing obligations, as amended through December 31, 2019, has, among other things, financial covenants with which the Company must comply. The most stringent are as follows:

- 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.
- Minimum liquidity of not less than the greater of $25.0 million or $0.7 million per owned vessel.
- Minimum fair value of the collateral for each credit facility, such that the aggregate fair value of the vessels collateralizing the credit facility is between 140% and 160% 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.
- Minimum fair value of the vessel for certain financing obligations be 115% of the principal amount outstanding under such financing obligation, or, if the Company does not meet this threshold, to prepay a portion of the financing obligation 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, among other things:

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

In addition, the Company's credit facilities and finance leases contain customary events of default, including cross-default provisions, as well as subjective acceleration clauses under which the debt could become due and payable in the event of a material adverse change in the Company's business. As of December 31, 2019, the Company was in compliance with all the financial covenants of each of its credit facilities and finance leases. The Company expects to remain in compliance with the financial covenants of each of its credit facilities and finance leases for the next twelve months.

Interest rates on all of the Company's secured credit facilities during the year ended December 31, 2019 ranged from 4.1% to 6.7%. The Company records its interest expense as a component of Financial expense, net on its Consolidated Statement of Operations. For the years ended December 31, 2019, 2018 and 2017, Financial expense, net consists of:

| | Year ended December 31, | | |
|---|---|---|---|
| (in thousands) | 2019 | 2018 | 2017 |
| Interest expense | $ 44,101 | $ 39,855 | $ 27,719 |
| Amortization of deferred financing costs | 6,915 | 9,582 | 6,085 |
| Write off of deferred financing costs | 681 | — | 470 |
| Change in the fair value of interest rate caps | 219 | (27) | 63 |
| Other, net | 238 | 459 | 625 |
| | $ 52,154 | $ 49,869 | $ 34,962 |

## 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 zero at December 31, 2019 and $0.2 million at December 31, 2018, and is included in Other assets on the Company's Consolidated Balance Sheet. During 2019, an increase to interest expense of approximately $0.2 million was recorded, representing the change in the fair value of these caps to Financial expense, net on the Consolidated Statement of Operations. Interest expense was reduced by less than $0.1 million related to the change in the fair value of the caps in 2018. Refer to Note 13, *Fair value of Financial Instruments*, for related fair value disclosures.

13. **Equity Investments**

On October 12, 2018 the Company invested $100.0 million in a related party, Scorpio Tankers, through participation in a public offering on a basis equivalent to other investors. As a result of this investment, the Company became a significant investor in Scorpio Tankers, a related party, holding a total of approximately 54.1 million shares of common stock, which was approximately 10.9% of the then issued and outstanding shares of Scorpio Tankers. While the Company was not directly invested in Scorpio Tankers prior to this investment, it shared a number of shareholders, directors and officers (see Note 15, *Related Party Transactions*), which along with its investment interest indicated its ability to exercise significant influence. Accordingly, this investment is accounted for under the equity method. The investment was subsequently adjusted to 5.4 million shares after a one-for-ten reverse stock split effected on January 18, 2019. The Company uses the fair value option in accounting for its investment in Scorpio Tankers based upon the quoted market price of Scorpio Tankers common stock. As of December 31, 2019, the Company's carrying value in its equity method investment exceeded its share of investee net assets by approximately $23.0 million.

On October 22, 2019, the Company's Board of Directors declared a one-time special stock dividend to the shareholders of the Company of an aggregate of approximately one million shares of common stock of Scorpio Tankers (NYSE:STNG). For each common share that a shareholder held in the Company on November 15, 2019 that shareholder received 0.0138 shares of common stock of Scorpio Tankers on December 13, 2019. The Scorpio Tankers common shares distributed in the special dividend were acquired from Scorpio Tankers in the abovementioned public offering of its common shares in October 2018. Following the payment of the special dividend, the Company continues to own approximately 4.4 million common shares of Scorpio Tankers. No fractional shares of Scorpio Tankers were issued in connection with the special dividend, and instead the Company's shareholders received cash in lieu of any fractional shares.

On May 31, 2019, the Company invested $1.5 million in 2020 Bulkers in exchange for 166,667 shares of 2020 Bulkers common stock through a private placement and during October 2019, the Company sold all 166,667 shares. The Company accounted for this investment at fair value using the quoted market price as it did not have the ability to exercise significant influence.

Below is a table of equity investment activity (in thousands):

| | Year Ended December 31, | |
|---|---|---|
| | **2019** | **2018** |
| Beginning balance | $ 92,281 | $ — |
| Investment in Scorpio Tankers | — | 100,000 |
| Investment in 2020 Bulkers | 1,500 | — |
| Sale of investment in 2020 Bulkers | (1,547) | — |
| Special dividend of Scorpio Tankers shares to Company stockholders | (33,699) | — |
| Gain (loss) from change in fair value and dividend income from the investment Scorpio Tankers | 114,716 | (7,719) |
| Realized gain on investment in 2020 Bulkers | 47 | — |
| Equity investments at fair value | $ 173,298 | $ 92,281 |
| Dividend income from Scorpio Tankers common stock | $ 2,163 | $ 541 |

The following table represents summarized information regarding the Company's equity investee as of December 31, 2019 and 2018 (in thousands):

(Dollars in thousands, except per share, per day and per vessel data)

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Total revenues | $ 704,325 | $ 585,047 |
| Operating income | 129,972 | 10,542 |
| Net loss | (48,490) | (190,071) |
| | | |
| Current assets | $ 302,978 | $ 687,341 |
| Non-current assets | 4,861,032 | 4,096,823 |
| Total assets | $ 5,164,010 | $ 4,784,164 |
| Current liabilities | $ 486,231 | $ 447,200 |
| Non-current liabilities | 2,700,790 | 2,497,952 |
| Total liabilities | $ 3,187,021 | $ 2,945,152 |

**14. Fair value of financial instruments**

The carrying amount and fair value of financial instruments at December 31, 2019 and 2018 were as follows (in thousands):

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | **Level** | **Carrying value** | **Fair Value** | **Carrying value** | **Fair Value** |
| Financial assets: | | | | | |
| Cash and cash equivalents | 1 | $ 42,530 | $ 42,530 | $ 67,495 | $ 67,495 |
| Other assets - interest rate cap | 2 | — | — | 219 | 219 |
| Equity investment - Common stock of Scorpio Tankers Inc. * | 1 | 173,298 | 173,298 | 92,281 | 92,281 |
| | | | | | |
| Financial liabilities: | | | | | |
| Bank loans, net | 2 | 377,569 | 377,569 | 681,489 | 681,489 |
| Financing obligation | 2 | 350,805 | 350,805 | 73,823 | 73,823 |
| Senior Notes, net | 1 | — | — | 73,253 | 74,214 |

* During 2019, the equity investment in Scorpio Tankers was transferred from Level 2 to Level 1 as a result of the expiration of the related lock-up agreement prohibiting the sale of the Company's shares in Scorpio Tankers until January 7, 2019.

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 Company holds an equity investment consisting of approximately 4.4 million shares of common stock of Scorpio Tankers at an estimated fair value of $173.3 million. The investment in Scorpio Tankers was transferred from Level 2 to Level 1 during the first quarter of 2019 as a result of the expiration of the related lock-up agreement. Although a quoted market price in active securities markets was available for these shares at December 31, 2018, the Company was prohibited from selling its shares in Scorpio Tankers through January 7, 2019, pursuant to the terms of the lock-up agreement the Company entered into at the time of the investment. Accordingly, a discount for lack of marketability was included when arriving at the appropriate fair value of the shares, which value was reduced from the quoted market value of $95.1 million at December 31, 2018, to $92.3 million. The discount for marketability was calculated using the Finnerty Model, an option-based approach that takes into account the remaining term until the end of the restriction, the risk free rate and expected volatility. Unrealized gains and losses are included in Income (loss) from equity investment in the Consolidated Statement of Operations.

The carrying value of our secured bank loans are measured at amortized cost using the effective interest method. The Company considers that the carrying value approximates fair value because (i) the interest rates on these instruments change with, or approximate, market interest rates and (ii) the credit risk of the Company has remained stable.

These amounts are shown net of $5.6 million and $10.5 million of unamortized deferred financing fees on the Company's consolidated balance sheet as of December 31, 2019 and 2018, respectively.

The carrying value of our financing obligations are measured at amortized cost using the effective interest method. The Company considers that the carrying value approximates fair value because (i) the interest rates on these instruments change with, or approximate, market interest rates and (ii) the credit risk of the Company has remained stable.

These amounts are shown net of $4.7 million and $1.5 million of unamortized deferred financing fees on the Company's consolidated balance sheet as of December 31, 2019 and 2018, respectively.

In August 2019, the Company redeemed the entire outstanding balance of its Senior Notes, which were publicly traded on the New York Stock Exchange and were considered a level 1 item. The carrying value at December 31, 2018 shown in the table is the face value of the Senior Notes net of $0.4 million of unamortized deferred financing fees on the Company's consolidated balance sheet.

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.

Certain items are measured at fair value on a non-recurring basis. The table below details the portion of those items that were re-measured at fair value at December 31, 2019 and the resultant write-down recorded (dollars in thousands):

| | | Fair Value Measurements Using | | | |
|---|---|---|---|---|---|
| **December 31, 2019** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Write-down** |
| Assets Held For Sale | $ — | $ — | $ 77,536 | $ — | $ 25,248 |

## 15. Related Party Transactions

The Company's co-founder, Chairman and Chief Executive Officer, Mr. Emanuele Lauro, and the Company's Vice President, Mr. Filippo Lauro, are members of the Lolli-Ghetti family, which owns and controls the Scorpio group of companies, or Scorpio. Scorpio includes SSM, which provides the Company with vessel technical management services, SCM, which provides the Company with vessel commercial management services, SSH, which provides the Company and other related entities with administrative services and services related to the acquisition of vessels, and Scorpio UK Limited, or SUK, which provides the Company with vessel chartering services. SSH also has a majority equity interest in a port agent that provides supply and logistical services for the Company's vessels operating in its regions. In 2009, Mr. Emanuele Lauro also co-founded Scorpio Tankers (NYSE: STNG), a large international shipping company engaged in seaborne transportation of refined petroleum products, of which he is currently the Chairman and Chief Executive Officer. Mr. Emanuele Lauro also has a senior management position at Scorpio. The Company's 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 Scorpio. The Company's Vice President, Mr. Filippo Lauro and the Company's Chief Operating Officer, Mr. Cameron Mackey, also hold the office of Vice President and Chief Operating Officer at Scorpio Tankers, respectively, and have senior management positions at Scorpio. Since December 2018, Messrs. Emanuele Lauro, Robert Bugbee, Filippo Lauro and Cameron Mackey have served in similar capacities for Hermitage Offshore Services Ltd., formerly Nordic American Offshore Ltd. (NYSE: PSV).

**Amended Administrative Services Agreement**

The Company 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 also arranges vessel sales and purchases for the Company, including newbuildings, for which, in respect of construction contracts executed prior to September 2016, when the Administrative Services Agreement was amended, it previously paid SSH a fee, payable in its common shares. The amount of common shares payable was determined by dividing $250,000 by the market value of the Company's common shares based on the volume weighted average price of its common shares over the 30-trading day period immediately preceding the contract date of a definitive agreement to acquire any vessel. During the year ended December 31, 2017, the Company issued 12,946 of its common shares to SSH.

In addition, SSH has agreed with the Company 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. The Amended Administrative Services Agreement may be terminated by SSH upon 12 months notice or by the Company upon 24 months notice.

The services provided to the Company by SSH may be sub-contracted to other entities within Scorpio.

**Revised Master Agreement**

The Company's 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 its terms. In the event of a sale of any 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. This fee is classified as a loss/write-off of vessels and assets held for sale in the Consolidated Statement of Operations. Additional vessels that the Company may acquire in the future are expected to be managed under the Revised Master Agreement or on substantially similar terms.

SCM's commercial management services include securing employment for the Company's vessels in the spot market and on time charters. SCM also manages the Scorpio Pools (spot market-oriented vessel pools) including the Scorpio Ultramax Pool, the Scorpio Kamsarmax Pool and the currently inactive Scorpio Capesize Pool in which the Company's owned, finance leased and time chartered-in vessels are employed and from which a significant portion of its revenue is generated. The Scorpio Ultramax Pool and the Scorpio Kamsarmax Pool participants, including the Company 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. The Company typically has balances due from the Scorpio 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. The Company is also allocated general and administrative expenses from SCM. The Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool were significant customers for the year ended December 31, 2019, accounting for 31% and 60% of the Company's total vessel revenue, respectively. During the year ended December 31, 2018, the Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool accounted for 36% and 64% of the Company's total vessel revenue, respectively. During the year ended December 31, 2017, the Scorpio Kamsarmax Pool and the Scorpio Ultramax Pool accounted for 42% and 58% of the Company's total vessel revenue, respectively.

During 2019, the Company time-chartered out four Kamsarmax vessels to the Scorpio Kamsarmax Pool for a period of 24-27 months at rates linked to the BPI. The related income is recorded as Vessel Revenues in the Consolidated Statement of Operations.

For the commercial management of any of the Company's vessels that do not operate in one of these pools, the Company pays 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 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 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.

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. As part of these services, the Company pays SSM, a related party, including certain subcontractors, for crew costs which are then distributed to the crew.

The Company pays SSM an annual fee of $160,000 plus charges for certain itemized services per vessel to provide technical management services for each of its owned or finance leased vessels, which is a component of vessel operating cost in the Consolidated Statement of Operations. In addition, representatives of SSM, including certain subcontractors, previously provided the Company with construction supervisory services while its vessels were being constructed in shipyards. For these services, SSM was compensated between $0.2 million and $0.5 million per vessel.

Representatives of SSM, including certain subcontractors, provide supervisory services during drydocking, for which they are compensated.

SUK allocates salaries of certain SUK employees to the Company for services performed for the Company.

The Company pays the related party port agent for supply and logistical services, which are charged as vessel operating costs.

The Company pays the related party bunker supplier for bunkers, which are charged as voyage expenses. Beginning in October 2019, the Company agreed to guarantee certain obligations of the related party bunker supplier arising from bunker purchases made through October 2020 on behalf of the vessels the Company owns. The maximum potential amount of future payments at December 31, 2019 was $2.0 million.

In 2016, an Executive Officer of the Company acquired a minority interest, which in 2018 increased to a majority interest, in an insurance broker which arranges hull and machinery and war risk insurance for certain of the Company's owned and finance leased vessels. This broker has arranged such policies for the Company since 2013 and the extent of the coverage and the manner in which the policies are priced did not change as a result of this transaction. In September 2018 the Executive Officer disposed of their interest in the insurance broker in its entirety to a third party not affiliated with the Company. The amounts recorded reflect the amortization of the policy premiums, which are paid directly to the broker, who then remits the premiums to the underwriters. Such payments, which are made in advance, are classified as prepaid expenses and other current assets on the Consolidated Balance Sheet until they are realized in the applicable period, at which point they are recorded as vessel operating expenses in the Consolidated Statement of Operations.

The Company pays the related party travel service provider for travel services, such as flights, which are charged as general and administrative services.

In October 2018, the Company invested $100.0 million in Scorpio Tankers for approximately 54.1 million (which was subsequently adjusted to 5.4 million shares after a one-for-ten reverse stock split effected on January 18, 2019), or 10.9% (as of October 12, 2018), of Scorpio Tankers' issued and outstanding common shares. The investment was part of a larger $337.0 million equity raise by Scorpio Tankers through a public offering of its common shares. Scorpio Tankers is a large international shipping company incorporated in the Republic of the Marshall Islands engaged in seaborne transportation of refined petroleum products. The Company and Scorpio Tankers have a number of common shareholders. They also share a number of common directors and officers, including Mr. Emanuele Lauro who serves as the Chairman and Chief Executive Officer of both companies, Mr. Robert Bugbee, who serves as President and a Director of both companies, Mr. Cameron Mackey, who serves as Chief Operating Officer of both companies, and Mr. Filippo Lauro, who serves as Vice President of both companies. There are no other significant transactions between the Company and Scorpio Tankers. As discussed in Note 1, Organization and Basis of Presentation, this investment is accounted for under the equity method utilizing the fair value option.

Transactions with entities owned and 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).

**SCORPIO BULKERS INC. AND SUBSIDIARIES**
Notes to the Consolidated Financial Statements
(Dollars in thousands, except per share, per day and per vessel data)

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| Vessel revenue | | | |
| Scorpio Kamsarmax Pool | $ 69,368 | $ 87,305 | $ 67,825 |
| Scorpio Ultramax Pool | 133,655 | 155,197 | 94,380 |
| Total vessel revenue | **$ 203,023** | **$ 242,502** | **$ 162,205** |
| Voyage expense: | | | |
| SCM | $ 295 | $ — | $ 172 |
| Bunker supplier | 1,653 | — | — |
| Total voyage expense | **$ 1,948** | **$ —** | **$ 172** |
| Vessel operating cost: | | | |
| SSM | $ 12,970 | $ 13,361 | $ 9,379 |
| Port agent | 267 | 117 | 13 |
| Insurance brokerage | — | 1,721 | — |
| Total vessel operating cost | **$ 13,237** | **$ 15,199** | **$ 9,392** |
| General and administrative expense: | | | |
| SCM | $ 103 | $ 45 | $ 108 |
| SSM | 267 | 99 | — |
| SSH | 6,657 | 6,707 | 5,643 |
| SUK | 2,923 | 1,665 | 971 |
| Travel provider | 122 | — | — |
| Total general and administrative expense | **$ 10,072** | **$ 8,516** | **$ 6,722** |
| Income (loss) from equity investment | | | |
| Scorpio Tankers Inc. | **$ 116,878** | **$ (7,178)** | **$ —** |
| Write down on assets held for sale | | | |
| SCM | $ 414 | $ — | $ 147 |
| SSM | 400 | — | 200 |
| Total write down on assets held for sale | **$ 814** | **$ —** | **$ 347** |

**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, 2019 and December 31, 2018, we had the following balances with related parties, which have been included in the Consolidated Balance Sheet:

| | December 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Assets** | | |
| Due from related parties-current: | | |
| Scorpio Kamsarmax Pool | $ 5,241 | $ 4,017 |
| Scorpio Ultramax Pool | 677 | 3,321 |
| SUK | 36 | — |
| **Total due from related parties-current** | **$ 5,954** | **$ 7,338** |
| Due from related parties non-current: | | |
| Scorpio Kamsarmax Pool | $ 4,767 | $ 4,806 |
| Scorpio Ultramax Pool | 9,463 | 10,542 |
| **Total due from related parties non-current** | **$ 14,230** | **$ 15,348** |
| **Equity investment in Scorpio Tankers Inc.** | **$ 173,298** | **$ 92,281** |
| **Liabilities** | | |
| Due to related parties-current : | | |
| SCM | $ 227 | $ 8 |
| SSM | 200 | 116 |
| SSH | 312 | 357 |
| Port agent | 13 | — |
| Bunker supplier | 220 | — |
| **Total due to related parties-current** | **$ 972** | **$ 481** |

## 16. Income Taxes

Scorpio Bulkers Inc. and its vessel owning subsidiaries (registered and disponent) are incorporated in the Republic of the Marshall Islands, and in accordance with the income tax laws of the Marshall Islands, are not subject to Marshall Islands income tax. The Company is also exempt from income tax in other jurisdictions including the United States of America due to tax treaties or domestic tax laws; therefore, it will not have any tax charges, benefits, or balances.

The Company is subjected to tax audits in the jurisdictions it operates in. There have been no adjustments assessed to the Company in the past and the Company believes there are no uncertain tax positions to consider.

## 17. 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

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 income and expenses incurred by the Company are not attributable to any specific segment and accordingly, are not allocated to the Company's Kamsarmax or Ultramax 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, 2019, 2018 and 2017 (in thousands).

| December 31, 2019 | Kamsarmax | Ultramax | Corporate | Total |
|---|---|---|---|---|
| Vessel revenue | $ 86,192 | $ 138,387 | | $ 224,579 |
| Voyage expenses | 2,688 | 1,512 | | 4,200 |
| Vessel operating cost | 33,816 | 67,305 | | 101,121 |
| Charterhire expense | 13,498 | 3,726 | | 17,224 |
| Vessel depreciation | 18,292 | 35,932 | | 54,224 |
| General and administrative expenses | 2,083 | 4,152 | 25,738 | 31,973 |
| Loss / write down on assets held for sale | 7,353 | 29,936 | — | 37,289 |
| Interest income | | | 1,450 | 1,450 |
| Income from equity investment | | | 116,925 | 116,925 |
| Foreign exchange loss | | | (115) | (115) |
| Financial expense, net | | | (52,154) | (52,154) |
| Segment income (loss) | $ 8,462 | $ (4,176) | $ 40,368 | $ 44,654 |

**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, 2018 | Kamsarmax | Ultramax | Corporate | Total |
|---|---|---|---|---|
| Vessel revenue | $ 87,305 | $ 155,197 | | $ 242,502 |
| Voyage expenses | 219 | 330 | | 549 |
| Vessel operating cost | 34,255 | 71,220 | — | 105,475 |
| Charterhire expense | 422 | 3,754 | | 4,176 |
| Vessel depreciation | 19,320 | 37,287 | | 56,607 |
| General and administrative expenses | 2,069 | 4,344 | 25,972 | 32,385 |
| Interest income | | | 1,107 | 1,107 |
| Income (loss) from equity investment | | | (7,178) | (7,178) |
| Foreign exchange gain (loss) | | | (68) | (68) |
| Financial expense, net | | | (49,869) | (49,869) |
| Segment income (loss) | $ 31,020 | $ 38,262 | $ (81,980) | $ (12,698) |

| December 31, 2017 | Kamsarmax | Ultramax | Corporate | Total |
|---|---|---|---|---|
| Vessel revenue | $ 67,825 | $ 94,380 | | $ 162,205 |
| Voyage expenses | 300 | 129 | | 429 |
| Vessel operating cost | 35,336 | 51,445 | (117) | 86,664 |
| Charterhire expense | 4,417 | 975 | | 5,392 |
| Vessel depreciation | 18,713 | 29,797 | | 48,510 |
| General and administrative expenses | 1,916 | 3,389 | 23,776 | 29,081 |
| Loss / write down on assets held for sale | 17,701 | — | — | 17,701 |
| Interest income | | | 1,100 | 1,100 |
| Foreign exchange loss | | | (292) | (292) |
| Financial expense, net | | | (34,962) | (34,962) |
| Segment loss | $ (10,558) | $ 8,645 | $ (57,813) | $ (59,726) |

Identifiable assets, classified by the segment by which the Company operates, are as follows:

**Identifiable assets**

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Held by vessel owning subsidiaries or allocated to segments: | | |
| Kamsarmax | $ 543,280 | $ 553,790 |
| Ultramax | 920,149 | 994,812 |
| Held by parent and other subsidiaries, not allocated to segments: | | |
| Cash and cash equivalents | 19,564 | 55,884 |
| Other | 182,566 | 99,340 |
| Total identifiable assets | $ 1,665,559 | $ 1,703,826 |

## 18. Unaudited Quarterly Results of Operations

The following tables set forth certain unaudited financial data for the Company's quarterly operations in 2019 and 2018. 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) 2019 Quarter Ended | | | | (Unaudited) 2018 Quarter Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | First Quarter (1) | Second Quarter (2) | Third Quarter (3) | Fourth Quarter (4) | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| Revenues | $ 50,474 | $ 50,614 | $ 63,227 | $ 60,264 | $ 54,253 | $ 60,614 | $ 62,464 | $ 65,171 |
| Operating (loss) income | (6,262) | (3,337) | 8,762 | (20,615) | 4,468 | 12,049 | 12,987 | 13,806 |
| Net (loss) income | (3,471) | 34,969 | (1,928) | 15,084 | (5,772) | 800 | (353) | (7,373) |
| Basic (loss) earnings per share | $ (0.05) | $ 0.52 | $ (0.03) | $ 0.22 | $ (0.08) | $ 0.01 | $ (0.01) | $ (0.11) |
| Diluted (loss) earnings per share | $ (0.05) | $ 0.50 | $ (0.03) | $ 0.21 | $ (0.08) | $ 0.01 | $ (0.01) | $ (0.11) |
| Basic weighted average common shares outstanding | 67,464 | 67,730 | 68,462 | 68,675 | 72,702 | 72,494 | 72,749 | 69,387 |
| Diluted weighted average common shares outstanding | 67,464 | 69,301 | 68,462 | 70,301 | 72,702 | 74,718 | 72,749 | 69,387 |

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 2019 results include a loss / write down on assets held for sale of $7.5 million.
(2) Second quarter 2019 results include a loss / write down on assets held for sale and the write-off of deferred financing costs related to vessels sold totaling $5.2 million.
(3) Third quarter 2019 results include the reversal of a loss / write down on assets held for sale of $0.2 million.
(4) Fourth quarter 2019 results include a loss / write down on assets held for sale and the write-off of deferred financing costs related to vessels sold totaling $25.5 million.

## 19. Subsequent Events

***Dividend***

On January 27, 2020, the Company’s Board of Directors declared a quarterly cash dividend of $0.02 per share, payable on or about March 13, 2020, to all shareholders of record as of February 14, 2020.

***Financial Guarantee***

In January 2020, the Company agreed to guarantee certain obligations of certain related parties arising from bunker purchases made through January 2021 on behalf of the vessels the Company owns. The maximum potential amount of future payments is $1.0 million.

***$67.3 Million Lease Financing***

In February 2020, the Company agreed to sell and leaseback two Ultramax vessels (SBI Cronos and SBI Achilles) and one Kamsarmax vessel (SBI Lynx) to Ocean Yield ASA for a total financing consideration of $62.8 million. The Company agreed to bareboat charter-in the SBI Cronos for a period of nine years, the SBI Achilles for a period of ten years and, following execution of documentation, the SBI Lynx for a period of twelve years. The Company has several purchase options during the charter period of each agreement, as well as a purchase option for each vessel upon the expiration of each agreement. Upon completion of all three transactions, the Company expects its liquidity to increase by up to $33.6 million after the repayment of outstanding debt. The Company will also have the ability to drawdown on an additional tranche of an aggregate of up to $4.5 million to partially finance the installation of scrubbers on the three vessels.

***Vessel Sales***

In March 2020, the Company entered into agreements with unaffiliated third parties to sell the SBI Jaguar and SBI Taurus, 2014 and 2015 built Ultramax vessels, respectively, and the SBI Bolero, a 2015 built Kamsarmax vessel, for approximately $53.5 million in aggregate. Delivery of the vessels is expected to take place between April and May of 2020. It is estimated that the Company’s liquidity will increase by approximately $18.3 million after the repayment of outstanding debt. The Company estimates that it will record a loss of approximately $16.4 million in the first quarter of 2020 related to the sale and write-off $0.3 million of deferred finance charges upon the repayment of the related debt.

***$12.5 Million Credit Facility***

This credit facility was repaid in full and terminated upon the closing of the sale and leaseback transaction concerning the SBI Cronos under the $67.3 Million Lease Financing in March 2020.

***$27.3 Million Credit Facility***

This credit facility was repaid in full and terminated upon the closing of the sale and leaseback transaction concerning the SBI Achilles under $67.3 Million Lease Financing in March 2020.

***$38.7 Million Credit Facility***

This credit facility was repaid in full and terminated in April 2020 due to the expected sale of the SBI Jaguar.

***COVID-19***

The outbreak of the novel COVID-19 virus (“coronavirus”) that originated in China in December 2019 and that has, as of the date of this report, spread to most developed nations of the world has resulted in the implementation of numerous actions taken by governments and governmental agencies in an attempt to control or mitigate the spread of the virus. These measures have resulted in a significant reduction in global economic activity and extreme volatility in the global financial markets. A significant reduction in manufacturing and other economic activities has and is expected to continue to have a materially adverse impact on the global demand for raw materials, coal and other bulk cargoes that our customers transport on our vessels. This significant decline in the demand for dry bulk tonnage has resulted in a significant volatility in dry bulk charter spot rates, with the BDI ranging from 976 to 411 during the first quarter of the year, and may materially and adversely impact our ability to charter our vessels. When these measures and the resulting economic impact will end and what the long-term impact of such measures on the global economy will be are not known at this time. As a result, the extent to which Covid-19 will impact the Company’s results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the virus and the actions to contain or treat its impact, among others. Accordingly, an estimate of the impact cannot be made at this time.

***Investment in Scorpio Tankers***

The economic slow-down resulting from the coronavirus outbreak and the international governmental responses to it has resulted in a significant reduction in share prices of the majority of publicly traded companies, including Scorpio Tankers, in which we have a significant investment. The recent decline in the trading prices of Scorpio Tankers’ common stock between December 31, 2019 and March 31, 2020, has resulted in an unrealized loss in the value of our investment of approximately 51%, or $89.1

million. We cannot predict when or if the price of Scorpio Tankers' common stock will recover the losses incurred during the first quarter of 2020 or if the price will experience further decline.

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

As of December 31, 2019, Scorpio Bulkers Inc. (the "Company") only had common stock registered under Section 12 of the Securities Exchange Act of 1934, as amended.

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

## DESCRIPTION OF COMMON SHARES

Under our Articles of Incorporation, our authorized capital stock consists of 262,500,000 registered shares, of which 212,500,000 are designated as common shares, par value $0.01 per share, and 50 million are designated as preferred shares, par value $0.01 per share. As of December 31, 2019, we had 72,482,958 common shares issued and outstanding (excludes 8,567,846 treasury shares) and no preferred shares outstanding. Holders of common shares do not have conversion, redemption or pre-emptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of our common shares are subject to the rights of the holders of any preferred shares, which we may issue in the future.

### Voting Rights

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Our directors are elected by a plurality of the votes cast by shareholders entitled to vote and serve for three-year terms. There is no provision for cumulative voting.

### Dividend Rights

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

### Liquidation Rights

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

### Limitations on Ownership

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

### Anti-takeover Effect of Certain Provisions of our Articles of Incorporation and Bylaws

Several provisions of our Articles of Incorporation and Bylaws, which are summarized below, may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize shareholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions, which are summarized below, could also discourage, delay or prevent (1) the merger or acquisition of us by means of a tender offer, a proxy contest or otherwise that a shareholder may consider in its best interest and (2) the removal of incumbent officers and directors.

*Blank check preferred stock*

Under the terms of our Articles of Incorporation, our board of directors has authority, without any further vote or action by our shareholders, to issue up to 50,000,000 shares of blank check preferred stock. Our board of directors may issue preferred shares on terms calculated to discourage, delay or prevent a change of control of us or the removal of our management and might harm the market price of our common shares. We have no current plans to issue any preferred shares.

*Election and removal of directors*

Our Articles of Incorporation prohibit cumulative voting in the election of directors. Our Bylaws require parties other than the board of directors to give advance written notice of nominations for the election of directors. Our Articles of Incorporation also provide that our directors may be removed for cause upon the affirmative vote of not less than two-thirds of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

*Limited actions by shareholders*

Our Articles of Incorporation and our Bylaws provide that any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders. Our Articles of Incorporation and our Bylaws provide that, unless otherwise prescribed by law, only a majority of our board of directors, the chairman of our board of directors or an officer of the Company who is also a director may call special meetings of our shareholders and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a shareholder will be prevented from calling a special meeting for shareholder consideration of a proposal unless scheduled by our board of directors and shareholder consideration of a proposal may be delayed until the next annual meeting.

*Advance notice requirements for shareholder proposals and director nominations*

Our Bylaws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder's notice must be received at our principal executive offices not less than 150 days nor more than 180 days prior to the one year anniversary of the immediately preceding annual meeting of shareholders. Our Bylaws also specify requirements as to the form and content of a shareholder's notice. These provisions may impede shareholders' ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

*Classified board of directors*

As described above, our Articles of Incorporation provide for the division of our board of directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered three year terms beginning on the expiration of the initial term for each class. Accordingly, approximately one-third of our board of directors will be elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of us. It could also delay shareholders who do not agree with the policies of our board of directors from removing a majority of our board of directors for two years.

*Business combinations*

Although the Marshall Islands Business Corporations Act (the “BCA”) does not contain specific provisions regarding "business combinations" between companies organized under the laws of the Marshall Islands and "interested shareholders," we have included these provisions in our Articles of Incorporation. Specifically, our Articles of Incorporation prohibit us from engaging in a "business combination" with certain persons for three years following the date the person becomes an interested shareholder.

Interested shareholders generally include:

- any person who is the beneficial owner of 15% or more of our outstanding voting shares; or
- any person who is our affiliate or associate and who held 15% or more of our outstanding voting shares at any time within three years before the date on which the person's status as an interested shareholder is determined, and the affiliates and associates of such person.

Subject to certain exceptions, a business combination includes, among other things:

- certain mergers or consolidations of us or any direct or indirect majority-owned subsidiary of ours;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of our assets or of any subsidiary of ours having an aggregate market value equal to 10% or more of either the aggregate market value of all of our assets, determined on a combined basis, or the aggregate value of all of our outstanding shares;
- certain transactions that result in the issuance or transfer by us of any shares of ours to the interested shareholder;
- any transaction involving us or any of our subsidiaries that has the effect of increasing the proportionate share of any class or series of stock, or securities convertible into any class or series of stock, of ours or any such subsidiary that is owned directly or indirectly by the interested shareholder or any affiliate or associate of the interested shareholder; and
- any receipt by the interested shareholder of the benefit directly or indirectly (except proportionately as a shareholder) of any loans, advances, guarantees, pledges or other financial benefits provided by or through us.

These provisions of our Articles of Incorporation do not apply to a business combination if:

- before a person became an interested shareholder, our board of directors approved either the business combination or the transaction in which the shareholder became an interested shareholder;
- upon consummation of the transaction which resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of our voting shares outstanding at the time the transaction commenced, other than certain excluded shares;
- at or following the transaction in which the person became an interested shareholder, the business combination is approved by our board of directors and authorized at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of the holders of at least two-thirds of our outstanding voting shares that is not owned by the interest shareholder;
- the shareholder was or became an interested shareholder prior to the closing of our initial public offering;
- a shareholder became an interested shareholder inadvertently and (i) as soon as practicable divested itself of ownership of sufficient shares so that the shareholder ceased to be an interested shareholder; and (ii) would not, at any time within the three-year period immediately prior to a business combination between us and such shareholder, have been an interested shareholder but for the inadvertent acquisition of ownership; or
- the business combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required under our Articles of Incorporation which (i) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an interested shareholder during the previous three years or who became an interested shareholder with the approval of the board; and (iii) is approved or not opposed by a majority of the members of the board of directors then in office (but not less than one) who were

directors prior to any person becoming an interested shareholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors.

The proposed transactions referred to in the preceding sentence are limited to:

- a merger or consolidation of us (except for a merger in respect of which, pursuant to the BCA, no vote of our shareholders is required);
- a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of us or of any direct or indirect majority-owned subsidiary of ours (other than to any direct or indirect wholly-owned subsidiary or to us) having an aggregate market value equal to 50% or more of either the aggregate market value of all of our assets determined on a consolidated basis or the aggregate market value of all the outstanding shares; or
- a proposed tender or exchange offer for 50% or more of our outstanding voting shares.

**Marshall Islands Company Considerations**

Our corporate affairs are governed by our Articles of Incorporation and Bylaws and by the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. While the BCA also 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 courts in the United States. As a result, you may have more difficulty protecting your interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction which has developed a substantial body of case law. The following table provides a comparison between the statutory provisions of the BCA and the General Corporation Law of the State of Delaware relating to shareholders' rights.

| **Marshall Islands** | **Delaware** |
|---|---|
| **Shareholder Meetings** | |
| Held at a time and place as designated in the bylaws. | May be held at such time or place as designated in the certificate of incorporation or the bylaws, or if not so designated, as determined by the board of directors. |
| Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the articles of incorporation or by the bylaws. | Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws. |
| May be held within or without the Marshall Islands. | May be held within or without Delaware. |
| *Notice*: | *Notice*: |
| Whenever shareholders are required to take any action at a meeting, written notice of the meeting shall be given which shall state the place, date and hour of the meeting and, unless it is an annual meeting, indicate that it is being issued by or at the direction of the person calling the meeting. Notice of a special meeting shall also state the purpose for which the meeting is called. | Whenever shareholders are required to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any. |
| A copy of the notice of any meeting shall be given personally, sent by mail or by electronic mail not less than 15 nor more than 60 days before the meeting. | Written notice shall be given not less than 10 nor more than 60 days before the meeting. |

## Shareholders’ Voting Rights

| | |
|---|---|
| Unless otherwise provided in the articles of incorporation, any action required to be taken at a meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by all the shareholders entitled to vote with respect to the subject matter thereof, or if the articles of incorporation so provide, by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. | Any action required to be taken at a meeting of shareholders may be taken without a meeting if a consent for such action is in writing and is signed by shareholders having not fewer than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. |
| Any person authorized to vote may authorize another person or persons to act for him by proxy. | Any person authorized to vote may authorize another person or persons to act for him by proxy. |
| Unless otherwise provided in the articles of incorporation or bylaws, a majority of shares entitled to vote constitutes a quorum. In no event shall a quorum consist of fewer than one-third of the shares entitled to vote at a meeting. | For stock corporations, the certificate of incorporation or bylaws may specify the number of shares required to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum. |
| When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders. | When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders. |
| The articles of incorporation may provide for cumulative voting in the election of directors. | The certificate of incorporation may provide for cumulative voting in the election of directors. |

## Merger or Consolidation

| | |
|---|---|
| Any two or more domestic corporations may merge into a single corporation if approved by the board and if authorized by a majority vote of the holders of outstanding shares at a shareholder meeting. | Any two or more corporations existing under the laws of the state may merge into a single corporation pursuant to a board resolution and upon the majority vote by shareholders of each constituent corporation at an annual or special meeting. |
| Any sale, lease, exchange or other disposition of all or substantially all the assets of a corporation, if not made in the corporation’s usual or regular course of business, once approved by the board, shall be authorized by the affirmative vote of two-thirds of the shares of those entitled to vote at a shareholder meeting. | Every corporation may at any meeting of the board sell, lease or exchange all or substantially all of its property and assets as its board deems expedient and for the best interests of the corporation when so authorized by a resolution adopted by the holders of a majority of the outstanding stock of the corporation entitled to vote. |
| Any domestic corporation owning at least 90% of the outstanding shares of each class of another domestic corporation may merge such other corporation into itself without the authorization of the shareholders of any corporation. | Any corporation owning at least 90% of the outstanding shares of each class of another corporation may merge the other corporation into itself and assume all of its obligations without the vote or consent of shareholders; however, in case the parent corporation is not the surviving corporation, the proposed merger shall be approved by a majority of the outstanding stock of the parent corporation entitled to vote at a duly called shareholder meeting. |

| | |
|---|---|
| Any mortgage, pledge of or creation of a security interest in all or any part of the corporate property may be authorized without the vote or consent of the shareholders, unless otherwise provided for in the articles of incorporation. | Any mortgage or pledge of a corporation's property and assets may be authorized without the vote or consent of shareholders, except to the extent that the certificate of incorporation otherwise provides. |
| **Directors** | |
| The board of directors must consist of at least one member. | The board of directors must consist of at least one member. |
| The number of board members may be changed by an amendment to the bylaws, by the shareholders, or by action of the board under the specific provisions of a bylaw. | The number of board members shall be fixed by, or in a manner provided by, the bylaws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number shall be made only by an amendment to the certificate of incorporation. |
| If the board is authorized to change the number of directors, it can only do so by a majority of the entire board and so long as no decrease in the number shall shorten the term of any incumbent director. | If the number of directors is fixed by the certificate of incorporation, a change in the number shall be made only by an amendment of the certificate. |
| *Removal*: | *Removal*: |
| Any or all of the directors may be removed for cause by vote of the shareholders. | Any or all of the directors may be removed, with or without cause, by the holders of a majority of the shares entitled to vote unless the certificate of incorporation otherwise provides. |
| If the articles of incorporation or the bylaws so provide, any or all of the directors may be removed without cause by vote of the shareholders. | In the case of a classified board, shareholders may effect removal of any or all directors only for cause. |
| **Dissenters' Rights of Appraisal** | |
| Shareholders have a right to dissent from any plan of merger, consolidation or sale of all or substantially all assets not made in the usual course of business, and receive payment of the fair value of their shares. However, the right of a dissenting shareholder under the BCA to receive payment of the appraised fair value of his shares shall not be available for the shares of any class or series of stock, which shares or depository receipts in respect thereof, at the record date fixed to determine the shareholders entitled to receive notice of and to vote at the meeting of the shareholders to act upon the agreement of merger or consolidation, were either (i) listed on a securities exchange or admitted for trading on an interdealer quotation system or (ii) held of record by more than 2,000 holders. The right of a dissenting shareholder to receive payment of the fair value of his or her shares shall not be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the shareholders of the surviving corporation. | Appraisal rights shall be available for the shares of any class or series of stock of a corporation in a merger or consolidation, subject to limited exceptions, such as a merger or consolidation of corporations listed on a national securities exchange in which listed stock is offered for consideration is (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders. |

A holder of any adversely affected shares who does not vote on or consent in writing to an amendment to the articles of incorporation has the right to dissent and to receive payment for such shares if the amendment:

Alters or abolishes any preferential right of any outstanding shares having preference; or

Creates, alters, or abolishes any provision or right in respect to the redemption of any outstanding shares; or

Alters or abolishes any preemptive right of such holder to acquire shares or other securities; or

Excludes or limits the right of such holder to vote on any matter, except as such right may be limited by the voting rights given to new shares then being authorized of any existing or new class.

**Shareholder's Derivative Actions**

An action may be brought in the right of a corporation to procure a judgment in its favor, by a holder of shares or of voting trust certificates or of a beneficial interest in such shares or certificates. It shall be made to appear that the plaintiff is such a holder at the time of bringing the action and that he was such a holder at the time of the transaction of which he complains, or that his shares or his interest therein devolved upon him by operation of law.

A complaint shall set forth with particularity the efforts of the plaintiff to secure the initiation of such action by the board or the reasons for not making such effort.

Such action shall not be discontinued, compromised or settled, without the approval of the High Court of the Republic of the Marshall Islands.

Reasonable expenses including attorney's fees may be awarded if the action is successful.

A corporation may require a plaintiff bringing a derivative suit to give security for reasonable expenses if the plaintiff owns less than 5% of any class of outstanding shares or holds voting trust certificates or a beneficial interest in shares representing less than 5% of any class of such shares and the shares, voting trust certificates or beneficial interest of such plaintiff has a fair value of $50,000 or less.

In any derivative suit instituted by a shareholder of a corporation, it shall be averred in the complaint that the plaintiff was a shareholder of the corporation at the time of the transaction of which he complains or that such shareholder's stock thereafter devolved upon such shareholder by operation of law.

Other requirements regarding derivative suits have been created by judicial decision, including that a shareholder may not bring a derivative suit unless he or she first demands that the corporation sue on its own behalf and that demand is refused (unless it is shown that such demand would have been futile).

**AMENDED AND RESTATED CREDIT AGREEMENT**

**among**

**SCORPIO BULKERS INC.**

**as Borrower,**

**VARIOUS LENDERS**

**and**

**ABN AMRO BANK N.V.,**
**as Administrative Agent and as Collateral Agent**

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**Dated as of October 18, 2019**

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**ABN AMRO BANK N.V., and**
**SKANDINAVISKA ENSKILDA BANKEN AB (PUBL),**
**as Joint Bookrunners and Mandated Lead Arrangers**

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AMENDED AND RESTATED CREDIT AGREEMENT, dated as of October 18, 2019 (this "Credit Agreement"), among (i) SCORPIO BULKERS INC., a corporation incorporated under the laws of the Republic of the Marshall Islands (the "Borrower"), (ii) the Lenders party hereto from time to time, (iii) 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 (iv) ABN AMRO, 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, pursuant to a Credit Agreement dated December 5, 2017 as amended by certain Amendment and Assumption Agreements each dated March 28, 2018 (the "Original Credit Agreement") among (i) the Borrower, (ii) the Vessel Loan Lenders, (iii) the Lead Arrangers, and (iv) the Administrative Agent and the Collateral Agent, the Vessel Loan Lenders agreed to make available to the Borrower certain Vessel Loans of up to (originally) $85,500,000 in the aggregate, in each case, in an amount not exceeding the lesser of (A) the applicable amount set forth opposite the Collateral Vessel under the heading "Maximum Vessel Loan Amount" in Schedule VI hereto and (B) 60% of the Appraised Value of such Collateral Vessel.

WHEREAS, the Borrower has repaid in full the Vessel Loans advanced in respect of the Collateral Vessels SBI LIBRA and SBI VIRGO and subsequently each of SBI Libra Shipping Company Limited and SBI Virgo Shipping Company Limited were released from their obligations as Subsidiary Guarantors pursuant to a Release and Reassignment dated May 21, 2019.

WHEREAS, subject to the terms and conditions herein set forth, the parties hereto have agreed to amend and restate the Original Credit Agreement to, among other things, make available to the Borrower certain Scrubber Loans of up to $5,712,000 in the aggregate in each case in an amount not exceeding the least of (A) the applicable amount set forth opposite the Collateral Vessel under the heading "Maximum Scrubber Loan Amount" in Schedule VI hereto, (B) 60% of the invoiced equipment, installation and commissioning costs of the scrubbers on such Collateral Vessel, and (C) an amount which when aggregated with the part of the Total Commitments previously borrowed, repaid or cancelled under the Vessel Loans in each case in respect of such Collateral Vessel, does not exceed 60% of the Appraised Value of such Collateral Vessel.

NOW, THEREFORE, IT IS AGREED:

Section 1. Definitions and Accounting Terms

1.01 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), 5.04(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.

"Article 55 BRRD" shall mean Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

"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 aggregate principal amount of the Loans made in respect of such Collateral Vessel on the Borrowing Dates related to such Collateral Vessel, less

(ii) the aggregate amount of the Collateral Vessel Loan Amortization Amounts and the Collateral Vessel Scrubber Loan 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.

"Bail-In Legislation" shall mean, (i) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 BRRD, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time and (ii) in relation to the United Kingdom, to the extent that the United Kingdom is not such an EEA Member Country, 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.

"Bankruptcy Code" shall have the meaning provided in Section 9.05.

"Benchmark Replacement" shall mean the sum of (a) the alternate benchmark rate (which may include Term SOFR) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the Eurodollar Rate for U.S. dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

"Benchmark Replacement Adjustment" shall mean, with respect to the replacement of the Eurodollar Rate with an Unadjusted Benchmark Replacement for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero), that has been selected by the Administrative Agent and the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the Eurodollar Rate with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the Eurodollar Rate with the applicable Unadjusted Benchmark Replacement for U.S. dollar denominated syndicated credit facilities at such time.

"Benchmark Replacement Conforming Changes" shall mean, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Interest Period," timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

"Benchmark Replacement Date" shall mean the earlier to occur of the following events with respect to the Eurodollar Rate: (x) in the case of paragraph (a) or (b) of the definition of "Benchmark Transition Event", the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of the Eurodollar Rate permanently or indefinitely ceases to provide the Eurodollar Rate, or (y) in the case of paragraph (c) of the definition of "Benchmark Transition Rate", the date of the public statement or publication of information referenced therein.

"Benchmark Transition Event" shall mean the occurrence of one or more of the following events with respect to the Eurodollar Rate: (a) a public statement or publication of information by or on behalf of the administrator of the Eurodollar Rate announcing that such administrator has ceased or will cease to provide the Eurodollar Rate, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Eurodollar Rate; (b) a public statement or publication of information by the regulatory supervisor for the administrator of the Eurodollar Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the Eurodollar Rate, a resolution authority with jurisdiction over the administrator for the Eurodollar Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Eurodollar Rate, which states that the administrator of the Eurodollar Rate has ceased or will cease to provide the Eurodollar Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Eurodollar Rate; or (c) a public statement or publication of information by the regulatory supervisor for the administrator of the Eurodollar Rate announcing that the Eurodollar Rate is no longer representative.

"Benchmark Transition Start Date" shall mean (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by the Administrative Agent or the Required Lenders, as applicable, by notice to the Borrower, the Administrative Agent (in the case of such notice by the Required Lenders) and the Lenders.

"Benchmark Unavailability Period" shall mean, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the Eurodollar Rate and solely to the extent that the Eurodollar Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the Eurodollar Rate for all purposes hereunder in accordance with the Section 11.13A and (y) ending at the time that a Benchmark Replacement has replaced the Eurodollar Rate for all purposes hereunder pursuant to the Section 11.13A.

"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 Vessel Loan Borrowing or a Scrubber Loan Borrowing, as the context may require.

"Borrowing Date" shall mean a Vessel Loan Borrowing Date or a Scrubber Loan Borrowing Date, as the context may require.

"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 Closing Date, 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 mean December 5, 2017.

"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 Closing Date 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 in its capacity as security trustee and as mortgagee 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 Vessel Loan 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 Vessel Loan 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 Vessel Loan 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 Vessel Loan 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 Vessel Loan 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 Loan Amortization Amount" shall mean, in respect of the Vessel Loans, for any Collateral Vessel for any Payment Date, the amount specified in the column marked "Repayments" opposite such Payment Date in respect of such Collateral Vessel on Schedule VIII.

"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 (including by an Collateral Vessel Mortgage Addendum) 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, in its capacity as security trustee and as mortgagee.

"Collateral Vessel Mortgage Addendum" shall mean, in relation to each Collateral Vessel Mortgage, an addendum to that Collateral Vessel Mortgage in such form as may be reasonably satisfactory to the Administrative Agent.

"Collateral Vessel Owner" shall mean, at any time, a Subsidiary Guarantor which owns a Collateral Vessel.

"Collateral Vessel Scrubber Loan Amortization Amount" shall mean, in respect of the Scrubber Loans, for any Collateral Vessel for any Payment Date, the amount calculated in accordance with Section 4.02(a)(ii)(A) or 4.02(a)(ii)(B) for such Payment Date in respect of such 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 (a) in relation to a Vessel Loan Lender, its Vessel Loan Commitment, and (b) in relation to a Scrubber Loan Lender, its Scrubber Loan Commitment.

"Commitment Commission" shall mean collectively, the Vessel Loan Commitment Commission and the Scrubber Loan Commitment Commission.

"Commitment Termination Date" shall mean (a) the Vessel Loan Termination Date or (b) the Scrubber Loan Termination Date, as the context requires.

"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 (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, each 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 aggregate of the Vessel Loan Credit Facility and the Scrubber Loan Credit Facility.

"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.

"Early Opt-in Election" shall mean the occurrence of:

(a) (i) a determination by the Administrative Agent or (ii) a notification by the Required Lenders to the Administrative Agent (with a copy to the Borrower) that the Required Lenders have determined that U.S. dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 11.13A, are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace the Eurodollar Rate; and

(b) (i) the election by the Administrative Agent or (ii) the election by the Required Lenders to declare that an Early Opt-in Election has occurred and the provision, as applicable, by the Administrative Agent of written notice of such election to the Borrower and the Lenders or by the Required Lenders of written notice of such election to the Administrative Agent.

"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 and Norway.

"Effective Date" shall have the meaning provided in Section 11.11.

"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" shall mean 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 Closing Date 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 Closing Date (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.

"Federal Reserve Bank of New York's Website" shall mean the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source.

"Fee Letter" shall mean (i) that certain fee letter dated as of the Closing Date among the Borrower and the Lead Arrangers, (ii) that certain agency fee letter dated as of the Closing Date among the Borrower and ABN AMRO or (iii) that certain arrangement and structuring fee letter dated as of the date hereof among the Borrower and the Lead Arrangers, as the context may require.

"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 including, without limitation, a Relevant Governmental Body.

"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 Scrubber Loan Borrowing Date" shall mean the date occurring after the Effective Date on which the initial Borrowing of the Scrubber Loans hereunder occurs.

"Initial Vessel Loan Borrowing Date" shall mean the date occurring after the Closing Date on which the initial Borrowing of Vessel 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 Vessel Loan Lender and each Scrubber Loan Lender 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 mean (i) a term loan by a Lender to the Borrower under Section 2.01 in the form of a Vessel Loan or a Scrubber Loan, as the context may require, and (ii) any reference to "Loans" shall mean collectively, the Vessel Loans and the Scrubber Loans.

"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.

"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 in respect of the Vessel Loans and December 31, 2022 in respect of the Scrubber Loans.

"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 mean (a) a request for a Vessel Loan Borrowing or (b) a request for a Scrubber Loan Borrowing, substantially in the form of Exhibit A hereto.

"Notice Office" shall mean the office of the Administrative Agent located at Syndicated Loans Agency, Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands, PAC: HQ9037 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 (A) in respect of the Vessel Loans, (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 Vessel Loan Borrowing Date and (ii) the relevant Maturity Date or (B) in respect of the Scrubber Loans, (i) the last Business Day of each September, December, March and June, commencing with the last Business Day of the fiscal quarter in which the Initial Scrubber Loan Borrowing Date occurs and (ii) the relevant 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 Governmental Body" shall mean the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"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.

"Resolution Authority" shall mean any body which has authority to exercise any Write-down and Conversion Powers

"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 Vessel Loan Amortization Payment Amount" shall mean, for any Payment Date, the sum of the Collateral Vessel Loan Amortization Amounts for such Payment Date for each Collateral Vessel then owned by the Borrower or any Subsidiary Guarantor.

"Scheduled Term Scrubber Loan Amortization Payment Amount" shall mean, for any Payment Date, the sum of the Collateral Vessel Scrubber Loan Amortization Amounts for such Payment Date for each Collateral Vessel then owned by the Borrower or any Subsidiary Guarantor.

"Scheduled Term Amortization Payment Amount" shall mean the sum of the Scheduled Term Vessel Loan Amortization Payment Amounts and the Scheduled Term Scrubber Loan Amortization Payment Amounts 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.

"Scrubber Contractors" shall mean the contractors for the supply, manufacture, installation and commissioning of a scrubber system for a Collateral Vessel.

"Scrubber Purchase Contract" shall mean, in relation to a Collateral Vessel, the contract entered or to be entered into between the Scrubber Contractors and the Collateral Vessel Owner owning that Collateral Vessel, as the same may be amended and/or supplemented form time to time, for the manufacture, supply, installation and commissioning of scrubbers on such Collateral Vessel.

"Scrubber Loan" shall mean a term loan made by a Scrubber Loan Lender to the Borrower pursuant to Section 2.01(b).

"Scrubber Loan Borrowing" shall mean a borrowing consisting of Scrubber Loans from all the Scrubber Loan Lenders (other than any Scrubber Loan Lender which has not funded its share of a Scrubber Loan Borrowing in accordance with this Agreement) having Commitments on a given date having the same Interest Period.

"Scrubber Loan Borrowing Date" shall mean the date on which Scrubber Loans are made to the Borrower which shall be the date the Borrower incurs such Scrubber Loans to finance or reimburse, in part, the invoiced equipment, installation and commissioning costs of the scrubbers under a Scrubber Purchase Contract of a Collateral Vessel, in each case pursuant to Section 2.01(b).

"Scrubber Loan Commitment" shall mean for each Scrubber Loan Lender, the amount set forth opposite such Scrubber Loan 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 Scrubber Loan Lender pursuant to Section 2.12 or 11.04(b).

"Scrubber Loan Commitment Commission" shall have the meaning provided in Section 3.01(b).

"Scrubber Loan Credit Facility" shall mean the senior secured term loan facility in the aggregate amount of up to US$5,712,000 as provided under this Agreement.

"Scrubber Loan Lender" shall mean each financial institution with a Commitment and/or with outstanding Scrubber Loans and listed on Schedule I hereto and identified as a "Scrubber Loan Lender", as well as any Person which becomes a "Scrubber Loan Lender" hereunder pursuant to Section 11.04(b).

"Scrubber Loan Termination Date" shall mean the applicable date set forth opposite the Collateral Vessel under the heading "Scrubber Loan Termination Date" in Schedule VI hereto.

"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, amendments and supplements thereto), the Account Pledge Agreement (including all joinders, amendments and supplements thereto), the General Assignment Agreement (including all joinders, amendments and supplements thereto), any Hedging Assignment Agreement (if applicable), each Collateral Vessel Mortgage (including any Collateral Vessel Mortgage Addendum and any other amendments thereto), 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.

"SOFR" shall mean, with respect to any day, the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York's Website.

"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.

"Term SOFR" shall mean the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"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, (iii) the incurrence of Loans hereunder, (iv) the installation of scrubbers on the Collateral Vessels, and (v) the payment of all fees and expenses in connection with the foregoing, as the context may require.

"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.

"UK Bail-In Legislation" shall mean (to the extent that the United Kingdom is not an EEA Member Country which has implemented, or implements, Article 55 BRRD) Part 1 of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings).

"UK Financial Institution" shall mean (a) any credit institution or investment firm established in the United Kingdom which is subject to the supervision of a United Kingdom Resolution Authority, (b) any entity established in the United Kingdom which is a parent of an institution described in (a) hereof, or (c) any financial institution established in the United Kingdom which is a subsidiary of an institution described in (a) or (b) hereof and is subject to consolidated supervision with its parent.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

"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.

"Vessel Loan" shall mean a term loan made by a Vessel Loan Lender to the Borrower pursuant to Section 2.01(a).

"Vessel Loan Borrowing" shall mean a borrowing consisting of Vessel Loans from all the Vessel Loan Lenders (other than any Vessel Loan 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.

"Vessel Loan Borrowing Date" shall mean the date on which Vessel 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 Vessel Loans to reimburse, in part, acquisition price of such Collateral Vessel, in each case pursuant to Section 2.01(a).

"Vessel Loan Commitment" shall mean, for each Vessel Loan Lender, the amount set forth opposite such Vessel Loan 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 Vessel Loan Lender pursuant to Section 2.12 or 11.04(b).

"Vessel Loan Commitment Commission" shall have the meaning provided in Section 3.01(a).

"Vessel Loan Credit Facility" shall mean the senior secured term loan facility originally in the aggregate amount of US$85,500,000 (of which US$47,593,892.08 is outstanding on the date hereof) as provided under the Original Credit Agreement.

"Vessel Loan Lender" shall mean each financial institution with a Commitment and/or with outstanding Vessel Loans and listed on Schedule I hereto and identified as a "Vessel Loan Lender", as well as any Person which becomes a "Lender" hereunder pursuant to Section 11.04(b).

"Vessel Loan Termination Date" shall mean February 15, 2018.

"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, (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 UK Bail-In Legislation, (i) any powers under that UK Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that UK Bail-In Legislation that are related to or ancillary to any of those powers and (ii) any similar or analogous powers under that UK Bail-In Legislation.

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.

(a) 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.

(b) 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.

(c) 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 2.0 Amount and Terms of the Credit Facility

2.01 The Commitments

. (a) Subject to and upon the terms and conditions set forth herein, each Lender with a Vessel Loan Commitment severally agrees to make Vessel Loans to the Borrower, which Vessel Loans: (i) may only be incurred pursuant to a single drawing on the Vessel Loan Borrowing Date relating to a Collateral Vessel, which shall occur in each case on or after the Closing Date and prior to the Vessel Loan Termination Date, (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 Vessel Loan Commitment of such Lender on the relevant Vessel Loan Borrowing Date (determined before giving effect on such Vessel Loan Borrowing Date to the termination thereof on such date pursuant to Section 3.03). Notwithstanding the foregoing, in no event will the principal amount of the Vessel Loans made on the Vessel 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 Vessel Loans are made on the Borrowing Date (a "Relevant Vessel") under the heading "Maximum Vessel 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.

(b) Subject to and upon the terms and conditions set forth herein, each Lender with a Scrubber Loan Commitment severally agrees to make Scrubber Loans to the Borrower, which Scrubber

Loans: (i) may only be incurred pursuant to a single drawing on the Scrubber Loan Borrowing Date relating to a Collateral Vessel, which shall occur in each case on or after the Effective Date and prior to the Scrubber Loan 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 Scrubber Loan Commitment of such Lender on the relevant Scrubber Loan Borrowing Date (determined before giving effect on such Scrubber Loan Borrowing Date to the termination thereof on such date pursuant to Section 3.03). Notwithstanding the foregoing, in no event will the principal amount of the Scrubber Loans made on the Scrubber Loan Borrowing Date in respect of a Collateral Vessel exceed the least of (A) the applicable amount set forth opposite the Collateral Vessel under the heading "Maximum Scrubber Loan Amount" in Schedule VI hereto, (B) 60% of the invoiced equipment, installation and commissioning costs of the scrubbers on such Collateral Vessel, and (C) an amount which when aggregated with the part of the Total Commitments previously borrowed, repaid or cancelled under the Vessel Loans in respect of such Collateral Vessel, does not exceed 60% of the Appraised Value of such Collateral Vessel as determined in accordance with the Appraisals delivered under Section 5.04(e).

(c) Once repaid, Loans incurred hereunder may not be reborrowed.

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 in the form of a written Notice of Borrowing, provided that (in each case) any such Notice of Borrowing 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 Notice of Borrowing, except as otherwise expressly provided in Section 2.09, shall be irrevocable and 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 to which such Borrowing relates, 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").

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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:

(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 relevant Maturity Date;

(v) any Interest Period commencing less than one month prior to the relevant Maturity Date shall end on such 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.

2.09 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):

(x) 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

(xi) 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.

(j) 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).

(k) Subject to Section 11.13A, 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.

(l) Subject to Section 11.13A, 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.

(m) 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.

(n) 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) upon 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 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 or UK Financial Institution (to the extent it is not an 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 of a Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by a Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution or UK Financial Institution (to the extent it is not 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 or UK Financial Institution (to the extent it is not an 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 Resolution Authority.

Section 3.0 Commitment Commission; Reductions of Commitment

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3.01 Commitment Commission; Fees

. (a) The Borrower agrees to pay the Administrative Agent for distribution to each Non-Defaulting Lender who is a Vessel Loan Lender a commitment commission (the "Vessel Loan Commitment Commission") for the period from the Closing Date until the earlier of (i) the Vessel Loan Termination Date and (ii) the date on which the Vessel Loan Credit Facility is fully drawn computed at a per annum rate equal to 40% of the Applicable Margin of the daily Vessel Loan Commitment, in each case, of such Non-Defaulting Lender who is a Vessel Loan Lender. Accrued Vessel Loan Commitment Commission shall be due and payable quarterly in arrears on each Payment Date (or, if earlier, the date upon which the Vessel Loan Credit Facility is terminated or fully drawn).

(o) The Borrower agrees to pay the Administrative Agent for distribution to each Non-Defaulting Lender who is a Scrubber Loan Lender a commitment commission (the "Scrubber Loan Commitment Commission") for the period from the Effective Date until the earlier of (i) the Scrubber Loan Termination Date in respect of the last Collateral Vessel to occur and (ii) the date on which the Scrubber Loan Credit Facility is fully drawn computed at a per annum rate equal to 40% of the Applicable Margin of the daily undrawn Scrubber Loan Commitment, in each case, of such Non-Defaulting Lender who is a Scrubber Loan Lender. Accrued Scrubber Loan Commitment Commission shall be due and payable quarterly in arrears on each Payment Date (or, if earlier, the date upon which the Scrubber Loan Credit Facility is terminated or fully drawn).

(p) 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 applicable 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.

(q) 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) 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 relevant Commitment Termination Date.

(r) 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.

(s) 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.

Section 4.0 Prepayments; Payments; Taxes

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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.

(t) Loans prepaid pursuant to this Section 4.01 may not be reborrowed.

4.02 Mandatory Repayments and Commitment Reductions

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(i) The Borrower shall be required to repay the Vessel Loans on each Payment Date in an amount equal to the Scheduled Term Vessel Loan Amortization Payment Amount for such Payment Date. The Scheduled Term Vessel Loan Amortization Payment Amounts for each Payment Date are set forth on Schedule VIII hereto, as such Schedule is updated from time to time and as such Scheduled Term Vessel Loan Amortization Payment Amounts may be reduced from time to time in accordance with Section 4.02(e) and (f).

(ii) The Borrower shall be required to repay the Scrubber Loans on each Payment Date in an amount equal to the Scheduled Term Scrubber Loan Amortization Payment Amount for such Payment Date. For the purposes of calculating the Scheduled Term Scrubber Loan Amortization Payment Amount, the relevant Collateral Vessel Scrubber Loan Amortization Amount for each Payment Date for each Collateral Vessel shall be in an amount equal to the quotient, rounded up to the nearest Dollar, derived from dividing (x) the actual amount advanced for that Scrubber Loan Borrowing by (y) the number of Payment Dates after that Scrubber Loan Borrowing Date up to and including December 31, 2022. The Scheduled Term Scrubber Loan Amortization Payment Amounts may be reduced from time to time in accordance with Section 4.02(e) and (f).

(v) 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.

(w) 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).

(x) 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.

(y) 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.

(z) 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.

(aa) 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

(ab) 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.

(ac) 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").

(ad) 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.

(ae) 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).

(i) 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 Closing Date.

(af) 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.

(ag) 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.

(ah) 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.

(ai) 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.

(aj) 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.

(ak) 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 Conditions. The effectiveness of the Original Credit Agreement was subject to the satisfaction of the following conditions:

(a) Original Credit Agreement; Fee Letters. The Borrower, the Administrative Agent and each of the Lenders who are initially parties to the Original Credit Agreement shall have signed a counterpart of (i) the Original Credit Agreement and (ii) the relevant Fee Letters (in each case, whether the same or different counterparts) and shall have delivered the same to the Administrative Agent and the Original Credit Agreement and the relevant 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 by the Original Credit Agreement, 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 the Original Credit 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 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 Vessel 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 Vessel 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 Vessel 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 by the Original Credit Agreement, 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 Vessel Loan Borrowing Date

. The obligation of each Vessel Loan Lender to make the Vessel Loan Loans on any Vessel Loan Borrowing Date was subject to the satisfaction of each of the following conditions:

(a) Closing Date. On or prior to each Vessel Loan 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 Vessel 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 Vessel Loan 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 Vessel Loan 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 Vessel Loan Borrowing Date, the Collateral and Guaranty Requirements with respect to each Collateral Vessel being financed on such Vessel Loan 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 Vessel Loan Borrowing Date, after giving effect to the consummation of the Transaction, the making of the Vessel 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 Vessel Loan 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 Vessel Loans 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 Vessel 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 Vessel Loans with the same effect as though such representations and warranties had been made on the date of such Vessel 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 Vessel Loans being incurred on such date.

(k) Collateral Maintenance Test. On each Vessel Loan Borrowing Date and immediately after giving effect to the Vessel 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 Vessel Loan 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 Vessel Loans.

Notwithstanding anything to the contrary in this Section 5.02, Vessel Loans on any Vessel Loan Borrowing Date may be borrowed before the applicable conditions set forth above in Section 5.02 are met, provided that:

(i) the Vessel Loan 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 Vessel Loan Borrowing Date, the Administrative Agent shall (A) preposition the Vessel Loans with respect to such Vessel Loan 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 Vessel 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 Vessel Loan 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 Vessel 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 Vessel Loan proceeds so returned; and

(D) if the Vessel 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 Vessel 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.

5.03 Conditions to the Effective 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 parties hereto shall have signed a counterpart of (i) this Agreement and (ii) the relevant Fee Letter (in each case, whether the same or different counterparts) and shall have delivered the same to the Administrative Agent and this Agreement and the relevant Fee Letter 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) any amendment required to the Subsidiaries Guaranty, (ii) each Collateral Vessel Mortgage Addendum, and (iii) any other document required by the Administrative Agent such that the Lenders continue to have a first-priority perfected security interest in the property purported to be covered by the Security Documents, with such exceptions as are reasonably acceptable to the Required Lenders. The Collateral Agent shall have received a certificate of ownership and encumbrance issued by the Flag Jurisdiction evidencing that each such Collateral Vessel Mortgage Addendum has been duly recorded and any other document required by the Administrative Agent required in connection with the perfection of the first-priority security interest in the property purported to be covered by the Security Documents.

(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 and each Credit Party referred to in such certificate authorizing the consummation of the Transaction and certifying that the conditions set forth in Sections 5.03(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 by this Agreement, in each case to the extent requested by any Lender or the Administrative Agent not later than five days prior to the Effective 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 Effective 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 Effective 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 Watson Farley & Williams LLP and other local counsel to the Administrative Agent) and other compensation due and payable on or prior to the Effective Date (unless otherwise agreed between the parties in a Fee Letter), 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 Effective Date.

(h) Approvals. On and as of the Effective Date, all necessary governmental (domestic and foreign) and third party approvals and/or consents in connection with the Transaction, the Scrubber 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 Scrubber 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 Scrubber 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 Effective 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 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 Effective Date and addressed to the Administrative Agent and the Lenders; and

(k) No Conflicts. After giving effect to the consummation of the Transaction, and the other trans-actions contemplated by this Agreement, 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.

5.04 Conditions to each Scrubber Loan Borrowing Date

. The obligation of each Scrubber Loan Lender to make the Scrubber Loans on any Scrubber Loan Borrowing Date is subject to the satisfaction of each of the following conditions:

(a) Effective Date. On or prior to each Scrubber Loan Borrowing Date, (i) the Effective 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) Installation of Scrubbers. Each Collateral Vessel Owner or the Borrower shall deliver to the Administrative Agent prior to the funding of the Scrubber Loan with respect to the relevant Collateral Vessel, (i) a copy of the relevant Scrubber Contract, (ii) an invoice from the scrubber supplier after the installation/commissioning process and an invoice from the yard for the installation work on the scrubber upon the completion of the installation/commissioning process in relation to the relevant Collateral Vessel for the purpose of calculating the amount of the relevant Scrubber Loan, (iii) evidence satisfactory to the Administrative Agent, that the installation of scrubbers has been completed, and (iv) evidence that the Acceptable Classification Society in relation to the relevant Collateral Vessel has approved the scrubber installation on the Collateral Vessel, by either (A) if available, a confirmation from that Acceptable

Classification Society or notation (showing installation of the scrubber system), or (B) where (A) is not available, such other documents acceptable to the Administrative Agent.

(c) Solvency Certificate. On a Scrubber Loan 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 Scrubber Loan 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 5.04 (f), (g), (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) Appraisals. 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 Scrubber Loan Borrowing Date) in scope, form and substance reasonably satisfactory to the Administrative Agent and assuming for these purposes that such Collateral Vessel has had the scrubbers installed;

(f) No Conflicts. On each Scrubber Loan Borrowing Date, after giving effect to the consummation of the Transaction, the making of the Scrubber Loans and the continued 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 Scrubber Loan 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 Scrubber Loans or the continued 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 Scrubber 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 Scrubber Loans with the same effect as though such representations and warranties had been made on the date of such Scrubber 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 Scrubber Loans being incurred on such date.

(k) Collateral Maintenance Test. On each Scrubber Loan Borrowing Date and immediately after giving effect to the Scrubber 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 Scrubber Loan 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.

(l) Scrubber Loan Borrowing Date Test. On each Scrubber Loan Borrowing Date and immediately after giving effect to the Scrubber Loans incurred on such date for a Collateral Vessel, the aggregate principal amount of the Vessel Loans and the Scrubber Loans relating to that Collateral Vessel does not exceed 60% of the Appraised Value of such Collateral Vessel.

5.05 Conditions Subsequent to each Scrubber Loan Borrowing Date. The Borrower or the relevant Collateral Vessel Owner shall deliver to the Administrative Agent within 45 days of a Scrubber Loan

Borrowing Date an International Air Pollution Prevention Certificate or other similar certificate issued by an Acceptable Classification Society evidencing the installation and performance of the scrubbers being financed by such Scrubber Loan Borrowing.

5.06 Acceptance of Loans

. 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

. The Borrower makes the following representations and warranties, after giving effect to the Transaction, all of which shall survive the execution and delivery of the Original Credit 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, the Effective 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

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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

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(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

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(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

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(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

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(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

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(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 finance or reimburse, in part, the invoiced equipment, installation and commissioning costs of scrubbers on each Collateral Vessel, and/or (v) 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 Bribery Act 2010 of the United Kingdom, 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

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(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).

(a) 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 Effective 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, and official number shall be set forth on Schedule VI hereto along with the "Maximum Vessel Loan Amount" and "Maximum Scrubber Loan Amount" for each Collateral Vessel referred to in Section 2.01.

6.19 Money Laundering and Sanctions Laws

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(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.

<u>6.20 No Immunity</u>

. 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.

<u>6.21 Pari Passu or Priority Status</u>

. 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.

<u>6.22 Solvency; Winding-up, etc</u>.

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(a) On and as of the Closing Date, the Effective 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, the Scrubber Purchase Contracts, 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 or Effective Date, as applicable, pursuant to the Security Documents.

## Section 7. 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 Vessel Loan 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 Customer" 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 Closing Date, (ii) any change in the status of a Credit Party after the Closing Date, 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 Franchises

. 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:

(l) 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;

(m) obtain, comply with and do all that is necessary to maintain in full force and effect any approvals required by any Environmental Law; and

(n) 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.

(o) 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 Collateral Vessel Mortgage Addendum and any other 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.

(p) 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.

(q) 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.

(r) The Borrower shall cause each Subsidiary Guarantor, to at all times, be directly wholly-owned by one or more Credit Parties.

(s) 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 as amended by the Collateral Vessel Mortgage Addendum, 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".

(t) 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.

(u) 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.

(v) 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. For the avoidance of doubt, the Borrower and each Subsidiary Guarantor which operates a Collateral Vessel may install scrubbers on the Collateral Vessel owned by it.

(w) 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.

(x) 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.

(y) 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.

(z) 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.

(a)

7.15 Use of Proceeds

. The Borrower will use the proceeds of the Loans only as provided in Section 6.10.

7.16 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

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(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.

(a) 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).

(a) 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.

(a) 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.

(a) 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.

(a) 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

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(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.

(a) 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.

(b) 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).

(c) (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.

10.11 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.

10.12 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.

10.13 “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.

## Section 11. Miscellaneous

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### . 11.01 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.

. 11.02 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.

. 11.03 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.

. 11.04 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.

(a) 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).

(b) 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.

. 11.05 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.

. 11.06 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.

(b) 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.

(a) 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.

11.07 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.

(a) 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.

. 11.08 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.

. **11.09 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.**

(a) **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.**

(b) **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.**

. 11.10 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.

. 11.11 Effectiveness

. This Agreement shall become effective on the date (the "Effective Date") on which the conditions set forth in Section 5.03 shall have been satisfied or waived by the Administrative Agent.

. 11.12 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.

. 11.13 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,

(i) 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),

(ii) release any of the Collateral (except as expressly provided in the Credit Documents),

(iii) amend, modify or waive any provision of this Section 11.13, Section 11.13A or of any other Section that expressly requires the consent of all the Lenders to do so,

(iv) 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),

(v) consent to the assignment or transfer by the Borrower or any Subsidiary Guarantor of any of its respective rights and obligations under this Agreement,

(vi) substitute or replace the Borrower or any Subsidiary Guarantor or release any Subsidiary Guarantor from the Subsidiaries Guaranty, and

(vii) 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.

11.13A Effect of Benchmark Transition Event. (a) Notwithstanding anything to the contrary herein or in any other Credit Document, upon the occurrence of a Benchmark Transition Event or an Early

Opt-in Election, as applicable, the Administrative Agent and the Borrower may amend this Agreement to replace the Eurodollar Rate with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. on the fifth (5th) Business Day after the Administrative Agent has notified all Lenders and the Borrower of the proposed amendment, so long as the Administrative Agent has not received, by such time, written notice of objection to such amendment from the Required Lenders. Any such amendment with respect to an Early Opt-in Election will become effective on the date that the Administrative Agent has received from the Required Lenders written notice that such amendment is approved. No replacement of the Eurodollar Rate with a Benchmark Replacement pursuant to this Section 11.13A will occur prior to the applicable Benchmark Transition Start Date.

(b) In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Credit Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(c) The Administrative Agent will promptly notify the Borrower and the Lenders of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or Lenders pursuant to this Section 11.13A, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 11.13A.

(d) Upon the Borrower’s receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for a Borrowing.

. <u>11.14 Survival</u>

. 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.

. <u>11.15 Domicile of Loans</u>

. 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).

. <u>11.16 Confidentiality</u>

. (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.

(a) 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.

. 11.17 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.

. 11.18 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.

. 11.19 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.

. 11.20 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.

. 11.21 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.

. 11.22 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.

. 11.23 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.

. 11.24 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.

(a) 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).

(b) The Credit Parties agree that:

(i) 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;

(ii) 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;

(iii) 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

(c) 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/ Eleni Elpis Nassopoulou

Name: Eleni Elpis Nassopoulou

Title: Attorney-in-Fact

ABN AMRO BANK N.V., individually, as Administrative Agent, Joint Bookrunner, Lead Arranger and Collateral Agent

By:/s/ Theresa M Adamski

Name: Theresa M Adamski

Title:Attorney in Fact

SKANDINAVISKA ENSKILDA BANKEN AB (PUBL), individually, as Joint Bookrunner and Lead Arranger

By:/s/ Theresa M Adamski

Name: Theresa M Adamski

Title:Attorney in Fact

ABN AMRO BANK N.V., as a Lender

By:/s/ Theresa M Adamski

Name: Theresa M Adamski

Title:Attorney in Fact

SKANDINAVISKA ENSKILDA BANKEN AB (PUBL), as a Lender

By: /s/ Theresa M Adamski

Name: Theresa M Adamski

Title:Attorney in Fact

NORDDEUTSCHE LANDESBANK GIROZENTRALE, as a Lender

By: /s/ Theresa M Adamski

Name: Theresa M Adamski

Title:Attorney in Fact

# COMMITMENTS

| Lender | Outstanding Vessel Loans in respect of original Vessel Loan Commitments of USD 85,500,000 | Scrubber Loan Commitments |
|---|---|---|
| ABN AMRO Bank N.V. | US$15,864,630.69 | US$2,856,000 |
| Skandinaviska Enskilda Banken AB (publ) | US$15,864,630.69 | US$2,856,000 |
| Norddeutsche Landesbank Girozentrale | US$15,864,630.70 | |
| **Total** | US$47,593,892.08 | US$5,712,000 |

SCHEDULE II

## LENDER ADDRESSES

| INSTITUTIONS | ADDRESSES |
| --- | --- |
| **ABN AMRO BANK N.V.** | Global Transportation & Logistics,<br>Coolsingel 93, 3012 AE<br>Rotterdam, The Netherlands<br>PAC GL 1610<br>Telephone: +31104024189<br>Email: eomer.zwijnenberg@nl.abnamro.com, tom.ruiter@nl.abnamro.com |
| **SKANDINAVISKA ENSKILDA BANKEN AB (publ)** | Kungsträdgårdsgatan 8<br>SE-106 40 Stockholm<br>Sweden<br>Attn: Simon Beckman, Kara Mati, Karl Nylander<br>Telephone: +1 212 907 4838, +46 8 763 86 11, +46 8 763 87 55<br>Email: simon.beckman@seb.se, kara.mati@seb.se, karl.nylander@seb.se |
| **NORDDEUTSCHE LANDESBANK GIROZENTALE** | Friedrichswall 10<br>30159 Hannover<br>Germany<br>Email: andrea.tietge@nordlb.de<br>Telephone: +49 511 361 2106 |

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 Capoeira Shipping Company Limited | Scorpio Bulkers Inc. | 100% |
| SBI Carioca 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 Maia Shipping Company Limited | Scorpio Bulkers Inc. | 100% |
| SBI Mazurka 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 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 Ursa 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% |
| Grosvenor Shipping Limited | SBI Parapara 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 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 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 Closing Date 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:

(i) 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;

(ii) 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

(iii) 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.

# 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 Shipping Company Limited (Registered Owner) | FD&D | USD10K | As per Rules | Standard |
| | SBI Gemini Shipping Company Limited (Registered Owner) | H&M | USD100K | As per Cover | Swiss Re International SE (leader) |
| | SBI Gemini Shipping Company Limited (Registered Owner) | IV | NIL | As per Cover | Swiss Re International SE (leader) |
| | SBI Gemini Shipping Company Limited (Registered Owner) | War | NIL | As per Cover | Swiss Re International SE (leader) |
| | SBI Gemini Shipping Company Limited (Registered Owner) | War LOH | 5 Days | As per Cover | Swiss Re International SE (leader) |

| Insured Vessel | Insured Party | Type of Insurance | Deductibles | Limits of Cover | Provider |
|---|---|---|---|---|---|
| **SBI Aries** | SBI Aries Shipping Company Limited (Registered Owner) | P&I | USD10K | As per Rules | Steamship |
| | SBI Aries Shipping Company Limited (Registered Owner) | FD&D | USD10K | As per Rules | Standard |
| | SBI Aries Shipping Company Limited (Registered Owner) | H&M | USD100K | As per Cover | Swiss Re International SE (leader) |
| | SBI Aries Shipping Company Limited (Registered Owner) | IV | NIL | As per Cover | Swiss Re International SE (leader) |
| | SBI Aries Shipping Company Limited (Registered Owner) | War | NIL | As per Cover | Swiss Re International SE (leader) |
| | SBI Aries Shipping Company Limited (Registered Owner) | War LOH | 5 Days | As per Cover | Swiss Re International SE (leader) |

| Insured Vessel | Insured Party | Type of Insurance | Deductibles | Limits of Cover | Provider |
|---|---|---|---|---|---|
| **SBI Pisces** | SBI Pisces Shipping Company Limited (Registered Owner) | P&I | USD10K | As per Rules | Steamship |
| | SBI Pisces Shipping Company Limited (Registered Owner) | FD&D | USD10K | As per Rules | Standard |
| | SBI Pisces Shipping Company Limited (Registered Owner) | H&M | USD100K | As per Cover | Swiss Re International SE (leader) |
| | SBI Pisces Shipping Company Limited (Registered Owner) | IV | NIL | As per Cover | Swiss Re International SE (leader) |
| | SBI Pisces Shipping Company Limited (Registered Owner) | War | NIL | As per Cover | Swiss Re International SE (leader) |
| | SBI Pisces Shipping Company Limited (Registered Owner) | War LOH | 5 Days | As per Cover | Swiss Re International SE (leader) |

| Insured Vessel | Insured Party | Type of Insurance | Deductibles | Limits of Cover | Provider |
|---|---|---|---|---|---|
| **SBI Taurus** | SBI Taurus Shipping Company Limited (Registered Owner) | P&I | USD10K | As per Rules | Britannia |
| | SBI Taurus Shipping Company Limited (Registered Owner) | FD&D | USD10K | As per Rules | Standard |
| | SBI Taurus Shipping Company Limited (Registered Owner) | H&M | USD100K | As per Cover | Swiss Re International SE (leader) |
| | SBI Taurus Shipping Company Limited (Registered Owner) | IV | NIL | As per Cover | Swiss Re International SE (leader) |
| | SBI Taurus Shipping Company Limited (Registered Owner) | War | NIL | As per Cover | Swiss Re International SE (leader) |
| | SBI Taurus Shipping Company Limited (Registered Owner) | War LOH | 5 Days | As per Cover | Swiss Re International SE (leader) |

**SCHEDULE V**

# ERISA

None.

A. **Collateral Vessels**

| Vessel Name | Registered Owner | Type | Flag | DWT | Official Number | Maximum Scrubber Loan Amount | Maximum Vessel Loan Amount | Scrubber Loan Termination Date |
|---|---|---|---|---|---|---|---|---|
| SBI Aries | SBI Aries Shipping Company Limited | Ultramax | Marshall Islands | 63,600 | 7755 | $1,392,000 | $13,620,000 | 30 April 2020 |
| SBI Gemini | SBI Gemini Shipping Company Limited | Ultramax | Marshall Islands | 63,700 | 7758 | $1,392,000 | $13,620,000 | 31 May 2020 |
| SBI Pisces | SBI Pisces Shipping Company Limited | Ultramax | Marshall Islands | 63,700 | 7756 | $1,464,000 | $14,400,000 | 31 May 2020 |
| SBI Taurus | SBI Taurus Shipping Company Limited | Ultramax | Marshall Islands | 63,700 | 7759 | $1,464,000 | $13,620,000 | 31 July 2020 |
| | Total | | Marshall Islands | 254,700 | | $5,712,000 | $55,260,000 | |

**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 VESSEL LOAN AMORTIZATION PAYMENTS**

## Facility A10 - USD 85.5m Senior Secured Term Loan

**Original Repayment Schedule**

### SBI Aries

**Original Loan Amount** 13,620,000

| | | Drawdown | Repayments | Outstanding |
|---|---|---|---|---|
| | | 13,620,000 | | |
| | 29-03-18 | | 280,484 | 13,339,516 |
| | 30-06-18 | | 280,484 | 13,059,032 |
| | 30-09-18 | | 280,484 | 12,778,548 |
| | 31-12-18 | | 280,484 | 12,498,064 |
| | **31-03-19** | | **280,484** | **12,217,580** |
| | 30-06-19 | | 280,484 | 11,937,095 |
| | 30-09-19 | | 280,484 | 11,656,611 |
| | 31-12-19 | | 280,484 | 11,376,127 |
| | 31-03-20 | | 280,484 | 11,095,643 |
| | 30-06-20 | | 280,484 | 10,815,159 |
| | 30-09-20 | | 280,484 | 10,534,675 |
| | 31-12-20 | | 280,484 | 10,254,191 |
| | 31-03-21 | | 280,484 | 9,973,707 |
| | 30-06-21 | | 280,484 | 9,693,223 |
| | 30-09-21 | | 280,484 | 9,412,739 |
| | 31-12-21 | | 280,484 | 9,132,255 |
| | 31-03-22 | | 280,484 | 8,851,770 |
| | 30-06-22 | | 280,484 | 8,571,286 |
| | 30-09-22 | | 280,484 | 8,290,802 |
| | 31-12-22 | | 280,484 | 8,010,318 |
| **Balloon** | **15-02-23** | | **8,010,318** | - |

### SBI Gemini

**Original Loan Amount** 13,620,000

| | Drawdown | Repayments | Outstanding |
|---|---|---|---|
| | 13,620,000 | | |
| 29-03-18 | | 277,045 | 13,342,955 |
| 30-06-18 | | 277,045 | 13,065,910 |
| 30-09-18 | | 277,045 | 12,788,864 |
| 31-12-18 | | 277,045 | 12,511,819 |
| **31-03-19** | | **277,045** | **12,234,774** |
| 30-06-19 | | 277,045 | 11,957,729 |
| 30-09-19 | | 277,045 | 11,680,683 |
| 31-12-19 | | 277,045 | 11,403,638 |
| 31-03-20 | | 277,045 | 11,126,593 |
| 30-06-20 | | 277,045 | 10,849,548 |
| 30-09-20 | | 277,045 | 10,572,502 |
| 31-12-20 | | 277,045 | 10,295,457 |
| 31-03-21 | | 277,045 | 10,018,412 |
| 30-06-21 | | 277,045 | 9,741,367 |
| 30-09-21 | | 277,045 | 9,464,321 |
| 31-12-21 | | 277,045 | 9,187,276 |
| 31-03-22 | | 277,045 | 8,910,231 |
| 30-06-22 | | 277,045 | 8,633,186 |
| 30-09-22 | | 277,045 | 8,356,140 |
| 31-12-22 | | 277,045 | 8,079,095 |
| **15-02-23** | | **8,079,095** | |

### SBI Pisces

**Original Loan Amount** 14,400,000

| | Drawdown | Repayments | Outstanding |
|---|---|---|---|
| | 14,400,000 | | |
| 29-03-18 | | 262,485 | 14,137,515 |
| 30-06-18 | | 262,485 | 13,875,030 |
| 30-09-18 | | 262,485 | 13,612,545 |
| 31-12-18 | | 262,485 | 13,350,060 |
| **31-03-19** | | **262,485** | **13,087,575** |
| 30-06-19 | | 262,485 | 12,825,090 |
| 30-09-19 | | 262,485 | 12,562,605 |
| 31-12-19 | | 262,485 | 12,300,120 |
| 31-03-20 | | 262,485 | 12,037,635 |
| 30-06-20 | | 262,485 | 11,775,150 |
| 30-09-20 | | 262,485 | 11,512,665 |
| 31-12-20 | | 262,485 | 11,250,180 |
| 31-03-21 | | 262,485 | 10,987,695 |
| 30-06-21 | | 262,485 | 10,725,210 |
| 30-09-21 | | 262,485 | 10,462,725 |
| 31-12-21 | | 262,485 | 10,200,240 |
| 31-03-22 | | 262,485 | 9,937,755 |
| 30-06-22 | | 262,485 | 9,675,270 |
| 30-09-22 | | 262,485 | 9,412,785 |
| 31-12-22 | | 262,485 | 9,150,300 |
| **15-02-23** | | **9,150,300** | - |

### Total Facility

**Original Loan Amount** 85,500,000

| | Drawdown | Repayments | Outstanding |
|---|---|---|---|
| | 85,500,000 | | |
| 29-03-18 | | 1,631,957 | 83,868,043 |
| 30-06-18 | | 1,631,957 | 82,236,085 |
| 30-09-18 | | 1,631,957 | 80,604,128 |
| 31-12-18 | | 1,631,957 | 78,972,170 |
| **31-03-19** | | **29,187,961** | **49,784,209** |
| 30-06-19 | | 1,095,158 | 48,689,050 |
| 30-09-19 | | 1,095,158 | 47,593,892 |
| 31-12-19 | | 1,095,158 | 46,498,734 |
| 31-03-20 | | 1,095,158 | 45,403,576 |
| 30-06-20 | | 1,095,158 | 44,308,417 |
| 30-09-20 | | 1,095,158 | 43,213,259 |
| 31-12-20 | | 1,095,158 | 42,118,101 |
| 31-03-21 | | 1,095,158 | 41,022,943 |
| 30-06-21 | | 1,095,158 | 39,927,784 |
| 30-09-21 | | 1,095,158 | 38,832,626 |
| 31-12-21 | | 1,095,158 | 37,737,468 |
| 31-03-22 | | 1,095,158 | 36,642,310 |
| 30-06-22 | | 1,095,158 | 35,547,151 |
| 30-09-22 | | 1,095,158 | 34,451,993 |
| 31-12-22 | | 1,095,158 | 33,356,835 |
| **15-02-23** | | **33,356,835** | - |

### SBI Taurus

**Original Loan Amount** 13,620,000

| | Drawdown | Repayments | Outstanding |
|---|---|---|---|
| | 13,620,000 | | |
| 29-03-18 | | 275,144 | 13,344,856 |
| 30-06-18 | | 275,144 | 13,069,712 |
| 30-09-18 | | 275,144 | 12,794,568 |
| 31-12-18 | | 275,144 | 12,519,424 |
| **31-03-19** | | **275,144** | **12,244,281** |
| 30-06-19 | | 275,144 | 11,969,137 |
| 30-09-19 | | 275,144 | 11,693,993 |
| 31-12-19 | | 275,144 | 11,418,849 |
| 31-03-20 | | 275,144 | 11,143,705 |
| 30-06-20 | | 275,144 | 10,868,561 |
| 30-09-20 | | 275,144 | 10,593,417 |
| 31-12-20 | | 275,144 | 10,318,273 |
| 31-03-21 | | 275,144 | 10,043,129 |
| 30-06-21 | | 275,144 | 9,767,985 |
| 30-09-21 | | 275,144 | 9,492,841 |
| 31-12-21 | | 275,144 | 9,217,698 |
| 31-03-22 | | 275,144 | 8,942,554 |
| 30-06-22 | | 275,144 | 8,667,410 |
| 30-09-22 | | 275,144 | 8,392,266 |
| 31-12-22 | | 275,144 | 8,117,122 |
| **15-02-23** | | **8,117,122** | - |

**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 Cronos 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 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 |

| Subsidiary | Jurisdiction of Incorporation |
|---|---|
| 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 | Republic of the Marshall 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 |

**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: | April 1, 2020 |
| | /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: | April 1, 2020 |
| | /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, 2019 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: | April 1, 2020 |
| | /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, 2019 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: | April 1, 2020 |
| | /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 (Nos. 333-221441, 333-222448, 333-222013 and 333-217445) of Scorpio Bulkers Inc. of our report dated April 1, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

PricewaterhouseCoopers Audit

PricewaterhouseCoopers

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

Marseille, France

April 1, 2020

SIMPSON | SPENCE | YOUNG

March 12, 2020

Scorpio Bulkers Inc.
9, Boulevard Charles III
MC 98000 Monaco

Ladies and Gentlemen:

Reference is made to the Annual Report on Form 20-F of Scorpio Bulkers Inc. (the "Company") for the year ended December 31, 2019 (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,

Mr A P C Williams
Director
SSY Consultancy & Research Ltd

SSY Consultancy & Research Ltd
Tower Bridge House | St. Katharine's Way | London | E1W 1BQ | UK
T: +44 (0)20 7977 7404 | E: research@ssy.co.uk
www.ssyonline.com
Company registered in England Registered No. 1971247

**SCORPIO TANKERS INC. AND SUBSIDIARIES**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**Report of Independent Registered Public Accounting Firm**

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

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Scorpio Tankers Inc. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, of changes in shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

*Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

***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 15B. 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.

***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Impairment Assessment - Vessels (including Right of Use Assets for Vessels)*

As described in Notes 1 and 8 to the consolidated financial statements, the carrying value of Vessels and drydock and Right of use assets for vessels was approximately $4.0 billion and $0.7 billion, respectively, as of December 31, 2019. As of December 31, 2019, the Company's operating fleet consisted of 134 vessels, which are either owned or leased (finance or operating) (collectively, the "vessels"). Management evaluates the carrying values of its vessels to determine whether there is any indication that those values have suffered an impairment loss. If any such indication exists, management conducts an impairment test (on an individual vessel basis) by comparing the carrying value of each vessel to the higher of its (i) fair value less selling costs and (ii) value in use. Management determines fair value less selling costs by considering independent broker valuations. In estimating value in use, management estimates each vessel's future cash flows which are discounted to their present value using a pre-tax discount rate. The discounted cash flow analysis requires management to develop estimates and assumptions related to forecasted vessel revenue, vessel operating expenses, dry-dock costs, utilization rate, remaining useful lives, residual values and the discount rate.

The principal consideration for our determination that performing procedures relating to impairment assessment - vessels (including right of use assets for vessels) is a critical audit matter is there was significant judgment by management when developing the value in use using the discounted cash flow technique. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence obtained related to management's cash flow forecasts and significant assumptions, including forecasted vessel revenue, vessel operating expenses, dry-docks, utilization rate, remaining useful lives, residual values and the discount rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's vessel impairment assessments. These procedures also included, among others, testing management's process for developing the fair value estimates; assessing the adequacy of the value in use model used by management with the relevant accounting framework; testing the completeness, accuracy and relevance of underlying data used in the models; and evaluating the reasonableness of the significant assumptions used by management including the forecasted vessel revenue and discount rate. Evaluating the reasonableness of management's assumptions related to the Company's cash flow forecasts involved evaluating whether the forecasted vessel revenue, vessel operating expenses, dry-dock costs, utilization rate, remaining useful lives and residual values were reasonable considering (i) the current and past performance of the vessels, (ii) the consistency with external market and industry data and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow models, and certain significant assumptions, including the discount rate.

/s/ PricewaterhouseCoopers Audit
Marseille, France
March 31, 2020

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

**Scorpio Tankers Inc. and Subsidiaries**

**Consolidated Balance Sheets**
**December 31, 2019 and 2018**

| | | As of | |
|---|---|---|---|
| *In thousands of U.S. dollars* | Notes | December 31, 2019 | December 31, 2018 |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3 | $ 202,303 | $ 593,652 |
| Accounts receivable | 5 | 78,174 | 69,718 |
| Prepaid expenses and other current assets | 4 | 13,855 | 15,671 |
| Inventories | | 8,646 | 8,300 |
| **Total current assets** | | 302,978 | 687,341 |
| **Non-current assets** | | | |
| Vessels and drydock | 6 | 4,008,158 | 3,997,789 |
| Right of use assets for vessels | 7 | 697,903 | 0 |
| Other assets | 9 | 131,139 | 75,210 |
| Goodwill | 8 | 11,539 | 11,539 |
| Restricted cash | 10 | 12,293 | 12,285 |
| **Total non-current assets** | | 4,861,032 | 4,096,823 |
| **Total assets** | | $ 5,164,010 | $ 4,784,164 |
| **Current liabilities** | | | |
| Current portion of long-term debt | 13 | 235,482 | 297,934 |
| Finance lease liability | 13 | 122,229 | 114,429 |
| IFRS 16 - lease liability | 13 | 63,946 | 0 |
| Accounts payable | 11 | 23,122 | 11,865 |
| Accrued expenses | 12 | 41,452 | 22,972 |
| **Total current liabilities** | | 486,231 | 447,200 |
| **Non-current liabilities** | | | |
| Long-term debt | 13 | 999,268 | 1,192,000 |
| Finance lease liability | 13 | 1,195,494 | 1,305,952 |
| IFRS 16 - lease liability | 13 | 506,028 | 0 |
| **Total non-current liabilities** | | 2,700,790 | 2,497,952 |
| **Total liabilities** | | 3,187,021 | 2,945,152 |
| **Shareholders’ equity** | | | |
| Issued, authorized and fully paid-in share capital: | | | |
| Common stock, $0.01 par value per share; 150,000,000 and 75,000,000 shares authorized; 58,202,400 and 51,397,562 outstanding shares as of December 31, 2019 and December 31, 2018, respectively. | 16 | 646 | 5,776 |
| Additional paid-in capital | 16 | 2,842,446 | 2,648,599 |
| Treasury shares | 16 | -467,057 ) | -467,056 ) |
| Accumulated deficit [(1)] | 16 | -399,046 ) | -348,307 ) |
| **Total shareholders’ equity** | | 1,976,989 | 1,839,012 |
| **Total liabilities and shareholders’ equity** | | $ 5,164,010 | $ 4,784,164 |

(1) Accumulated deficit reflects the impact of the adoption of *IFRS 16 - Leases*. The impact of the application of this standard is discussed in Note 1.

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

**Scorpio Tankers Inc. and Subsidiaries**

**Consolidated Statements of Operations**
**For the years ended December 31, 2019, 2018 and 2017**

| | | For the year ended December 31, | | |
|---|---|---|---|---|
| *In thousands of U.S. dollars except per share and share data* | **Notes** | **2019** | **2018** | **2017** |
| **Revenue** | | | | |
| Vessel revenue | 18 | $ 704,325 | $ 585,047 | $ 512,732 |
| **Operating expenses** | | | | |
| Vessel operating costs | | -294,531 ) | -280,460 ) | -231,227 ) |
| Voyage expenses | | -6,160 ) | -5,146 ) | -7,733 ) |
| Charterhire | | -4,399 ) | -59,632 ) | -75,750 ) |
| Depreciation - owned or finance leased vessels | 6 | -180,052 ) | -176,723 ) | -141,418 ) |
| Depreciation - right of use assets for vessels | 6 | -26,916 ) | 0 | 0 |
| General and administrative expenses | 20 | -62,295 ) | -52,272 ) | -47,511 ) |
| Loss on sales of vessels, net | | 0 | 0 | -23,345 ) |
| Merger transaction related costs | | 0 | -272 ) | -36,114 ) |
| Bargain purchase gain | | 0 | 0 | 5,417 |
| Total operating expenses | | -574,353 ) | -574,505 ) | -557,681 ) |
| **Operating income / (loss)** | | 129,972 | 10,542 | -44,949 ) |
| **Other (expense) and income, net** | | | | |
| Financial expenses | 21 | -186,235 ) | -186,628 ) | -116,240 ) |
| Loss on exchange of convertible notes | 13 | 0 | -17,838 ) | 0 |
| Realized loss on derivative financial instruments | | 0 | 0 | -116 ) |
| Financial income | | 8,182 | 4,458 | 1,538 |
| Other expenses, net | | -409 ) | -605 ) | 1,527 |
| Total other expense, net | | -178,462 ) | -200,613 ) | -113,291 ) |
| **Net loss** | | $ -48,490 ) | $ -190,071 ) | $ -158,240 ) |
| Attributable to: | | | | |
| Equity holders of the parent | | $ -48,490 ) | $ -190,071 ) | $ -158,240 ) |
| **Loss per share** | | | | |
| Basic and Diluted | 23 | $ -0.97 ) | $ -5.46 ) | $ -7.35 ) |
| Basic and Diluted weighted average shares outstanding | 23 | 49,857,998 | 34,824,311 | 21,533,340 |

There are no items of other comprehensive income or loss

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

**Scorpio Tankers Inc. and Subsidiaries**

**Consolidated Statements of Changes in Shareholders' Equity**
**For the years ended December 31, 2019, 2018 and 2017**

| *In thousands of U.S. dollars except share data* | Number of shares outstanding[2] | Share capital | Additional paid-in capital | Treasury shares | Accumulated deficit | Total |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2017 | 17,462,976 | $ 2,247 | $ 1,756,769 | $ (443,816) | $ — | $ 1,315,200 |
| Net loss for the period | — | — | — | — | (158,240) | (158,240) |
| Net proceeds from follow on offerings of common stock | 8,450,000 | 845 | 287,599 | — | — | 288,444 |
| Issuance of restricted stock, net of forfeitures | 1,087,780 | 109 | (109) | — | — | — |
| Amortization of restricted stock, net of forfeitures | — | — | 22,385 | — | — | 22,385 |
| Dividends paid, $0.40 per share [1] | — | — | (9,561) | — | — | (9,561) |
| Shares issued as consideration for merger with NPTI, $40.20 per share | 5,499,999 | 550 | 220,550 | — | — | 221,100 |
| Warrants exercised relating to merger with NPTI | 150,000 | 15 | 5,958 | — | — | 5,973 |
| **Balance as of December 31, 2017** | 32,650,755 | $ 3,766 | $ 2,283,591 | $ (443,816) | $ (158,240) | $ 1,685,301 |
| Adoption of accounting standards (IFRS 15) | — | — | — | — | 4 | 4 |
| Net loss for the period | — | — | — | — | (190,071) | (190,071) |
| Net proceeds from follow-on offerings of common stock | 18,216,216 | 1,822 | 317,810 | — | — | 319,632 |
| Issuance of restricted stock, net of forfeitures | 1,881,826 | 188 | (188) | — | — | — |
| Amortization of restricted stock, net of forfeitures | — | — | 25,547 | — | — | 25,547 |
| Dividends paid, $0.40 per share [1] | — | — | (15,127) | — | — | (15,127) |
| Purchase of treasury shares | (1,351,235) | — | — | (23,240) | — | (23,240) |
| Equity component of issuance of Convertible Notes due 2022 (see Note 13) | — | — | 36,966 | — | — | 36,966 |
| **Balance as of December 31, 2018** | 51,397,562 | 5,776 | 2,648,599 | (467,056) | (348,307) | 1,839,012 |
| Adoption of accounting standards (IFRS 16) | — | — | — | — | (2,249) | (2,249) |
| Net loss for the period | — | — | — | — | (48,490) | (48,490) |
| Reverse stock split - impact of fractional shares and change in total par value [2] | (62) | (5,198) | 5,196 | — | — | (2) |
| Issuance of restricted stock, net of forfeitures | 507,920 | 5 | (5) | — | — | — |
| Amortization of restricted stock, net of forfeitures | — | — | 27,421 | — | — | 27,421 |
| Net proceeds from private placement of common stock | 1,724,137 | 17 | 49,983 | — | — | 50,000 |
| Shares issued as consideration for the Trafigura Transaction | 4,572,873 | 46 | 132,568 | — | — | 132,614 |
| Dividends paid, $0.40 per share [1] | — | — | (21,278) | — | — | (21,278) |
| Purchase of treasury shares | (30) | — | — | (1) | — | (1) |
| Equity issuance costs | — | — | (38) | — | — | (38) |
| **Balance as of December 31, 2019** | 58,202,400 | 646 | 2,842,446 | (467,057) | (399,046) | 1,976,989 |

[1] The Company's policy is to distribute dividends from available retained earnings first and then from additional paid in capital.
[2] On January 18, 2019, the Company effected a one-for-ten reverse stock split. 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 January 15, 2019. Pursuant to this reverse stock split, the total number of authorized common shares was reduced to 150.0 million shares.

**Scorpio Tankers Inc. and Subsidiaries**

**Consolidated Statements of Cash Flow**
**For the years ended December 31, 2019, 2018 and 2017**

| | | For the year ended December 31, | | |
|---|---|---|---|---|
| *In thousands of U.S. dollars* | **Notes** | **2019** | **2018** | **2017** |
| **Operating activities** | | | | |
| Net loss | | $ (48,490) | $ (190,071) | $ (158,240) |
| Loss from sales of vessels | 6 | — | — | 23,345 |
| Depreciation - owned or finance leased vessels | 6 | 180,052 | 176,723 | 141,418 |
| Depreciation - right of use assets | 6 | 26,916 | — | — |
| Amortization of restricted stock | 16 | 27,421 | 25,547 | 22,385 |
| Amortization of deferred financing fees | 13 | 7,041 | 10,541 | 13,381 |
| Write-off of deferred financing fees | 13 | 1,466 | 13,212 | 2,467 |
| Bargain purchase gain | 2 | — | — | (5,417) |
| Share based transaction costs | 2 | — | — | 5,973 |
| Accretion of Convertible Notes | 13 | 11,375 | 13,225 | 12,211 |
| Accretion of fair market measurement on debt assumed from merger with NPTI | 13 | 3,615 | 3,779 | 1,478 |
| Loss on exchange of Convertible Notes | 13 | — | 17,838 | — |
| | | 209,396 | 70,794 | 59,001 |
| Changes in assets and liabilities: | | | | |
| (Increase) / decrease in inventories | | (346) | 1,535 | (1,319) |
| (Increase) in accounts receivable | | (8,458) | (4,298) | (1,478) |
| Decrease in prepaid expenses and other current assets | | 1,816 | 2,227 | 12,219 |
| (Increase) in other assets | | (7,177) | (1,226) | (22,651) |
| Increase / (decrease) in accounts payable | | 4,019 | (1,382) | 3,694 |
| Increase / (decrease) in accrued expenses | | 10,262 | (9,860) | (7,665) |
| | | 116 | (13,004) | (17,200) |
| **Net cash inflow from operating activities** | | 209,512 | 57,790 | 41,801 |
| **Investing activities** | | | | |
| Acquisition of vessels and payments for vessels under construction | | (2,998) | (26,057) | (258,311) |
| Proceeds from disposal of vessels | | — | — | 127,372 |
| Net cash paid for the merger with NPTI | | — | — | (23,062) |
| Drydock, scrubber and BWTS payments (owned and bareboat-in vessels) | | (203,975) | (26,680) | (5,922) |

| | | | |
|---|---|---|---|
| **Net cash outflow from investing activities** | (206,973) | (52,737) | (159,923) |
| **Financing activities** | | | |
| Debt repayments | (343,351) | (865,594) | (546,296) |
| Issuance of debt | 108,589 | 1,007,298 | 525,642 |
| Debt issuance costs | (5,744) | (23,056) | (11,758) |
| Refund of debt issuance costs due to early debt repayment | — | 2,826 | — |
| Principal repayments on IFRS 16 lease liabilities | (36,761) | — | — |
| Increase in restricted cash | (9) | (897) | (2,279) |
| Repayment of Convertible Notes | (145,000) | — | — |
| Gross proceeds from issuance of common stock | 50,000 | 337,000 | 303,500 |
| Equity issuance costs | (333) | (17,073) | (15,056) |
| Dividends paid | (21,278) | (15,127) | (9,561) |
| Redemption of NPTI Redeemable Preferred Shares | — | — | (39,495) |
| Repurchase of common stock | (1) | (23,240) | — |
| **Net cash (outflow) / inflow from financing activities** | (393,888) | 402,137 | 204,697 |
| **(Decrease) / increase in cash and cash equivalents** | (391,349) | 407,190 | 86,575 |
| Cash and cash equivalents at January 1, | 593,652 | 186,462 | 99,887 |
| **Cash and cash equivalents at December 31,** | $ 202,303 | $ 593,652 | $ 186,462 |
| **Supplemental information:** | | | |
| Interest paid (which includes $2.8 million, $0.2 million and $4.2 million of interest capitalized during the years ended December 31, 2019, 2018 and 2017, respectively) | $ 182,707 | $ 155,304 | $ 92,034 |

Additionally, we completed the following non-cash transactions during the years ended December 31, 2019, 2018 and 2017:

- September 2019 acquisition of leasehold interests in 19 vessels from Trafigura Maritime Logistics Pte. Ltd. ("Trafigura") in exchange for $803 million and the assumption of $670.0 million of obligations under the bareboat charter agreements (of which, $531.5 million was recorded in September 2019 and the remaining obligations will be recorded in 2020 upon the delivery of four of the vessels from the shipyard). This transaction is described in Note 7.
- May and July 2018 exchange of an aggregate of $203.5 million in aggregate principal amount of our Convertible Notes due 2019 for an aggregate of $203.5 million in aggregate principal amount of our newly issued Convertible Notes due 2022. This transaction is described in Note 13.
- June and September 2017 acquisition of Navig8 Product Tankers Inc ("NPTI") for approximately 5.5 million common shares of the Company and the assumption of NPTI's debt. These transactions are described in Note 2.

These transactions represent the significant non-cash transactions incurred during the years ended December 31, 2019, 2018 and 2017.

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

**Notes to the consolidated financial statements**

1. **General information and significant accounting policies**

**Company**

Scorpio Tankers Inc. and its subsidiaries (together “we”, “our” or the “Company”) are engaged in the seaborne transportation of refined petroleum products in the international shipping markets. Scorpio Tankers Inc. was incorporated in the Republic of the Marshall Islands on July 1, 2009. On April 6, 2010, we closed on our initial public offering, and our common stock currently trades on the New York Stock Exchange under the symbol "STNG."

Our fleet as of December 31, 2019 consisted of 134 owned, finance leased or bareboat chartered-in product tankers (21 Handymax, 59 MR, 12 LR1 and 42 LR2) and leasehold interests on four MRs under construction, which were acquired as part of the Trafigura Transaction (as described in Note 7).

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 Mr. Emanuele Lauro, our Chairman and Chief Executive Officer, and Mr. Filippo Lauro, our Vice President, are members. SCM’s services include securing employment for our vessels 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 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, and the provision of administrative staff and office space, which are contracted to subsidiaries of SSH. We pay our managers fees for these services and reimburse them for direct or indirect expenses that they incur in providing these services.

**Basis of accounting**

The consolidated financial statements incorporate the financial statements of Scorpio Tankers Inc. and its subsidiaries. The consolidated financial statements have been presented in United States dollars, or USD or $, which is the functional currency of Scorpio Tankers Inc. and all its subsidiaries, and have been authorized for issue by the Board of Directors on March 27, 2020. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board.

All inter-company transactions, balances, income and expenses were eliminated on consolidation.

**Going concern**

The financial statements have been prepared in accordance with the going concern basis of accounting as described further in the “Liquidity risk” section of Note 24.

**Significant Accounting Policies**

The following is a discussion of our significant accounting policies that were in effect during the years ended December 31, 2019, 2018 and 2017.

**Leases - IFRS 16**

IFRS 16, *Leases*, was issued by the International Accounting Standards Board on January 13, 2016. IFRS 16 applies to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2019. IFRS 16 amends the definition of what constitutes a lease to be a contract that conveys the right to control the use of an identified asset if the lessee has both (i) the right to obtain substantially all of the economic benefits from the use of the identified asset, and (ii) the right to direct the use of the identified asset throughout the period of use. We have determined that our existing pool and time charter-out arrangements meet the definition of leases under IFRS 16, with the Company as lessor, on the basis that the pool or charterer 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 or charterer can direct the use of a vessel (subject to certain limitations in the pool or charter agreement) throughout the period of use.

Moreover, under IFRS 16, we are also required to identify the lease and non-lease components of revenue and account for each component in accordance with the applicable accounting standard. In time charter-out or pool arrangements, we have determined that the lease component is the vessel and the non-lease component is the technical management services provided to operate the vessel. These components will be accounted for as follows:

- All fixed lease revenue earned under these time charter-out arrangements will be recognized on a straight-line basis over the term of the lease.
- Lease revenue earned under our pool arrangements will be recognized as it is earned, since it is 100% variable.
- The non-lease component will be accounted for as services revenue under IFRS 15 - *Revenue from Contracts with Customers.* This revenue will be recognized "over time" as the customer (i.e. the pool or the charterer) is simultaneously receiving and consuming the benefits of the service.

The application of the above principles did not result in a material difference to the amount of revenue recognized under our existing accounting policies for pool and time-out charter arrangements.

IFRS 16 - *Leases* 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. Upon transition, a lessee shall apply IFRS 16- *Leases* to its leases either retrospectively to each prior reporting period presented (the 'full retrospective approach') or retrospectively with the cumulative effect of initially applying IFRS 16 - *Leases* recognized at the date of initial application (the 'modified retrospective approach'). We applied the modified retrospective approach upon transition, which resulted in the recognition of right-of-use assets and corresponding liabilities, on the basis of the discounted remaining future minimum lease payments, relating to the existing bareboat chartered-in vessel commitments for three bareboat chartered-in vessels, which are scheduled to expire in April 2025. The impact of the application of this standard on the opening balance sheet as of January 1, 2019 was the recognition of a $48.5 million right of use asset, a $50.7 million operating lease liability and a $2.2 million reduction in retained earnings relating to these three vessels.

We have elected certain practical expedients available under IFRS 16 - *Leases*, specifically as they relate to (i) the reassessment of whether a contract is, or contains, a lease at the date of initial application, and (ii) leases whose terms end within 12 months of the date of initial application.

Additionally, during 2019, the Company entered into bareboat charter-in agreements on seven Handymax vessels and acquired the leasehold interests of 15 vessels as part of the Trafigura Transaction. All of these transactions have been accounted for under IFRS 16 and are further described in Note 7.

**Revenue recognition**

IFRS 15, *Revenue from Contracts with Customers*, was issued by the International Accounting Standards Board on May 28, 2014. IFRS 15 amended the existing accounting standards for revenue recognition and is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products or services are transferred to customers. IFRS 15 applied to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2018. The standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption (the "modified retrospective method"). We applied the modified retrospective method upon the date of transition.

Revenue earned by our vessels is comprised of pool revenue, time charter revenue and voyage revenue.

(1) 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 attributed to each vessel (which are determined by vessel attributes such as cargo carrying capacity, fuel consumption, and construction characteristics); and
   - the number of days the vessel participated in the pool in the period.

(2) Time charter agreements are when our vessels 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.

(3) 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.

Of these revenue streams, revenue generated from voyage charter agreements is within the scope of IFRS 15. Revenue generated from pools and time charters is accounted for as revenue earned under IFRS 16, *Leases*, as described above. The accounting for our different revenue streams is as follows:

*Spot market revenue*

For vessels operating in the spot market, we recognize revenue 'over time' as the customer (i.e. the charterer) is simultaneously receiving and consuming the benefits of the vessel. Under IFRS 15, the time period over which revenue is recognized has changed from the previous accounting standard. Prior to the effective date of IFRS 15, revenue from voyage charter agreements was recognized as voyage revenue on a pro-rata basis over the duration of the voyage on a discharge to discharge basis. In the application of this policy, we did not begin recognizing revenue until (i) the amount of revenue could be measured reliably, (ii) it was probable that the economic benefits associated with the transaction would flow to the entity, (iii) the transactions stage of completion at the balance sheet date could be measured reliably, and (iv) the costs incurred and the costs to complete the transaction could be measured reliably. However, under IFRS 15, the performance obligation has been identified as the transportation of cargo from one point to another. Therefore, in a spot market voyage under IFRS 15, revenue is now recognized on a pro-rata basis commencing on the date that the cargo is loaded and concluding on the date of discharge.

At December 31, 2017, we had two vessels operating in the spot market and the cumulative effect of the application of IFRS 15 under the modified retrospective method resulted in a $3,888 reduction in the opening balance of accumulated deficit on January 1, 2018.

The following table summarizes the impact of adopting IFRS 15 on the Company's statement of income or loss and statement of comprehensive income or loss for the year ended December 31, 2018 for each of the line items affected. The Company did not have any vessels operating in the spot market on December 31, 2019 or 2018. Accordingly, there was no impact of adopting IFRS 15 on the Company's balance sheets at December 31, 2019 and 2018, or the statement of comprehensive income or loss for the year ended December 31, 2019. Additionally, there was no material impact on the statement of cash flows for the years ended December 31, 2019 and 2018.

| | For the year ended December 31, 2018 | | |
|---|---|---|---|
| *In thousands of U.S. dollars* | **Amounts after adoption of IFRS 15** | **Adjustments** | **Amounts without adoption of IFRS 15** |
| **Revenue** | | | |
| Vessel revenue | $ 585,047 | $ (173) | $ 584,874 |
| | | | |
| Voyage expenses | (5,146) | 177 | (4,969) |
| Total operating expenses | (574,505) | 177 | (574,328) |
| Net loss | $ (190,071) | $ 4 | $ (190,067) |
| | | | |
| **Total comprehensive loss** | **$ (190,071)** | **$ 4** | **$ (190,067)** |

*Pool revenue*

We recognize pool revenue based on quarterly reports from the pools which identifies the number of days the vessel participated in the pool, the total pool points for the period, the total pool revenue for the period, and the calculated share of pool revenue for the vessel.

*Time charter revenue*

Time charter revenue is recognized as services are performed based on the daily rates specified in the time charter contract.

**Voyage expenses**

Voyage expenses primarily include bunkers, port charges, canal tolls, cargo handling operations and brokerage commissions paid by us under voyage charters. Prior to the implementation of IFRS 15 on January 1, 2018, voyage costs were expensed ratably over the estimated length of each voyage, which can be allocated between reporting periods based on the timing of the voyage. The impact of recognizing voyage expenses ratably over the length of each voyage was not materially different on a quarterly and annual basis from a method of recognizing such costs as incurred. Consistent with our revenue recognition for voyage charters prior to the implementation of IFRS 15, voyage expenses were calculated on a discharge-to-discharge basis.

Beginning on January 1, 2018, we changed the methodology for recognizing revenue and voyage expenses to comply with IFRS 15. Under IFRS 15, voyage costs incurred in the fulfillment of a voyage charter are deferred and amortized over the course of the charter commencing on the date that the cargo is loaded and concluding on the date of discharge. Voyage costs are only deferred if they (i) relate directly to such charter, (ii) generate or enhance resources to be used in meeting obligations under the charter, and (iii) are expected to be recovered.

**Vessel operating costs**

Vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lubricating oil consumption, communication expenses, and technical management fees, are expensed as incurred for vessels that are owned, finance leased or bareboat chartered-in.

**(Loss) / earnings per share**

Basic (loss) / earnings per share is calculated by dividing net (loss) / income attributable to equity holders of the parent by the weighted average number of common shares outstanding. Diluted (loss) / earnings per share is calculated by adjusting the net (loss) / income attributable to equity holders of the parent and the weighted average number of common shares used for calculating basic (loss) / earnings per share for the effects of all potentially dilutive shares. Such dilutive common shares are excluded when the effect would be to reduce a loss per share or increase earnings per share.

In the years ended December 31, 2019, 2018 and 2017, there were potentially dilutive items as a result of our (i) 2013 Equity Incentive Plan (see Note 16), (ii) our convertible senior notes due 2019, or Convertible Notes due 2019, and (iii) our convertible senior notes due 2022, or Convertible Notes due 2022, (as described in Note 13). Potentially dilutive items related to our 2013 Equity Incentive Plan, Convertible Notes due 2019, and Convertible Notes due 2022 were excluded from the composition of diluted earnings per share for the years ended December 31, 2019, 2018 and 2017 because their effect would have been anti-dilutive.

We apply the if-converted method when determining diluted (loss) / earnings per share. This requires the assumption that all potential ordinary shares have been converted into ordinary shares at the beginning of the period or, if not in existence at the beginning of the period, the date of the issue of the financial instrument or the granting of the rights by which they are granted. Under this method, once potential ordinary shares are converted into ordinary shares during the period, the dividends, interest and other expense associated with those potential ordinary shares will no longer be incurred. The effect of conversion, therefore, is to increase income (or reduce losses) attributable to ordinary equity holders as well as the number of shares in issue. Conversion will not be assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive.

**Charterhire expense**

Charterhire expense is the amount we pay to vessel owners to time or bareboat charter-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, profit sharing or current market rates. In a time charter-in arrangement, the vessel's owner is responsible for crewing and other vessel operating costs, whereas these costs are the responsibility of the charterer in a bareboat charter-in arrangement. Charterhire expense is recognized ratably over the charterhire period.

As of December 31, 2019, we had 25 bareboat chartered-in vessels which are being accounted for under IFRS 16, *Leases* as right of use assets and related lease liabilities. Under IFRS 16, there is no charterhire expense for these vessels as the right of use assets are depreciated on a straight-line basis (through depreciation expense) over the lease term, and the lease liability is amortized over that same period (with a portion of each payment allocated to principal and a portion allocated to interest expense). We recorded charterhire expense during the year ended December 31, 2019 for certain vessels that were bareboat chartered-in for terms that were less than 12 months upon the date of transition to IFRS 16.

Prior to the application of IFRS 16, costs in respect of operating leases were charged to the consolidated statement of income or loss on a straight-line basis over the lease term. IFRS 16, *Leases*, required the recognition of right-of-use assets and corresponding liabilities for all leases, unless the underlying asset is of low value and / or the lease term is less than 12 months.

**Foreign currencies**

The individual financial statements of Scorpio Tankers 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 Tankers 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. At the end of each reporting period, monetary assets and liabilities denominated in other currencies are translated into the functional currency at rates ruling at that date. All resultant exchange differences have been recognized in the consolidated statements of income or loss. The amounts charged to the consolidated statements of income or loss during the years ended December 31, 2019, 2018 and 2017 were not significant.

**Segment reporting**

During the years ended December 31, 2019, 2018 and 2017, we owned, finance leased or chartered-in vessels spanning four different vessel classes, Handymax, MR, LR1/Panamax and LR2/Aframax, all of which earn revenues in the seaborne transportation of refined petroleum products in the international shipping markets. Each vessel within its respective class qualifies as an operating segment under IFRS. However, 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 IFRS. We have therefore chosen to present our segment information by vessel class using the aggregated information from the individual vessels.

Segment results are evaluated based on reported net income or loss from each segment. The accounting policies applied to the reportable segments are the same as those used in the preparation of our consolidated financial statements.

It is not practical to report revenue or non-current assets on a geographical basis due to the nature of the shipping market.

**Vessels and drydock**

Our fleet is measured at cost, which includes directly attributable financing costs and the cost of work undertaken to enhance the capabilities of the vessels, less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis to the estimated residual value over the anticipated useful life of the vessel from date of delivery. We estimate the useful lives of our vessels to be 25 years. Vessels under construction are not depreciated until such time as they are ready for use. The residual value is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton. The scrap value per ton is estimated taking into consideration the historical four-year average scrap market rates available at the balance sheet date with changes accounted for in the period of change and in future periods.

The vessels are required to undergo planned drydocks 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. In deferred drydocking, we only include 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. Expenditures for normal maintenance and repairs, whether incurred as part of the drydocking or not, are expensed as incurred.

For an acquired or newly built vessel, a notional drydock component is allocated from the vessel's cost. The notional drydock cost is estimated by us, based on the expected costs related to the next drydock, which is based on experience and past history of similar vessels, and carried separately from the cost of the vessel. Subsequent drydocks are recorded at actual cost incurred. The drydock component is depreciated on a straight-line basis to the next estimated drydock. The estimated amortization period for a drydock is based on the estimated period between drydocks. When the drydock expenditure is incurred prior to the expiry of the period, the remaining balance is expensed.

During the year ended December 31, 2019, the Company made investments in exhaust gas cleaning systems, or scrubbers, and ballast water treatment systems, or BWTS. The costs of these systems will primarily be depreciated over the estimated remaining useful life of each vessel, which is the Company's estimate, based on its experience with such systems, of the useful life of this equipment. Additionally, for a newly installed scrubber, a notional component is allocated from the scrubber's cost. The notional scrubber cost is estimated by us, based on the expected related costs that the Company will incur for this equipment at the next scheduled drydock date and relate to the replacement of certain components and maintenance of other components. This notional scrubber cost is carried separately from the cost of the scrubber. Subsequent costs will be recorded at actual cost incurred. The notional component of the scrubber is depreciated on a straight-line basis to the next estimated drydock date.

**Business combinations**

In May 2017, we entered into definitive agreements to acquire Navig8 Product Tankers Inc. ("NPTI"), including its fleet of 12 LR1 and 15 LR2 product tankers for approximately 5.5 million common shares of the Company and the assumption of NPTI's debt (herein referred to as "the Merger"). On June 14, 2017, we acquired part of NPTI's business with the acquisition of four LR1 product tankers (the "NPTI Vessel Acquisition") through the acquisition of entities holding those vessels and related debt for an acquisition price of $42.2 million in cash. On September 1, 2017, all conditions precedent were lifted and we acquired NPTI's remaining business including eight LR1 and 15 LR2 tankers (the "September Closing") when the Merger closed.

We have accounted for these transactions as business combinations using the acquisition method of accounting as set forth in IFRS 3 *Business Combinations*, with the Company determined as the accounting acquirer under this guidance. Accordingly, we measured the identifiable assets acquired and the liabilities assumed at their acquisition date fair values. The consideration transferred was measured at fair value, with the fair value of the approximately 5.5 million common shares issued in September 2017 based on the price of such shares on the date of acquisition. The difference between the fair value of the net assets acquired and the fair value of the consideration transferred was recorded as a bargain purchase gain with respect to the acquisition of the four LR1 tankers in June 2017 and goodwill with respect to the acquisition of the remaining fleet in September 2017. Acquisition related costs were expensed as incurred.

**Asset acquisitions**

In October 2018, the International Accounting Standards Board ("IASB") issued amendments to the definition of a business in IFRS 3 - Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020 and apply prospectively, however earlier application is permitted.

As part of these amendments, the IASB introduced an optional fair value concentration test. The purpose of this test is to permit a simplified assessment of whether an acquired set of activities and assets is a business or an asset. Entities may elect whether or not to apply the concentration test on a transaction-by-transaction basis. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The test is based on gross assets, not net assets, as the IASB concluded that whether a set of activities and assets includes a substantive process does not depend on how the set is financed. In addition, certain assets are excluded from the gross assets considered in the test. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the original requirements in IFRS 3.

We have early adopted these amendments to IFRS 3 in 2019, and applied them to the following transaction.

On September 24, 2019, we entered into a definitive agreement to acquire subsidiaries of Trafigura Maritime Logistics Pte. Ltd. (“Trafigura”), which have leasehold interests in 19 product tankers under bareboat charter agreements with an international financial institution. Of the 19 vessels, 15 were delivered during 2019 and four were under construction. The aggregate value of the vessels was $803 million, and we assumed the obligations under the bareboat charter agreements for the delivered vessels of $531.5 million and issued 3,981,619 shares of common stock at $29.00 per share to Trafigura with an aggregate market value of $115.5 million for the delivered vessels. For the vessels under construction, we issued 591,254 shares of common stock at $29.00 per share to Trafigura with an aggregate market value of $17.1 million and will assume the commitments on the bareboat charter agreements of $138.9 million upon the delivery of these vessels from the shipyard. We refer to this transaction as the "Trafigura Transaction".

We have accounted for the Trafigura Transaction as an asset acquisition under the amended guidance set forth under IFRS 3, *Business Combinations* as substantially all of the fair value of the gross assets acquired was concentrated in a group of similar identifiable assets.

Moreover, the leasehold interests acquired as part of the Trafigura Transaction qualified as leases under *IFRS 16*. Accordingly, a right of use asset and corresponding lease liability were recorded for the delivered vessels upon the closing date. The right of use assets for the delivered vessels were measured at the present value of the minimum lease payments plus any initial direct costs which, among other costs, consisted of the value of the equity issued to Trafigura. The value of the common stock issued for the undelivered vessels was recorded with Other long-term assets on the consolidated balance sheet. These costs will be reclassified upon the commencement date of each lease, which is the date of delivery from the shipyard, and will be combined with the present value of the minimum lease payments on that date to form the value of the right of use asset.

The lease liabilities for the delivered vessels was measured as the present value of the minimum lease payments, which includes assumptions for any purchase options that are reasonably certain to be exercised. The lease liability for the undelivered vessels will be recorded upon the commencement date of each lease, which will be the date of delivery from the shipyard.

This transaction is further described in Note 7.

**Impairment of goodwill**

Goodwill arising from the September Closing has been allocated to the cash generating units within each of the respective reportable segments that are expected to benefit from the synergies of the Merger (LR2s and LR1s). Goodwill is not amortized and is tested annually (or more frequently, if impairment indicators arise) by comparing the aggregate carrying amount of the cash generating units, plus the allocated goodwill, to their recoverable amounts.

Recoverable amount is the higher of the fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows of the operating segment are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the operating segment for which the estimates of future cash flows have not been adjusted.

If the recoverable amount is determined to be less than the aggregate carrying amount of the assets in each respective operating segment, plus goodwill, then goodwill is reduced to the lower of the recoverable amount or zero. An impairment loss is recognized as an expense immediately. The carrying value of our vessels, drydock and vessels under construction is reviewed for impairment separately, as described below.

**Impairment of vessels and drydock, vessels under construction and right of use assets for vessels**

At each balance sheet date, we review the carrying amount of our vessels and drydock, vessels under construction and right of use assets for vessels to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the vessels and drydock, vessels under construction and right of use assets for vessels is estimated in order to determine the extent of the impairment loss (if any). We treat each vessel and the related drydock as a cash generating unit.

Recoverable amount is the higher of the fair value less cost to sell (determined by taking into consideration two independent broker valuations) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the cash generating unit is estimated to be less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cash generating unit in the prior years. A reversal of impairment is recognized as income immediately.

**Inventories**

Inventories consist of lubricating oils and other items including stock provisions, and are stated at the lower of cost and net realizable value. Cost is determined using the first in first out method. Stores and spares are charged to vessel operating costs when purchased. Lubricating oil consumption was $10.3 million, $9.3 million, and $7.3 million for the years ended December 31, 2019, 2018 and 2017, respectively.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time (for example, the time period necessary to construct a vessel) to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and released to income or loss when the qualifying asset impacts income or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statement of income or loss in the period in which they are incurred.

**Financial instruments**

IFRS 9, *Financial instruments*, sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 *Financial Instruments: Recognition and Measurement* and was effective for annual periods beginning on or after January 1, 2018. The adoption of this standard did not have a material impact on these consolidated financial statements.

Financial assets and financial liabilities are recognized in our balance sheet when we become a party to the contractual provisions of the instrument.

***Financial assets***

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", or FVTPL, "at fair value through other comprehensive income" or at amortized cost on the basis of the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

*Financial assets at amortized cost*

Financial assets are measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Financial assets at fair value through other comprehensive income*

Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Financial assets at FVTPL*

Financial assets are classified as at FVTPL where the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that we manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in the statement of income or loss. The net gain or loss recognized in income or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 24.

***Accounts receivable***

Amounts due from the Scorpio Pools and other receivables that have fixed or determinable payments and are not quoted in an active market are classified as accounts receivable. Accounts receivable without a significant financing component are initially measured at their transaction price and subsequently measured at amortized cost using the effective interest method, less any impairment (as discussed below). Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

***Impairment of financial assets***

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model to determine and recognize impairments. ECLs are a probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under the general model to ECLs under IFRS 9, loss allowances are measured in two different ways:

- *12-month ECLs*: 12-month ECLs are the expected credit losses that may result from default events on a financial instrument that are possible within the 12 months after the reporting date. 12-month ECLs are utilized when a financial asset has a low credit risk at the reporting date or has not had a significant increase in credit risk since initial recognition.
- *Lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument. Lifetime ECLs are determined when an impaired financial asset has been purchased or originated or when there has been a significant increase in credit risk since initial recognition

However, IFRS 9 permits operational simplifications for trade receivables, contract assets and lease receivables because they are often held by entities that do not have sophisticated credit risk management systems (i.e. the ‘simplified model’). These simplifications eliminate the need to calculate 12- month ECLs and to assess when a significant increase in credit risk has occurred. Under the simplified approach:

- For trade receivables or contract assets that do not contain a significant financing component, the loss allowance is required to be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL.
- For finance lease receivables, operating lease receivables, or trade receivables or contract assets that do contain a significant financing component, IFRS 9 permits an entity to choose as its accounting policy to measure the loss allowance using the general model or the simplified model (i.e. at an amount equal to lifetime expected credit losses).

We measure loss allowances for all trade and lease receivables under the simplified model using the lifetime ECL approach. When estimating ECLs, the Company considers reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The application of the ECL requirements under IFRS 9 did not result in the recognition of an impairment charge under the new impairment model. This determination was made on the basis that most of our vessels operate in the Scorpio Pools and the Company has never experienced a historical credit loss of amounts due from the Scorpio Pools. This determination also considers reasonable and supportable information about current conditions and forecast future economic conditions

***Cash and cash equivalents***

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, 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.

***Restricted cash***

We placed deposits in debt service reserve accounts under the terms and conditions set forth under our 2017 Credit Facility. Additionally, as part of the 2017 acquisition of NPTI and the assumption of NPTI's indebtedness (as further described in Note 13), we are required to maintain debt service reserve accounts under certain of NPTI's secured credit facilities and sale leaseback arrangements. Funds held in these accounts will be released upon the maturity of such facilities and have accordingly been accounted for as non-current restricted cash on our consolidated balance sheet. The activity within these accounts (which is adjusted from time to time based on prevailing interest rates) is recorded as financing activities on our consolidated statements of cash flow.

***Financial liabilities***

Financial liabilities are classified as either financial liabilities at amortized cost or financial liabilities at FVTPL. There were no financial liabilities recorded at FVTPL during the years ended December 31, 2019 or December 31, 2018.

***Financial liabilities at amortized cost***

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

***Financial liabilities at FVTPL***

Financial liabilities not classified at amortized cost are classified as FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in the Statement of Income or Loss. The net gain or loss recognized in the statement of income or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 24.

***Effective interest method***

The effective interest method is a method of calculating the amortized cost of a financial asset and a financial liability. It allocates interest income and interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial asset and financial liability, or, where appropriate, a shorter period.

***Convertible debt instruments***

In June 2014, we completed an offering for $360.0 million in aggregate principal amount of convertible senior notes due 2019, or the Convertible Notes due 2019, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933 (as further described in Note 13). In May 2018 and July 2018, we exchanged $188.5 million and $15.0 million (out of $348.5 million outstanding), respectively, in aggregate principal amount of our Convertible Notes due 2019 for $188.5 million and $15.0 million, respectively, in aggregate principal amount of the Company's new 3.0% Convertible Senior Notes due 2022 (the “Convertible Notes due 2022”), the terms of which are described in Note 13. These exchanges were executed with certain holders of the Convertible Notes due 2019 via separate, privately negotiated agreements.

Under International Accounting Standard 32, or IAS 32, we must separately account for the liability and equity components of convertible debt instruments in a manner that reflects the issuer's economic interest cost. Under this methodology, the instrument is split between its liability and equity components upon initial recognition. The fair value of the liability is measured first, by estimating the fair value of a similar liability that does not have any associated equity conversion option. This becomes the liability's carrying amount at initial recognition, which is recorded as part of Debt on the consolidated balance sheet. The equity component (the conversion feature) is assigned the residual amount after deducting the amount separately determined for the liability component from the fair value of the instrument as a whole and is recorded as part of Additional paid-in capital within stockholders' equity on the consolidated balance sheet. Issuance costs are allocated proportionately between the liability and equity components.

The value of the equity component is treated as an original issue discount for purposes of accounting for the liability component of the Convertible Notes due 2019 and Convertible Notes due 2022. Accordingly, we are required to record non-cash interest expense as a result of the amortization of the discounted carrying value of the convertible notes to their face amount over the term of the Convertible Notes due 2019 and Convertible Notes due 2022. IAS 32 therefore requires interest to include both the current period's amortization of the debt discount and the instrument's coupon interest. On July 1, 2019, the Convertible Notes due 2019 matured, and we repaid the outstanding balance of $142.7 million.

***Derivative financial instruments***

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. The resulting gain or loss is recognized in income or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in income or loss depends on the nature of the hedging relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months, and it is not expected to be realized or settled within 12 months.

There were no derivative instruments or transactions during the year ended December 31, 2019 and 2018. Our derivative financial instruments for the year ended December 31, 2017 consisted of a profit or loss sharing arrangement with a third party on a time chartered-in vessel. This instrument is further described in Note 14.

***Lease Financing***

During the years ended December 31, 2018 and December 31, 2017, we entered into sale and leaseback transactions in which certain of our vessels were sold to a third party and then leased back to us under bareboat chartered-in arrangements. In certain of these transactions, the criteria necessary to recognize a sale of these vessels were not met as the terms of these transactions were such that we never part with the risks and rewards incident to ownership of the vessel, which includes an assessment of the likelihood of the exercise of purchase options contained within the contracts. Accordingly, these transactions have been accounted for as financing arrangements, with the liability under each arrangement recorded at amortized cost using the effective interest method and the corresponding vessels recorded at cost, less accumulated depreciation, on our consolidated balance sheet. All of these arrangements are further described in Note 13.

Conversely, certain of our other sale and leaseback transactions that were entered into during the year ended December 31, 2017 met the criteria as sales and operating leasebacks as set forth under IAS 17, *Leases* (prior to the application and transition of IFRS 16 on January 1, 2019). Accordingly, the losses on the sales of these assets were recognized when the vessels were designated as held for sale in 2017.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in our assets after deducting all of its liabilities. Equity instruments issued by us are recorded at the proceeds received, net of direct issue costs.

We had 58,202,400 and 51,397,562 registered shares authorized, issued and outstanding with a par value of $0.01 per share at December 31, 2019 and December 31, 2018, respectively. These shares provide the holders with the same rights to dividends and voting rights.

***Provisions***

Provisions are recognized when we have a present obligation as a result of a past event, and it is probable that we will be required to settle that obligation. Provisions are measured at our best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

***Dividends***

A provision for dividends payable is recognized when the dividend has been declared in accordance with the terms of the shareholder agreement.

***Restricted stock***

The restricted stock awards granted under our 2013 Equity Incentive Plan as described in Note 16 contain only service conditions and are classified as equity settled. Accordingly, the fair value of our restricted stock awards was calculated by multiplying the average of the high and low share price on the grant date and the number of restricted stock shares granted that are expected to vest. In accordance with IFRS 2 “Share Based Payment,” the share price at the grant date serves as a proxy for the fair value of services to be provided by the individual under the plan.

Compensation expense related to the awards is recognized ratably over the vesting period, based on our estimate of the number of awards that will eventually vest. The vesting period is the period during which an individual is required to provide service in exchange for an award and is updated at each balance sheet date to reflect any revisions in estimates of the number of awards expected to vest as a result of the effect of service vesting conditions. The impact of the revision of the original estimate, if any, is recognized in the consolidated statement of income or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

**Critical accounting judgments and key sources of estimation uncertainty**

In the application of the accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments and estimates are as follows:

***Revenue recognition***

Our revenue is primarily generated from time charters, spot voyages, or pools (see Note 18 for the components of our revenue generated during the years ended December 31, 2019, 2018 and 2017). Revenue recognition for time charters and pools is generally not as complex or as subjective as voyage charters (spot voyages). Time charters are for a specific period of time at a specific rate per day. For long-term time charters, revenue is recognized on a straight-line basis over the term of the charter. Pool revenues are determined by the pool managers from the total revenues and expenses of the pool and allocated to pool participants using a mechanism set out in the time charter agreement between the vessel owner and the pool.

We generated revenue from spot voyages during the years ended December 31, 2019 and December 31, 2018. Within the shipping industry, prior to January 1, 2018 (as discussed below under *Standards and Interpretations issued and adopted in 2018*), there were two methods used to account for spot voyage revenue: (1) ratably over the estimated length of each voyage or (2) completed voyage. The recognition of voyage revenues ratably over the estimated length of each voyage was the most prevalent method of accounting for voyage revenues and the method used by us. Under each method, voyages were calculated on either a load-to-load or discharge-to-discharge basis. In applying our revenue recognition method, we believed that the discharge-to-discharge basis of calculating voyages more accurately estimated voyage results than the load-to-load basis. In the application of this policy, we did not begin recognizing revenue until (i) the amount of revenue could be measured reliably, (ii) it was probable that the economic benefits associated with the transaction would flow to the entity, (iii) the transactions stage of completion at the balance sheet date could be measured reliably and (iv) the costs incurred and the costs to complete the transaction could be measured reliably.

Subsequent to January 1, 2018, we recognize spot market revenue ‘over time’ as the customer (i.e. the charterer) is simultaneously receiving and consuming the benefits of the vessel. Under IFRS 15, the performance obligation has been identified as the transportation of cargo from one point to another. Therefore, in a spot market voyage under IFRS 15, revenue is now recognized on a pro-rata basis commencing on the date that the cargo is loaded and concluding on the date of discharge. Moreover, we changed the methodology for recognizing voyage expenses to comply with IFRS 15. Under IFRS 15, voyage costs incurred in the fulfillment of a voyage charter are deferred and amortized over the course of the charter commencing on the date that the cargo is loaded and concluding on the date of discharge. Voyage costs are only deferred if they (i) relate directly to such charter, (ii) generate or enhance resources to be used in meeting obligations under the charter and (iii) are expected to be recovered.

***Vessel impairment***

We evaluate the carrying amounts of our vessels, vessels under construction and right of use assets for vessels to determine whether there is any indication that those vessels have suffered an impairment loss. If any such indication exists, the recoverable amount of vessels is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell (determined by taking into consideration two independent broker valuations) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The projection of cash flows related to vessels is complex and requires us to make various estimates including future freight rates, earnings from the vessels and discount rates. All of these items have been historically volatile. As part of our process of assessing fair value less selling costs of the vessel, we obtain vessel valuations for our operating vessels from leading, independent and internationally recognized ship brokers on an annual basis or when there is an indication that an asset or assets may be impaired. We generally do not obtain vessel valuations for vessels under construction. If an indication of impairment is identified, the need for recognizing an impairment loss is assessed by comparing the carrying amount of the vessels to the higher of the fair value less selling costs and the value in use. Likewise, if there is an indication that an impairment loss recognized in prior periods no longer exists or may have decreased, the need for recognizing an impairment reversal is assessed by comparing the carrying amount of the vessels to the latest estimate of recoverable amount.

At December 31, 2019, we reviewed the carrying amount of our vessels to determine whether there was an indication that these assets had suffered an impairment. First, we compared the carrying amount of our vessels to their fair values less costs to sell (determined by taking into consideration two independent broker valuations). We then compared that estimate of fair value less selling costs to each vessel’s carrying value and, if the carrying value exceeded the vessel’s fair value less selling costs, an indicator of impairment exists. We also considered other subjective factors for impairment indicators, such as sustained weakness in the product tanker or sustained pressure on the market price of the Company's common stock. If we determined that impairment indicators exist, then we prepared a value in use calculation where we estimated each vessel’s future cash flows. These estimates are primarily based on a combination of the latest, published, forecast time charter rates for the next three years, a growth rate of 2.39% (which is based off of historical and forecast inflation rates) in freight rates in each period thereafter until the vessel reaches 15 years of age, at which point the growth rate diminishes and our best estimates of vessel operating expenses and drydock costs. These cash flows were then discounted to their present value, using a pre-tax discount rate of 7.41%.

At December 31, 2019, we had 134 owned vessels or finance leased vessels or right of use assets in our fleet. The results of our impairment test were as follows:

- 68 of our owned or finance leased vessels in our fleet had fair values less selling costs greater than their carrying amount. As such, there were no indicators of impairment for these vessels.
- 56 of our owned or finance leased vessels in our fleet had fair values less selling costs lower than their carrying amount. We prepared a value in use calculation for each of these vessels which resulted in no impairment being recognized.
- We did not obtain independent broker valuations for 10 of the vessels classified as right of use assets. We performed value in use calculations for these vessels all of which resulted in no impairment being recognized.

***Vessel lives and residual value***

The carrying value of each of our vessels represents its original cost at the time it was delivered or purchased less depreciation and impairment. We depreciate our vessels to their residual value on a straight-line basis over their estimated useful lives of 25 years. 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 a forecast scrap value per ton. The scrap value per ton is estimated by taking into consideration the historical four-year scrap market rate average at the balance sheet date, which we update annually.

An increase in the estimated useful life of a vessel or in its scrap 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 scrap value would have the effect of increasing the annual depreciation charge.

When regulations place significant limitations over the ability of a vessel to trade on a worldwide basis, the vessel’s useful life is adjusted to end at the date such regulations become effective. No such regulations have been identified that would have impacted the estimated useful life of our vessels. The estimated salvage value of the vessels may not represent the fair value at any one time since market prices of scrap values tend to fluctuate.

***Deferred drydock cost***

We recognize drydock costs as a separate component of each vessel’s carrying amount and amortize the drydock cost on a straight-line basis over the estimated period until the next drydock. We use judgment when estimating the period between when drydocks are performed, which can result in adjustments to the estimated amortization of the drydock expense. If the vessel is disposed of before the next drydock, the remaining balance of the deferred drydock is written-off and forms part of the gain or loss recognized upon disposal of vessels in the period when contracted. We expect that our vessels will be required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are operating. Costs capitalized as part of the drydock include actual costs incurred at the drydock yard and parts and supplies used in making such repairs.

**Adoption of new and amended IFRS and IFRIC interpretations from January 1, 2019**

*Standards and Interpretations issued and adopted in 2019*

- IFRIC 23 *Uncertainty over Income Tax Treatments*
- IFRS 9, *Prepayment Features with Negative Compensation*
- IAS 19, *Employee Benefits* - Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Amendment to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

The adoption of these standards did not have a significant impact on these consolidated financial statements.

- IFRS 16, *Leases,* - the impact of the adoption of this standard is described above under 'Significant Accounting Policies'. While the adoption of this standard did not have a significant impact on these consolidated financial statements on the transition date, it did impact the manner in which we accounted for the Trafigura Transaction, which is described in Note 7.
- IFRS 3, *Business Combinations* - *Amendments to the Definition of a Business* - the effective date of this standard is January 1, 2020, however the Company early adopted this standard as part of the Trafigura Transaction, which is described above under 'Significant Accounting Policies'.

*Standards and Interpretations issued yet not adopted*

Additionally, at the date of authorization of these consolidated financial statements, the following Standards which have not been applied in these consolidated financial statements were issued but not yet effective. We do not expect that the adoption of these standards in future periods will have a significant impact on our financial statements.

- IFRS 17 - *Insurance Contracts* - Requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. The effective date is January 1, 2021.
- Amendments to IAS 1 and IAS 8 - *Definition of Material*: - The amendment to clarify the definition of material. The effective date is January 1, 2020.
- Amendments to IFRS 9, IAS 39 and IFRS 7 - *Interest Rate Benchmark Reform* - To clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedge cash flows and cash flows from the hedging instruments are based will not be altered as result of interest rate benchmark reform. The effective date is January 1, 2020.
- Amendments to IAS 1 - *Classification of Liabilities as Current or Non-Current* - To promote consistency in applying the requirements to determine whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The effective date is January 1, 2022 but there is uncertainty to its EU endorsement date.

## 2. **Acquisition of Navig8 Product Tankers Inc**

*Background*

In May 2017, we entered into definitive agreements to acquire NPTI, including its fleet of 12 LR1 and 15 LR2 product tankers for approximately 5.5 million common shares of the Company and the assumption of NPTI's debt. On June 14, 2017, we acquired part of NPTI’s business with the acquisition of four LR1 product tankers through the acquisition of entities holding those vessels (which we refer to as "NPTI Vessel Acquisition") and related debt for an acquisition price of $42.2 million in cash. On September 1, 2017, all conditions precedent were lifted and we acquired NPTI's remaining business including eight LR1 and 15 LR2 tankers when the Merger closed (which we refer to as the "September Closing"). We assumed NPTI's aggregate outstanding indebtedness of $907.4 million upon the closing of these transactions.

*Accounting for the Merger*

With the closing of these transactions, we took control of NPTI’s business. Accordingly, the NPTI Vessel Acquisition that closed in June 2017 and the September Closing were accounted for as two separate business combinations. The purchase price allocation for the NPTI Vessel Acquisition resulted in a bargain purchase of $5.4 million and the purchase price allocation for the September Closing resulted in the recording of Goodwill of $11.5 million.

During the year ended December 31, 2017, the Company recorded $45.3 million in revenue and a net loss of $18.7 million attributable to the operations of NPTI that were acquired, which excludes the impact of general and administrative expenses as these are generally not allocated to our operating segments.

*Unaudited Pro Forma Results*

If the Merger had occurred on January 1, 2017, unaudited consolidated pro-forma revenue and net loss for the year ended December 31, 2017 would have been $594.5 million and $193.4 million, respectively. These amounts have been calculated using NPTI's results for the year ended December 31, 2017 with certain pro-forma adjustments made primarily to align the accounting policies of NPTI with the Company.

*Transaction Costs*

We incurred $36.1 million of transaction costs relating to the Merger, which were expensed during the year ended December 31, 2017 and $0.3 million of transaction costs during the year ended December 31, 2018. These costs include $16.1 million of advisory and other professional fees, $17.7 million of costs related to the early termination of NPTI’s existing service agreements and $2.6 million of other costs, which include fees incurred for a back-stop credit facility that was put in place in the event that certain of NPTI's lenders did not consent to the Merger. This facility was cancelled upon the receipt of such consents.

We settled $6.0 million of the fees incurred to terminate NPTI's existing service agreements through the issuance of warrants to the NPTI pool manager, exercisable into 150,000 of our common shares at an exercise price of $0.10 per share, upon the delivery of the vessels acquired from NPTI to the Scorpio Pools. These fees relate to the termination of the applicable pooling arrangements with NPTI, and we issued two warrants to the Navig8 pool manager as consideration for the termination. The first warrant was issued in June 2017 as part of the NPTI Vessel Acquisition and was exercisable on a pro-rata basis for an aggregate of 22,222 of our common shares. The second warrant was issued on similar terms to the first warrant on September 1, 2017 and was exercisable on a pro-rata basis for an aggregate of 127,778 of our common shares at an exercise price of $0.10 per share upon the delivery of each of the 23 remaining vessels to the Scorpio Pools. These warrants were accounted for on the date of issuance and valued based on the average of the high and low price of our common shares on such dates. All of the warrants had been exercised as of December 31, 2017.

## 3. **Cash and cash equivalents**

The following table depicts the components of our cash as of December 31, 2019 and 2018:

| | At December 31, | |
|---|---|---|
| *In thousands of U.S. dollars* | **2019** | **2018** |
| Cash at banks | $ 201,040 | $ 592,498 |
| Cash on vessels | 1,263 | 1,154 |
| | **$ 202,303** | **$ 593,652** |

## 4. Prepaid expenses and other assets

The following is a table summarizing our prepaid expenses and other current assets as of December 31, 2019 and 2018:

| | At December 31, | |
|---|---|---|
| *In thousands of U.S. dollars* | **2019** | **2018** |
| SSM - prepaid vessel operating expenses | $ 1,624 | $ 2,461 |
| Prepaid interest | 6,596 | 6,870 |
| Prepaid insurance | 760 | 4,449 |
| Third party - prepaid vessel operating expenses | 2,123 | 712 |
| Other prepaid expenses | 2,752 | 1,179 |
| | **$ 13,855** | **$ 15,671** |

## 5. Accounts receivable

The following is a table summarizing our accounts receivable as of December 31, 2019 and 2018:

| | At December 31, | |
|---|---|---|
| *In thousands of U.S. dollars* | **2019** | **2018** |
| Scorpio MR Pool Limited | $ 44,739 | $ 33,288 |
| Scorpio LR2 Pool Limited | 17,689 | 24,563 |
| Scorpio LR1 Pool Limited | 9,000 | 3,705 |
| Scorpio Handymax Tanker Pool Limited | 2,984 | 4,559 |
| Scorpio Aframax Pool Limited | 0 | 63 |
| Scorpio Commercial Management S.A.M. | 0 | 2,511 |
| Receivables from the related parties | 74,412 | 68,689 |
| Insurance receivables | 1,322 | 204 |
| Freight and time charter receivables | 962 | 22 |
| Other receivables | 1,478 | 803 |
| | **$ 78,174** | **$ 69,718** |

Scorpio MR Pool Limited, Scorpio LR2 Pool Limited, Scorpio Handymax Tanker Pool Limited, Scorpio LR1 Pool Limited and Scorpio Aframax Pool Limited are related parties, as described in Note 17. Amounts due from the Scorpio Pools relate to income receivables and receivables for working capital contributions which are expected to be collected within one year. The amounts receivable from the Scorpio Pools as of December 31, 2019 and 2018 include $24.3 million and $22.9 million, respectively, of working capital contributions made on behalf of our vessels to the Scorpio Pools.

Receivables from Scorpio Commercial Management S.A.M. ("SCM") primarily represent amounts due from the agreement to reimburse a portion of the commissions that SCM charges the Company’s vessels (as described in Note 17) to effectively reduce such commissions to 0.85% of gross revenue per charter fixture. This agreement was effective from September 1, 2018 and ended on June 1, 2019, and the amount due at December 31, 2018 represents the reimbursement earned from September 1, 2018 through December 31, 2018.

Insurance receivables primarily represent amounts collectible on our insurance policies in relation to vessel repairs.

Freight and time charter receivables represent amounts collectible from customers for our vessels operating on time charter or in the spot market.

We consider that the carrying amount of accounts receivable approximates their fair value due to the short maturity thereof. Accounts receivable are non-interest bearing. At December 31, 2019 and December 31, 2018, no material receivable balances were either past due or impaired.

## 6. Vessels

*Operating vessels and drydock*

| *In thousands of U.S. dollars* | Vessels | Drydock | Total |
|---|---|---|---|
| Cost | | | |
| As of January 1, 2019 | $ 4,469,102 | $ 86,352 | $ 4,555,454 |
| Additions [1] | 145,150 | 45,271 | 190,421 |
| Write-offs [2] | (2,307) | (23,100) | (25,407) |
| As of December 31, 2019 | 4,611,945 | 108,523 | 4,720,468 |
| Accumulated depreciation and impairment | | | |
| As of January 1, 2019 | (506,443) | (51,222) | (557,665) |
| Charge for the period | (161,450) | (18,602) | (180,052) |
| Write-offs [2] | 2,307 | 23,100 | 25,407 |
| As of December 31, 2019 | (665,586) | (46,724) | (712,310) |
| Net book value | | | |
| **As of December 31, 2019** | **$ 3,946,359** | **$ 61,799** | **$ 4,008,158** |
| Cost | | | |
| As of January 1, 2018 | 4,389,648 | 82,888 | 4,472,536 |
| Additions [1] | 79,454 | 4,964 | 84,418 |
| Write-offs [2] | — | (1,500) ) | (1,500) |
| As of December 31, 2018 | 4,469,102 | 86,352 | 4,555,454 |
| Accumulated depreciation and impairment | | | |
| As of January 1, 2018 | (347,703) | (34,739) | (382,442) |
| Charge for the period | (158,740) | (17,983) | (176,723) |
| Write-offs [2] | — | 1,500 | 1,500 |
| As of December 31, 2018 | (506,443) | (51,222) | (557,665) |
| Net book value | | | |
| **As of December 31, 2018** | **$ 3,962,659** | **$ 35,130** | **$ 3,997,789** |

1. Additions in 2019 primarily relate to the drydock, BWTS, and scrubber costs incurred on certain of our vessels. Additions in 2018 primarily relate to (i) the deliveries of *STI Esles II* and *STI Jardins* and corresponding calculations of notional drydock on these vessels and (ii) drydock costs incurred on certain of our vessels.
2. Represents the write-offs of fully depreciated equipment and notional drydock costs on certain of our vessels.

The following is a summary of the items that were capitalized during the year ended December 31, 2019:

| *In thousands of U.S. dollars* | Drydock | Notional component of scrubber [1] | Total drydock additions | Scrubber | BWTS | Other equipment | Capitalized interest | Total vessel additions |
|---|---|---|---|---|---|---|---|---|
| Handymax | $ 15,642 | $ — | **$ 15,642** | $ — | $ 24,398 | $ 782 | $ 240 | **$ 25,420** |
| MR | 16,699 | 2,250 | **18,949** | 40,925 | 14,503 | 2,440 | 1,152 | **59,020** |
| LR1 | — | 450 | **450** | 7,721 | — | 590 | 197 | **8,508** |
| LR2 | 8,130 | 2,100 | **10,230** | 43,590 | 5,486 | 1,901 | 1,225 | **52,202** |
| | **$ 40,471** | **$ 4,800** | **$ 45,271** | **$ 92,236** | **$ 44,387** | **$ 5,713** | **$ 2,814** | **$ 145,150** |

(1) For a newly installed scrubber, a notional component of approximately 10% is allocated from the scrubber's cost. The notional scrubber cost is estimated by us, based on the expected related costs that the Company will incur for this equipment at the next scheduled drydock date and relates to the replacement of certain components and maintenance of other components. This notional scrubber cost is carried separately from the cost of the scrubber. Subsequent costs are recorded at actual cost incurred. The notional component of the scrubber is depreciated on a straight-line basis to the next estimated drydock date.

The following is a summary of the items that were capitalized during the year ended December 31, 2018:

| *In thousands of US dollars* | **Drydock** | **Notional component of vessel acquisition** | **Total drydock Additions** | **Scrubber** | **BWTS** | **Other equipment** | **Vessel Acquisition** | **Total vessel additions** |
|---|---|---|---|---|---|---|---|---|
| Handymax | $ 86 | $ — | **$ 86** | $ — | $ — | $ — | $ — | **$ —** |
| MR | 2,994 | 1,500 | **4,494** | — | — | 105 | 79,349 | **79,454** |
| LR1 | — | — | **—** | — | — | — | — | **—** |
| LR2 | 384 | — | **384** | — | — | — | — | **—** |
| | **$ 3,464** | **$ 1,500** | **$ 4,964** | **$ —** | **$ —** | **$ 105** | **$ 79,349** | **$ 79,454** |

*2019 Activity*

We did not take delivery of any vessels during the year ended December 31, 2019. At December 31, 2019, there were no orders outstanding for newbuilding vessels.

*2018 Activity*

We took delivery of the following newbuilding vessels during the year ended December 31, 2018 resulting in an increase of $81.0 million in Vessels from December 31, 2018:

| | **Name** | **Month delivered** | **Vessel type** |
|---|---|---|---|
| 1 | STI Esles II | January 2018 | MR |
| 2 | STI Jardins | January 2018 | MR |

Additionally, drydock costs were incurred during the year ended December 31, 2018 primarily as a result of the completion of scheduled, class required special surveys on four of our MRs.

*Ballast Water Treatment Systems*

In July 2018, we executed an agreement to purchase 55 ballast water treatment systems, or BWTS, from an unaffiliated third-party supplier for total consideration of $36.2 million. These systems have been and are expected to be installed from 2019 through 2023, as each respective vessel under the agreement is due for its International Oil Pollution Prevention, or IOPP, renewal survey. Costs capitalized for these systems include the cost of the base equipment that the Company has contracted to purchase in addition to directly attributable installation costs. Costs capitalized during the year ended December 31, 2019 include costs incurred for systems that were installed during the period, and installation costs incurred in advance of installations that are expected to occur in subsequent periods. We estimate the useful life of these systems to be for the duration of each vessel's remaining useful life and are depreciating the equipment and related installation costs on this basis.

*Exhaust Gas Cleaning Systems or Scrubbers*

We commenced a program to retrofit the substantial majority of our vessels with exhaust gas cleaning systems, or scrubbers. The scrubbers will enable our ships to use high sulfur fuel oil, which is less expensive than low sulfur fuel oil, in certain parts of the world. From August 2018 through November 2018, we entered into agreements with two separate suppliers to retrofit a total of 77 of our tankers with such systems for total consideration of $116.1 million (which excludes installation costs). These systems have been and are expected to be installed throughout 2019 and 2020. We also obtained options to retrofit additional tankers under these agreements.

In June and September 2019, we exercised the option to retrofit an additional 14 and seven of our vessels, respectively, with scrubbers for total consideration of $30.3 million. During 2019, we retro-fitted a total of 32 of our vessels with scrubbers and 28 vessels with BWTS.

Costs capitalized for these systems include the cost of the base equipment that the Company has contracted to purchase in addition to directly attributable installation costs. Costs capitalized during the year ended December 31, 2019 include costs incurred for systems that were installed during this period, and installation costs incurred in advance of installations that are expected to occur in subsequent periods. We estimate the useful life of these systems to be for the duration of each vessel's remaining useful life, with the exception of approximately 10% of the equipment cost, which is estimated to require replacement at each vessel's next scheduled drydock. This amount has been allocated as a notional component upon installation. The carrying value of the equipment, related installation costs, and notional component will be depreciated on this basis.

The following table is a timeline of future expected payments and dates for our commitments to purchase scrubbers and BWTS as of December 31, 2019 (1):

| | As of December 31, | |
|---|---|---|
| *Amounts in thousands of US dollars* | **2019** | |
| Less than 1 month | $ | 5,637 |
| 1-3 months | | 25,555 |
| 3 months to 1 year | | 34,921 |
| 1-5 years | | 2,495 |
| 5+ years | | 0 |
| Total | $ | 68,608 |

(1) These amounts are subject to change as installation times are finalized. The amounts presented exclude installation costs.

*Collateral agreements*

Vessels with an aggregate carrying value of $4.0 billion at December 31, 2019, have been pledged as collateral under the terms of our secured debt or have been sold under the terms of our lease financing arrangements. The below table is a summary of these vessels, which does not include right of use assets that are accounted for under IFRS 16 (and are further described in Note 7) along with the respective borrowing or lease financing facility (which are described in Note 13) as of December 31, 2019:

| Credit Facility | Vessel Name |
|---|---|
| $116.0 Million Lease Financing | STI Oxford |
| $116.0 Million Lease Financing | STI Selatar |
| $116.0 Million Lease Financing | STI Gramercy |
| $116.0 Million Lease Financing | STI Queens |
| $157.5 Million Lease Financing | STI Alexis |
| $157.5 Million Lease Financing | STI Benicia |
| $157.5 Million Lease Financing | STI Duchessa |
| $157.5 Million Lease Financing | STI Mayfair |
| $157.5 Million Lease Financing | STI San Antonio |
| $157.5 Million Lease Financing | STI St. Charles |
| $157.5 Million Lease Financing | STI Yorkville |
| 2017 Credit Facility | STI Galata |
| 2017 Credit Facility | STI Bosphorus |
| 2017 Credit Facility | STI Leblon |
| 2017 Credit Facility | STI La Boca |
| 2017 Credit Facility | STI San Telmo |
| 2017 Credit Facility | STI Donald C Trauscht |
| 2017 Credit Facility | STI Esles II |
| 2017 Credit Facility | STI Jardins |
| 2018 CMB Lease Financing | STI Milwaukee |
| 2018 CMB Lease Financing | STI Battery |

| | |
|---|---|
| 2018 CMB Lease Financing | STI Tribeca |
| 2018 CMB Lease Financing | STI Bronx |
| 2018 CMB Lease Financing | STI Manhattan |
| 2018 CMB Lease Financing | STI Seneca |
| 2018 NIBC Credit Facility | STI Memphis |
| 2018 NIBC Credit Facility | STI Soho |
| ABN AMRO / K-Sure Credit Facility | STI Precision |
| ABN AMRO / K-Sure Credit Facility | STI Prestige |
| ABN AMRO / SEB Credit Facility | STI Hammersmith |
| ABN AMRO / SEB Credit Facility | STI Westminster |
| ABN AMRO / SEB Credit Facility | STI Winnie |
| ABN AMRO / SEB Credit Facility | STI Lauren |
| ABN AMRO / SEB Credit Facility | STI Connaught |
| ABN AMRO Credit Facility | STI Spiga |
| ABN AMRO Credit Facility | STI Savile Row |
| ABN AMRO Credit Facility | STI Kingsway |
| ABN AMRO Credit Facility | STI Carnaby |
| AVIC Lease Financing | STI Fontvieille |
| AVIC Lease Financing | STI Ville |
| AVIC Lease Financing | STI Brooklyn |
| AVIC Lease Financing | STI Rose |
| AVIC Lease Financing | STI Rambla |
| BCFL Lease Financing (LR2s) | STI Solace |
| BCFL Lease Financing (LR2s) | STI Solidarity |
| BCFL Lease Financing (LR2s) | STI Stability |
| BCFL Lease Financing (MRs) | STI Amber |
| BCFL Lease Financing (MRs) | STI Topaz |
| BCFL Lease Financing (MRs) | STI Ruby |
| BCFL Lease Financing (MRs) | STI Garnet |
| BCFL Lease Financing (MRs) | STI Onyx |
| China Huarong Lease Financing | STI Opera |
| China Huarong Lease Financing | STI Venere |
| China Huarong Lease Financing | STI Virtus |
| China Huarong Lease Financing | STI Aqua |
| China Huarong Lease Financing | STI Dama |
| China Huarong Lease Financing | STI Regina |
| Citibank / K-Sure Credit Facility | STI Excellence |
| Citibank / K-Sure Credit Facility | STI Executive |
| Citibank / K-Sure Credit Facility | STI Experience |
| Citibank / K-Sure Credit Facility | STI Express |
| CMB Lease Financing | STI Pride |
| CMB Lease Financing | STI Providence |
| COSCO Shipping Lease Financing | STI Battersea |
| COSCO Shipping Lease Financing | STI Wembley |
| COSCO Shipping Lease Financing | STI Texas City |
| COSCO Shipping Lease Financing | STI Meraux |
| Credit Agricole Credit Facility | STI Exceed |
| Credit Agricole Credit Facility | STI Excel |
| Credit Agricole Credit Facility | STI Excelsior |
| Credit Agricole Credit Facility | STI Expedite |

| | |
|---|---|
| CSSC Lease Financing | STI Nautilus |
| CSSC Lease Financing | STI Gallantry |
| CSSC Lease Financing | STI Goal |
| CSSC Lease Financing | STI Guard |
| CSSC Lease Financing | STI Guide |
| CSSC Lease Financing | STI Gauntlet |
| CSSC Lease Financing | STI Gladiator |
| CSSC Lease Financing | STI Gratitude |
| Hamburg Credit Facility | STI Poplar |
| Hamburg Credit Facility | STI Veneto |
| ING Credit Facility | STI Black Hawk |
| ING Credit Facility | STI Rotherhithe |
| ING Credit Facility | STI Pontiac |
| ING Credit Facility | STI Osceola |
| ING Credit Facility | STI Notting Hill |
| ING Credit Facility | STI Jermyn |
| ING Credit Facility | STI Lombard |
| ING Credit Facility | STI Grace |
| KEXIM Credit Facility | STI Brixton |
| KEXIM Credit Facility | STI Broadway |
| KEXIM Credit Facility | STI Comandante |
| KEXIM Credit Facility | STI Condotti |
| KEXIM Credit Facility | STI Elysees |
| KEXIM Credit Facility | STI Finchley |
| KEXIM Credit Facility | STI Fulham |
| KEXIM Credit Facility | STI Hackney |
| KEXIM Credit Facility | STI Madison |
| KEXIM Credit Facility | STI Orchard |
| KEXIM Credit Facility | STI Park |
| KEXIM Credit Facility | STI Pimlico |
| KEXIM Credit Facility | STI Sloane |
| Ocean Yield Lease Financing | STI Sanctity |
| Ocean Yield Lease Financing | STI Steadfast |
| Ocean Yield Lease Financing | STI Supreme |
| Ocean Yield Lease Financing | STI Symphony |
| Prudential Credit Facility | STI Acton |
| Prudential Credit Facility | STI Camden |
| Prudential Credit Facility | STI Clapham |

## 7. Right of use assets and related lease liabilities

***Time and Bareboat Chartered-In Vessels***

The following table depicts our time or bareboat chartered-in vessel commitments during the year ended December 31, 2019:

| | Name | Year built | Vessel class | Charter type | Delivery [1] | Charter Expiration | Rate ($/ day) | |
|---|---|---|---|---|---|---|---|---|
| | *Active as of December 31, 2019* | | | | | | | |
| 1 | Silent | 2007 | Handymax | Bareboat | March-19 | March-20 | 6,300 | (2) |
| 2 | Single | 2007 | Handymax | Bareboat | March-19 | March-20 | 6,300 | (2) |
| 3 | Star I | 2007 | Handymax | Bareboat | March-19 | March-20 | 6,300 | (2) |
| 4 | Steel | 2008 | Handymax | Bareboat | March-19 | March-21 | 6,300 | (3) |
| 5 | Sky | 2008 | Handymax | Bareboat | March-19 | March-21 | 6,300 | (3) |
| 6 | Stone I | 2008 | Handymax | Bareboat | March-19 | March-21 | 6,300 | (3) |
| 7 | Style | 2008 | Handymax | Bareboat | March-19 | March-21 | 6,300 | (3) |
| 8 | STI Beryl | 2013 | MR | Bareboat | April-17 | April-25 | 8,800 | (4) |
| 9 | STI Le Rocher | 2013 | MR | Bareboat | April-17 | April-25 | 8,800 | (4) |
| 10 | STI Larvotto | 2013 | MR | Bareboat | April-17 | April-25 | 8,800 | (4) |
| | *Time or bareboat charters that expired in 2019* | | | | | | | |
| 1 | Miss Benedetta | 2012 | MR | Time Charter | March-18 | January-19 | 14,000 | |

(1) Represents delivery date or estimated delivery date.

(2) In March 2019, we entered into a new bareboat charter-in agreement on a previously bareboat chartered-in vessel. The term of the agreement is for one year at a bareboat rate of $6,300 per day.

(3) In March 2019, we entered into a new bareboat charter-in agreement on a previously bareboat chartered-in vessel. The term of the agreement is for two years at a bareboat rate of $6,300 per day.

(4) In April 2017, we sold and leased back this vessel, on a bareboat basis, for a period of up to eight years for $8,800 per day. The sales price was $29.0 million, and we have the option to purchase this vessel beginning at the end of the fifth year of the agreement through the end of the eighth year of the agreement, at market-based prices. Additionally, a deposit of $4.35 million was retained by the buyer and will either be applied to the purchase price of the vessel if a purchase option is exercised, or refunded to us at the expiration of the agreement.

On January 1, 2019, we adopted *IFRS 16 - Leases*, which amended the existing accounting standards to require lessees to recognize the rights and obligations created by the commitment to lease assets on the balance sheet, on the basis of the present value of the lease payments that are not paid at the transition date (or commencement date going forward), discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an incremental borrowing rate, unless the term of the lease is 12 months or less. Upon transition, a lessee shall apply IFRS 16 to its leases either retrospectively to each prior reporting period presented (the ‘full retrospective approach’) or retrospectively with the cumulative effect of initially applying IFRS 16 recognized at the date of initial application (the ‘modified retrospective approach’).

We applied the modified retrospective approach upon transition. Accordingly, the standard did not impact the accounting for the existing time chartered-in vessels which expired in the first quarter of 2019. It did result in the recognition of right-of-use assets and corresponding liabilities, relating to the three bareboat chartered-in vessel commitments (*STI Beryl*, *STI Le Rocher* and *STI Larvotto*) which are scheduled to expire in April 2025. A weighted average incremental borrowing rate of approximately 6.0% was applied at the date of initial application. The impact of the application of this standard on the opening balance sheet as of January 1, 2019 was the recognition of a $48.5 million right of use asset, a $50.7 million lease liability ("IFRS 16 - Leases - 3 MRs") and a $2.2 million reduction in retained earnings - a basic loss per share of $(0.06) and a diluted loss per share of $(0.06). Concurrently, drydock costs for these vessels of $2.6 million recorded as Other non-current assets at December 31, 2018 were reclassified to right of use assets.

The IFRS 16 - Leases - 3 MRs obligations are secured by, among other things, assignments of earnings and insurances and stock pledges and account charges in respect of the subject vessels and contain customary events of default, including cross-default provisions as well as subjective acceleration clauses under which the lessor could cancel the lease in the event of a material adverse change in the Company’s business.

The following table bridges operating lease commitments at December 31, 2018 to IFRS 16 lease liabilities at January 1, 2019

| *In thousands of U.S. dollars* | | |
|---|---|---|
| Operating leases commitments disclosed at December 31, 2018 | $ | 65,439 |
| Discounting effect relating to the lease liability recorded upon transition to IFRS 16 | | (10,120) |
| Less: leases with terms of less than 12 months at the date of transition to IFRS 16, which were recognized as charterhire expense during the twelve months ended December 31, 2019 | | (4,605) |
| IFRS 16 - lease liabilities recognized at January 1, 2019 (1) | **$** | **50,714** |

(1) At December 31, 2018, $0.3 million of principal payments related to the three bareboat chartered-in vessel commitments were included in Accrued Expenses. Therefore, the combined lease liability relating to these leases was $51.0 million as of January 1, 2019.

In March 2019, we entered into new bareboat charter-in agreements on seven previously bareboat chartered-in vessels. Three of these vessels (*Silent*, *Single* and *Star I*) are bareboat chartered-in for one year and the remaining four vessels (*Steel*, *Sky*, *Stone I* and *Style*) are bareboat chartered-in for two years. The daily bareboat rate under all seven agreements is $6,300 per day. At the commencement date of the leases, we determined our one and two year incremental borrowing rates to be 5.81% and 5.73%, respectively. The Company recognized a $24.2 million right of use asset and a corresponding $24.2 million lease liability ("IFRS 16 - Leases - 7 Handymax") at the commencement date of these leases.

The IFRS 16 - Leases - 7 Handymax obligations are secured by, among other things, assignments of earnings and insurances and stock pledges and account charges in respect of the subject vessels and contain customary events of default, including cross-default provisions.

*Trafigura Transaction*

On September 26, 2019, the Company acquired subsidiaries of Trafigura, which have leasehold interests in 19 product tankers under bareboat charter agreements (“Agreements”) with subsidiaries of an international financial institution for aggregate consideration of $803 million. Of the 19 vessels, 15 (consisting of 11 MRs and four LR2s) were delivered on September 26, 2019 and four MRs were under construction (three of which were delivered in the first quarter of 2020). The consideration exchanged consisted of:

- For the delivered vessels on September 26, 2019, the assumption of the obligations under the Agreements of $531.5 million and the issuance of 3,981,619 shares of common stock at $29.00 per share to a nominee of Trafigura with an aggregate market value of $115.5 million.
- For the four vessels under construction on September 26, 2019, the assumption of the commitments on the Agreements of $138.9 million and the issuance 591,254 shares of common stock at $29.00 per share to a nominee of Trafigura with an aggregate market value of $17.1 million. Three vessels under construction were delivered in the first quarter of 2020, and the remaining vessel is expected to be delivered in September 2020.

On the date of the Trafigura Transaction, certain terms of the Agreements were modified (“Modified Agreements” and, collectively, "$670.0 Million Lease Financing"). Under *IFRS 16- Leases* the Modified Agreements did not meet the criteria to qualify as separate leases and were measured accordingly as lease modifications. The Modified Agreements each have a term of eight years from the latter of the date of the Trafigura Transaction or the delivery date of the respective vessel, and the Company has purchase options beginning after the first year of each agreement, limited to eight vessels until after the third anniversary date. The Modified Agreements bear interest at LIBOR plus a margin of 3.50% per annum and will be repaid in equal monthly installments of approximately $0.2 million per month per vessel. Additionally, an aggregate prepayment of $18 million ($0.8 million for each MR and $1.5 million for each LR2) will be made in equal monthly installments over the first 12 months of each Modified Agreement.

The following vessels are leased under the Modified Agreements: *STI Magic*, *STI Majestic*, *STI Mystery*, *STI Marvel*, *STI Magnetic*, *STI Millennia*, *STI Master, STI Mythic*, *STI Marshall, STI Modest*, *STI Maverick*, *STI Lobelia*, *STI Lotus*, *STI Lily* and *STI Lavender.* The Modified Agreements are secured by, among other things, assignments of earnings and insurances and stock pledges and account charges in respect of the subject vessels and contain customary events of default, including cross-default provisions as well as subjective acceleration clauses under which the lessor could cancel the lease in the event of a material adverse change in the Company’s business. The leased vessels are required to maintain a fair value, as determined by an annual appraisal from an approved third-party broker, of 111% of the outstanding principal balance as of the last banking day of the year. We were in compliance with this covenant as of December 31, 2019.

The Trafigura Transaction was accounted for as an asset acquisition in accordance with the early adoption of amendments to the definition of a business in *IFRS 3 - Business Combinations* effective for annual reporting periods beginning on or after January 1, 2020, and the obligations assumed under the leasehold interests were accounted for under *IFRS 16, Leases.* Accordingly, the Company recorded lease liabilities and corresponding right of use assets for the delivered vessels upon the closing date of the Trafigura Transaction. The right of use assets were measured based on (i) the present value of the minimum lease payments under each lease (which assumes the exercise of the purchase options at expiration) of $531.5 million, (ii) the value of the equity issued for each lease (as an initial direct cost) of $115.5 million, and (iii) other initial direct costs of $2.5 million.

The lease liabilities and corresponding right of use assets for the four undelivered vessels will be recorded upon the commencement date of each lease. The value of the Company's common shares issued for the leasehold interests on the four undelivered vessels and associated initial direct costs of $17.7 million were recorded within 'Other long-term assets' on the balance sheet at the closing date of the Trafigura Transaction and will be reclassified to 'Right of use assets' upon the commencement date of each lease. The estimated lease commitment at December 31, 2019 is $138.9 million relating to the undelivered vessels.

The following is the activity of the Right of use assets starting with the recognition of the assets on January 1, 2019 through December 31, 2019:

| *In thousands of U.S. Dollars* | Vessels | Drydock [(1)] | Total |
|---|---|---|---|
| Cost | | | |
| As of January 1, 2019 | $ 48,466 | $ 2,635 | $ 51,101 |
| Additions | 657,391 | 16,327 | 673,718 |
| As of December 31, 2019 | 705,857 | 18,962 | 724,819 |
| | | | |
| Accumulated depreciation and impairment | | | |
| As of January 1, 2019 | 0 | 0 | 0 |
| Charge for the period | -25,374 ) | -1,542 ) | -26,916 ) |
| As of December 31, 2019 | -25,374 ) | -1,542 ) | -26,916 ) |
| | | | |
| Net book value | | | |
| **As of December 31, 2019** | **$ 680,483** | **$ 17,420** | **$ 697,903** |

(1) Drydock costs for Right of use vessels are depreciated over the shorter of the lease term or the period until the next scheduled drydock. On this basis, the drydock costs for these vessels is being depreciated separately. The costs related to the vessels at transition of $2.6 million were recorded as Other non-current assets as of December 31, 2018 and were reclassified to Right of use assets upon the adoption of *IFRS 16 - Leases*, on January 1, 2019. $16.3 million of notional drydock costs were allocated from the acquisition price of the vessels in the Trafigura Transaction.

The following table summarizes the payments made for the year ended December 31, 2019 relating to lease liabilities accounted for under IFRS 16 - *Leases*:

| *In thousands of U.S. dollars* | |
|---|---|
| Interest expense recognized in consolidated statements of income or loss | $ 11,354 |
| Principal repayments recognized in consolidated cash flow statements | 36,761 |
| Net decrease in accrued interest expense | 17 |
| Net increase in prepaid interest expense | 1,066 |
| Total payments on lease liabilities under IFRS 16 | $ 49,198 |

The undiscounted remaining future minimum lease payments under bareboat charter-in arrangements that are accounted as lease liabilities under IFRS 16 - *Leases* as of December 31, 2019 are $730.5 million. The obligations under these agreements will be repaid as follows:

| In thousands of U.S. dollars | As of December 31, 2019 |
|---|---|
| Less than 1 year | $ 92,956 |
| 1 - 5 years | 268,155 |
| 5+ years | 369,374 |
| Total | 730,485 |
| Discounting effect (1) | (160,511) ) |
| Lease liability | $ 569,974 |

(1) Represents estimated interest payments using applicable implicit or imputed interest rates in each lease agreement. For leases with implicit rates which include a variable component tied to a benchmark, such as LIBOR, the payments were estimated by taking into consideration: (i) the margin on each lease and (ii) the forward interest rate curve calculated from interest swap rates, as published by a third party, as of December 31, 2019.

During the years ended December 31, 2019, 2018 and 2017, our charterhire expense for operating leases was $4.4 million, $59.6 million and $75.8 million, respectively. These lease payments include payments for the non-lease elements in our time chartered-in arrangement that expired in January 2019.

Vessels recorded as Right of use assets derive income from subleases through time charter-out and pool arrangements. For the year ended December 31, 2019, sublease income of $78.8 million is included in Vessel revenue.

***Time Chartered-Out Vessels***

In accordance with IFRS 16 - *Leases*, we are required to identify the lease and non-lease components of revenue and account for each component in accordance with the applicable accounting standard. In time charter-out or pool arrangements, we have determined that the lease component is the vessel and the non-lease component is the technical management services provided to operate the vessel. Each component is quantified on the basis of the relative stand-alone price of each lease component and on the aggregate stand-alone price of the non-lease components.

These components will be accounted for as follows:

- All fixed lease revenue earned under these time charter-out arrangements is recognized on a straight-line basis over the term of the lease.
- Lease revenue earned under our pool arrangements is recognized as it is earned, since it is 100% variable.
- The non-lease component is accounted for as services revenue under IFRS 15. This revenue is recognized “over time” as the customer (i.e. the pool or the charterer) is simultaneously receiving and consuming the benefits of the service.

The following table summarizes the lease and non-lease components of revenue from time charter-out and pool revenue during the twelve months ended December 31, 2019 and 2018. These figures are not readily quantifiable as the Company's contracts (with the Scorpio pools or under time charter-out arrangements) do not separate these components. The Company does not view its pool and time charter-out revenue as two separate streams of revenue. Nevertheless, we have estimated these amounts by reference to (i) third party, published time charter rates for the lease component, and (ii) an approximation of the fair market value of vessel operating expenses for the non-lease component.

| | For the year ended December 31, | |
|---|---|---|
| *In thousands of U.S. dollars* | 2019 | 2018 |
| Lease component of revenue from time charter-out and pool revenue | $ 428,781 | $ 296.151 |
| Non-lease component of revenue from time charter-out and pool revenue | 265,656 | 281.648 |
| | **$ 694,437** | **$ 577.799** |

The following table summarizes the terms of our time chartered-out vessels that were in place during the years ended December 31, 2019 and 2018.

| | Name | Year built | Type | Delivery Date to the Charterer | Charter Expiration | Rate ($/ day) | |
|---|---|---|---|---|---|---|---|
| 1 | STI Pimlico | | | | | | |
| 2 | STI Poplar | 2014 | Handymax | January-16 | February-19 | $ | 18,000 |
| 3 | STI Notting Hill | 2015 | MR | November-15 | October-18 | $ | 20,500 |
| 4 | STI Westminster | 2015 | MR | December-15 | October-18 | $ | 20,500 |
| 5 | STI Rose | 2015 | LR2 | February-16 | February-19 | $ | 28,000 |

Payments received include payments for the non-lease elements in these time chartered-out arrangements.

The future minimum payments due to us under these non-cancellable leases are set forth below. These minimum payments are shown net of address commissions, which are deducted upon payment.

| | As of December 31, | | | |
|---|---|---|---|---|
| *In thousands of U.S. dollars* | 2019 | | 2018 | |
| Less than 1 year | $ | — | $ | 2,581 |
| 1 - 5 years | | — | | — |
| 5+ years | | — | | — |
| Total | $ | — | $ | 2,581 |

## 8. Carrying values of vessels, vessels under construction and goodwill

At each balance sheet date, we review the carrying amounts of our goodwill, vessels and related drydock costs and right of use assets for vessels to determine if there is any indication that these amounts have suffered an impairment loss. If such indication exists, the recoverable amount of the vessels and related drydock costs is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. As part of this evaluation, we consider certain indicators of potential impairment, such as market conditions including forecast time charter rates and values for second hand product tankers, discounted projected vessel operating cash flows and the Company's overall business plans.

Goodwill arising from the September Closing has been allocated to the cash generating units within each of the respective operating segments that are expected to benefit from the synergies of the Merger (LR2s and LR1s). The carrying values of goodwill allocated to these segments were $8.9 million for the LR2 segment and $2.6 million for the LR1 segment. Goodwill is not amortized and is tested annually (or more frequently, if impairment indicators arise) by comparing the aggregate carrying amount of the cash generating units in each respective operating segment, plus the allocated goodwill, to their recoverable amounts. Recoverable amount is the higher of the fair value less cost to sell (determined by taking into consideration two independent broker valuations for each vessel within each segment) and value in use. In assessing value in use, the estimated future cash flows of the operating segment are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the operating segment for which the estimates of future cash flows have not been adjusted. This test was performed in connection with the assessment of the carrying amount of our vessels and related drydock costs below, and the test did not result in an impairment charge to goodwill at December 31, 2019.

At December 31, 2019, we reviewed the carrying amount of our vessels and right of use assets for vessels to determine whether there was an indication that these assets had suffered an impairment. First, we assess the fair value less the cost to sell our vessels taking into consideration vessel valuations from leading, independent and internationally recognized ship brokers. We then compare the fair value less selling costs to each vessel's carrying value and, if the carrying value exceeds the vessel's fair value less selling costs, an indicator of impairment exists. We also consider sustained weakness in the product tanker market as an impairment indicator. If we determined that impairment indicators exist, then we prepared a value in use calculation where we estimated each vessel's future cash flows. These estimates were primarily based on (i) our best estimate of forecasted vessel revenue through a combination of the latest forecast, published time charter rates for the next three years and a 2.39% growth rate (which is based on published historical and forecast inflation rates) in freight rates in each period through the vessel's 15th year of useful life and by the growth in expenses thereafter, (ii) our best estimate of vessel operating expenses and drydock costs, which are based on our most recent forecasts for the next three years and a 2.39% growth rate in each period thereafter, and (iii) the evaluation of other inputs such as the vessel's remaining useful life, residual value and utilization rate. These cash flows were then discounted to their present value using a pre-tax discount rate of 7.41%. The results of these tests were as follows:

At December 31, 2019, our operating fleet consisted of 134 owned, finance leased or right of use vessels ("ROU vessels"). Ten ROU vessels were not required by the lessors to have valuations from independent brokers:

- 68 of our owned, finance leased or ROU vessels in our fleet had fair values less selling costs greater than their carrying amount. As such, there were no indicators of impairment for these vessels.
- 56 of our owned, finance leased or ROU vessels in our fleet had fair values less selling costs lower than their carrying amount and 10 of our ROU vessels did not have valuations from independent brokers. We prepared a value in use calculation for each of these vessels which resulted in no impairment being recognized.

At December 31, 2018, we owned or finance leased 109 vessels in our fleet:

- 34 of our owned or finance leased vessels in our fleet had fair values less selling costs greater than their carrying amount. As such, there were no indicators of impairment for these vessels.
- 75 of our owned or finance leased vessels in our fleet had fair values less selling costs lower than their carrying amount. We prepared a value in use calculation for each of these vessels which resulted in no impairment being recognized.

The impairment test that we conduct is most sensitive to variances in the discount rate and future time charter rates.

- Based on the sensitivity analysis performed for December 31, 2019, a 1.0% increase in the discount rate would result in thirty Handymax, MR and LR2 vessels being impaired for an aggregate $44.1 million loss. Alternatively, a 5% decrease in forecasted time charter rates would result in thirty-four Handymax, MR and LR2 vessels being impaired for an aggregate $76.1 million loss.
- Based on the sensitivity analysis performed for December 31, 2018, a 1.0% increase in the discount rate would result in one LR2 vessel being impaired for an aggregate $0.3 million loss. Alternatively, a 5% decrease in forecasted time charter rates would also result in two LR2 vessels being impaired for an aggregate $0.4 million loss.

*Capitalized interest*

In accordance with IAS 23 “Borrowing Costs,” applicable interest costs are capitalized during the period that ballast water treatment systems and scrubbers for our vessels are constructed and installed. For the years ended December 31, 2019 and 2018, we capitalized interest expense for the respective vessels of $2.8 million and $0.2 million, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 6.3% and 5.7% for each of the years ended December 31, 2019 and 2018, respectively. We cease capitalizing interest when the vessels reach the location and condition necessary to operate in the manner intended by management.

A roll-forward of activity within vessels under construction is as follows:

| *In thousands of U.S. dollars* | | |
|---|---|---|
| **Balance as of January 1, 2018** | **$** | **55,376** |
| Installment payments and other capitalized expenses | | 25,452 |
| Capitalized interest | | 157 |
| Transferred to operating vessels and drydock | | (80,985) ) |
| **Balance as of December 31, 2018** | **$** | **—** |

There were no vessels under construction during the year ended December 31, 2019.

## 9. Other non-current assets

The following table sets forth the components of our Other non-current assets as of December 31, 2019 and 2018:

| | At December 31, | |
|---|---|---|
| *In thousands of U.S. dollars* | 2019 | 2018 |
| Scorpio LR2 Pool Ltd. pool working capital contributions [1] | $ 35,700 | $ 31,450 |
| Scorpio Handymax Tanker Pool Ltd. pool working capital contributions [2] | 6,794 | 4,923 |
| Scorpio LR1 Pool Ltd. pool working capital contributions[1] | 6,600 | 6,600 |
| Working capital contributions to Scorpio Pools | 49,094 | 42,973 |
| | | |
| Deposits for exhaust gas cleaning system ('scrubbers') [3] | 35,846 | 12,221 |
| Equity consideration issued for the leasehold interests acquired from Trafigura for certain vessels under construction [4] | 18,086 | 0 |
| Deposits for BWTS [5] | 12,699 | 6,365 |
| Seller's credit on sale leaseback vessels [6] | 9,624 | 9,087 |
| Capitalized loan fees [7] | 4,039 | 0 |
| Investment in BWTS supplier [5] | 1,751 | 1,751 |
| Deferred drydock costs on bareboat chartered-in vessels [8] | 0 | 2,813 |
| | **$ 131,139** | **$ 75,210** |

(1) Upon entrance into the Scorpio LR2 and LR1 Pools, all vessels are required to make initial working capital contributions of both cash and bunkers. Initial working capital contributions are repaid, without interest, upon a vessel's exit from the pool. Bunkers on board a vessel exiting the pool are credited against such repayment at the actual invoice price of the bunkers. For all owned vessels, we assume that these contributions will not be repaid within 12 months and are thus classified as non-current within Other Assets on the consolidated balance sheets. For time chartered-in vessels we classify the amounts as current (within accounts receivable) or non-current (within Other Assets) according to the expiration of the contract.

(2) Upon entrance into the Scorpio Handymax Tanker Pool, all vessels are required to make initial working capital contributions of both cash and bunkers. Initial working capital contributions are repaid, without interest, upon a vessel's exit from each pool no later than six months after the exit date. Bunkers on board a vessel exiting the pool are credited against such repayment at the actual invoice price of the bunkers. For all owned vessels, we assume that these contributions will not be repaid within 12 months and are thus classified as non-current within Other Assets on the consolidated balance sheets. For time chartered-in vessels we classify the amounts as current (within Accounts Receivable) or non-current (within Other Assets) according to the expiration of the contract.

(3) From August 2018 through September 2019, we entered into agreements with two separate suppliers to retrofit a total of 98 of our tankers with scrubbers for total consideration of $146.6 million (which excludes installation costs). These scrubbers are expected to be installed throughout 2019 and 2020. Deposits paid for these systems are reflected as investing cash flows within the consolidated statement of cash flows.

(4) On September 26, 2019, we acquired subsidiaries of Trafigura as part of the Trafigura Transaction, which have leasehold interests in 19 product tankers under bareboat charter agreements with subsidiaries of an international financial institution. Of the 19 vessels, 15 were delivered on September 26, 2019 and four were under construction. For the four vessels under construction, we issued 591,254 shares of common stock at $29.00 per share to Trafigura with an aggregate market value of $17.1 million and will assume commitments on the bareboat charter agreements of approximately $138.9 million upon each vessel's delivery from the shipyard, which is expected to occur during 2020. The value of the equity issued of $17.1 million plus certain initial direct costs of approximately $0.6 million (which is a pro-rated portion of the legal and professional fees incurred as part of the Trafigura Transaction) and $0.4 million of lease liability fees relating to these four vessels under construction have been recorded within "Other Non-current assets" as of December 31, 2019. The Trafigura Transaction is described in Note 7.

(5) In July 2018, we executed an agreement to purchase 55 BWTS from an unaffiliated third-party supplier for total consideration of $36.2 million. These systems are expected to be installed over the next five years, as each respective vessel under the agreement is due for its International Oil Pollution Prevention, or IOPP, renewal survey. Upon entry into this agreement, we also obtained a minority equity interest in this supplier for no additional consideration. We have determined that of the total consideration of $36.2 million, $1.8 million is attributable to the minority equity interest.

Since July 2018, an aggregate deposit of $32.1 million was made, of which $17.6 million was reclassified to "Vessels," resultant in $14.5 million recorded in "Other Non-Current assets" and we have recorded $1.8 million of this amount as the aforementioned minority equity interest, which is being accounted for as a financial asset under IFRS 9. Deposits paid for these systems are reflected as investing cash flows within the consolidated statement of cash flows. Under the terms of the agreement, we were granted a put option, exercisable after one year following the date of the agreement, whereby we can put the shares back to the supplier at a predetermined price. The supplier was also granted a call option, exercisable two years following the date of the agreement, whereby it can buy the shares back from us at a predetermined price, which is greater than the strike price of the put option. Given that the value of this investment is contractually limited to the strike prices set forth in these options, we have recorded the value of the investment at the put option strike price, or $1.8 million in aggregate. The difference in the aggregate value of the investment, based on the spread between the exercise prices of the put and call options, is $0.6 million. We consider this value to be a Level 3 fair value measurement, as this supplier is a private company, and the value has been determined based on unobservable market data (i.e. the proceeds that we would receive if we exercised our put option in full).

(6) The seller's credit on vessels sold and leased back represents the present value of the deposits of $4.35 million per vessel ($13.1 million in aggregate) that was retained by the buyer as part of the 2017 sale and operating leaseback transactions for *STI Beryl*, *STI Le Rocher* and *STI Larvotto*, which is described in Note 7. This deposit will either be applied to the purchase price of the vessel if a purchase option is exercised or refunded to us at the expiration of the agreement. The present value of this deposit has been calculated based on the interest rate that is implied in the lease, and the carrying value will accrete over the life of the lease, through interest income, until expiration. We recorded $0.5 million as interest income as part of these agreements during each of the years ended December 31, 2019 and 2018, respectively.

(7) Represents upfront loan fees on credit facilities that are expected to be used to partially finance the purchase and installation of scrubbers or refinance the indebtedness on certain vessels. These fees are reclassified as deferred financing fees (net of Debt) when the tranche of the loan to which the vessel relates is drawn.

(8) Amount relates to drydock costs capitalized on bareboat chartered-in vessels that were previously accounted for as operating leases prior to the adoption of IFRS 16 - Leases. $2.6 million of this amount was reclassified to 'Right to use assets' upon the adoption of IFRS 16, as described in Note 7.

## 10. Restricted Cash

Restricted cash as of December 31, 2019 and 2018 primarily represents debt service reserve accounts that must be maintained as part of the terms and conditions of our 2017 Credit Facility, Citibank/K-Sure Credit Facility, ABN AMRO/K-Sure Credit Facility, and the lease financing arrangements with CMB Financial Leasing Co. Ltd and Bank of Communications Financial Leasing (LR2s). The funds in these accounts will be applied against the principal balance of these facilities upon maturity. These facilities are further described in Note 13. The activity within these accounts (which is adjusted from time to time based on prevailing interest rates) is recorded as financing activities on our consolidated statements of cash flows.

## 11. Accounts payable

The following table sets forth the components of our accounts payable as of December 31, 2019 and 2018:

| | At December 31, | |
|---|---|---|
| *In thousands of U.S. dollars* | 2019 | 2018 |
| Scorpio Ship Management S.A.M. (SSM) | $ 2,454 | $ 545 |
| Scorpio Services Holding Limited (SSH) | 353 | 409 |
| Scorpio LR1 Pool Limited | 325 | 51 |
| Scorpio Handymax Tanker Pool Limited | 116 | 12 |
| Amounts due to a port agent - related party | 58 | 62 |
| Scorpio MR Pool Limited | 19 | 0 |
| Scorpio Commercial Management S.A.M. (SCM) | 14 | 389 |
| Scorpio LR2 Pool Limited | 0 | 2 |
| Accounts payable to related parties | 3,339 | 1,470 |
| | | |
| Suppliers | 19,783 | 10,395 |
| | **$ 23,122** | **$ 11,865** |

The majority of accounts payable are settled with a cash payment within 90 days. No interest is charged on accounts payable. We consider that the carrying amount of accounts payable approximates fair value.

## 12. Accrued expenses

The following table depicts the components of our accrued expenses as of December 31, 2019 and 2018:

| *In thousands of U.S. dollars* | At December 31, 2019 | At December 31, 2018 |
|---|---|---|
| Scorpio MR Pool Limited | $ 1,361 | $ 0 |
| Scorpio LR1 Tanker Pool Limited | 874 | 0 |
| Scorpio LR2 Pool Limited | 794 | 0 |
| Accrued expenses to a related party port agent | 302 | 398 |
| Scorpio Handymax Tanker Pool Limited | 229 | 0 |
| Scorpio Ship Management S.A.M. (SSM) | 213 | 287 |
| Accrued expenses to related parties | 3,773 | 685 |
| Suppliers | 22,170 | 9,147 |
| Accrued short-term employee benefits | 9,728 | 2,430 |
| Accrued interest | 5,739 | 9,202 |
| Other accrued expenses | 42 | 1,508 |
| | **$ 41,452** | **$ 22,972** |

## 13. Current and long-term debt

The following is a breakdown of the current and non-current portion of our debt outstanding as of December 31, 2019 and December 31, 2018:

| *In thousands of U.S. dollars* | At December 31, 2019 | At December 31, 2018 |
|---|---|---|
| Current portion (1) | $ 235,482 | $ 297,934 |
| Finance lease (2) | 122,229 | 114,429 |
| Current portion of long-term debt | 357,711 | 412,363 |
| Non-current portion (3) | 999,268 | 1,192,000 |
| Finance lease (4) | 1,195,494 | 1,305,952 |
| | **$ 2,552,473** | **$ 2,910,315** |

(1) The current portion at December 31, 2019 was net of unamortized deferred financing fees of $1.2 million. The current portion at December 31, 2018 was net of unamortized deferred financing fees of $2.1 million.
(2) The current portion at December 31, 2019 was net of unamortized deferred financing fees of $0.8 million. The current portion at December 31, 2018 was net of unamortized deferred financing fees of $0.8 million.
(3) The non-current portion at December 31, 2019 was net of unamortized deferred financing fees of $7.6 million. The non-current portion at December 31, 2018 was net of unamortized deferred financing fees of $12.0 million.
(4) The non-current portion at December 31, 2019 was net of unamortized deferred financing fees of $7.1 million. The non-current portion at December 31, 2018 was net of unamortized deferred financing fees of $8.7 million.

The following is a rollforward of the activity within debt (current and non-current), by facility, for the year ended December 31, 2019:

| *In thousands of U.S. dollars* | Carrying Value as of December 31, 2018 | Activity | | | Carrying Value as of December 31, 2019 | Balance as of December 31, 2019 consists of: | |
|---|---|---|---|---|---|---|---|
| | | Drawdowns | Repayments | Other Activity[(1)] | | Current | Non-Current |
| KEXIM Credit Facility | 299,300 | — | (100,286) | — | 199,014 | 25,350 | 173,664 |
| ABN AMRO Credit Facility | 100,508 | — | (8,554) | — | 91,954 | 91,954 | — |
| ING Credit Facility | 144,176 | — | (12,737) | — | 131,439 | 12,612 | 118,827 |
| 2018 NIBC Credit Facility | 34,851 | — | (3,230) | — | 31,621 | 3,230 | 28,391 |
| 2017 Credit Facility | 144,765 | — | (13,266) | — | 131,499 | 13,265 | 118,234 |
| Credit Agricole Credit Facility | 96,211 | — | (8,568) | 823 | 88,466 | 7,790 | 80,676 |
| ABN AMRO / K-Sure Credit Facility | 46,832 | — | (3,851) | 745 | 43,726 | 3,139 | 40,587 |
| Citibank / K-Sure Credit Facility | 97,609 | — | (8,416) | 1,893 | 91,086 | 6,608 | 84,478 |
| ABN / SEB Credit Facility | 114,825 | — | (11,500) | — | 103,325 | 10,750 | 92,575 |
| Hamburg Commercial Bank Credit Facility | — | 42,150 | — | — | 42,150 | 3,181 | 38,969 |
| Prudential Credit Facility | — | 55,463 | — | — | 55,463 | 5,084 | 50,379 |
| Ocean Yield Lease Financing | 158,757 | — | (10,718) | 196 | 148,235 | 10,835 | 137,400 |
| CMBFL Lease Financing | 61,198 | — | (4,908) | 183 | 56,473 | 4,733 | 51,740 |
| BCFL Lease Financing (LR2s) | 97,454 | — | (7,641) | 571 | 90,384 | 7,740 | 82,644 |
| CSSC Lease Financing | 251,832 | — | (17,309) | (796) ) | 233,727 | 18,072 | 215,655 |
| CSSC Scrubber Lease Financing | — | 10,976 | — | — | 10,976 | 5,488 | 5,488 |
| BCFL Lease Financing (MRs) | 98,831 | — | (11,021) | — | 87,810 | 11,726 | 76,084 |
| 2018 CMBFL Lease Financing | 136,543 | — | (10,114) | — | 126,429 | 10,114 | 116,315 |
| $116.0 Million Lease Financing | 112,674 | — | (6,634) | — | 106,040 | 7,122 | 98,918 |
| AVIC Lease Financing | 139,103 | — | (11,794) | — | 127,309 | 11,794 | 115,515 |
| China Huarong Lease Financing | 137,250 | — | (13,500) | — | 123,750 | 13,500 | 110,250 |
| $157.5 Million Lease Financing | 152,086 | — | (14,143) | — | 137,943 | 14,143 | 123,800 |
| COSCO Lease Financing | 84,150 | — | (7,700) | — | 76,450 | 7,700 | 68,750 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| IFRS 16 - Leases - 7 Handymax | — | 24,194 | (11,416) | — | 12,778 | 10,531 | 2,247 |
| IFRS 16 - Leases - 3 MR | — | 51,008 | (6,816) | — | 44,192 | 7,256 | 36,936 |
| $670.0 Million Lease Financing | — | 531,533 | (18,529) | — | 513,004 | 46,159 | 466,845 |
| Unsecured Senior Notes Due 2020 | 53,750 | — | — | — | 53,750 | 53,750 | — |
| Unsecured Senior Notes Due 2019 | 57,500 | — | (57,500) | — | — | — | — |
| Convertible Notes due 2019 | 142,180 | — | (144,974) | 2,794 | — | — | — |
| Convertible Notes due 2022 | 171,469 | — | — | 8,581 | 180,050 | — | 180,050 |
| | $ 2,933,854 | $ 715,324 | $ (525,125) | $ 14,990 | $ 3,139,043 | $ 423,626 | $ 2,715,417 |
| Less: deferred financing fees | (23,539) | (1,587) | — | 8,530 | (16,596) | (1,969) | (14,627) |
| Total | $ 2,910,315 | $ 713,737 | $ (525,125) | $ 23,520 | $ 3,122,447 | $ 421,657 | $ 2,700,790 |

1. Relates to non-cash accretion or amortization of (i) obligations assumed as part of the Merger with NPTI, which were recorded at fair value on the closing date (described below), and (ii) accretion of our Convertible Notes due 2019 and Convertible Notes due 2022.

**Secured Debt**

Each of our secured credit facilities contains financial and restrictive covenants, which require us to, among other things, comply with certain financial tests (described below); deliver quarterly and annual financial statements and annual projections; comply with restrictive covenants, including maintaining adequate insurances; comply with laws (including environmental laws and ERISA); and maintain flag and class of our vessels. Other such covenants may, among other things, restrict consolidations, mergers or sales of our assets; require us to obtain lender approval on changes in our vessel manager; limit our ability to place liens on our assets; limit our ability to incur additional indebtedness; prohibit us from paying dividends if there is a covenant breach under the loan or an event of default has occurred or would occur as a result of payment of such dividend; prohibit our transactions with affiliates. Furthermore, our debt agreements contain customary events of default, including cross-default provisions, as well as subjective acceleration clauses under which the debt could become due and payable in the event of a material adverse change in the Company’s business.

These secured credit facilities may be secured by, among other things:

- a first priority mortgage over the relevant collateralized vessels;
- a first priority assignment of earnings, insurances and charters from the mortgaged vessels for the specific facility;
- a pledge of earnings generated by the mortgaged vessels for the specific facility; and
- a pledge of the equity interests of each vessel owning subsidiary under the specific facility.

Each of our secured credit facilities are described below.

*KEXIM Credit Facility*

In February 2014, we executed a senior secured term loan facility for $429.6 million, or the KEXIM Credit Facility, with a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) and from the Export-Import Bank of Korea, or KEXIM, a statutory juridical entity established under The Export-Import Bank of Korea Act of 1969, as amended, in the Republic of Korea. This KEXIM Credit Facility includes commitments from KEXIM of $300.6 million, or the KEXIM Tranche, and a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) of $129.0 million, or the Commercial Tranche.

Drawdowns under the KEXIM Credit Facility occurred in connection with the delivery of 18 newbuilding vessels as specified in the loan agreement.

In addition to KEXIM's commitment of up to $300.6 million, KEXIM also provided an optional guarantee for a five-year amortizing note of $125.25 million, the proceeds of which reduced the $300.6 million KEXIM Tranche. These notes were issued on July 18, 2014 and were repaid in full upon their maturity in September 2019.

The Commercial Tranche matures on the sixth anniversary of the delivery date of the last vessel specified under the loan (January 2021), and the KEXIM Tranche matures on the 12th anniversary of the weighted average delivery date of the vessels specified under the loan assuming the Commercial Tranche is refinanced through that date (September 2026).

Repayments are being made in ten equal consecutive semi-annual repayment installments in accordance with a 15-year repayment profile under the Commercial Tranche and a 12-year repayment profile under the KEXIM Tranche (which includes the KEXIM Notes). Repayments commenced in March 2015 for the KEXIM Tranche and in July 2015 for the Commercial Tranche.

Borrowings under the KEXIM Tranche bear interest at LIBOR plus an applicable margin of 3.25%. Borrowings under the Commercial Tranche bear interest at LIBOR plus an applicable margin of 3.25% from the effective date of the agreement to the fifth anniversary thereof and 3.75% thereafter until the maturity date in respect of the Commercial Tranche.

Our KEXIM Credit Facility contains certain financial covenants 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 of no less than $1.0 billion plus (i) 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of any new equity issues occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million or $500,000 per each owned vessel plus $250,000 per each time chartered-in vessel.
- The minimum threshold for the aggregate fair market value of the vessels as a percentage of the then aggregate principal amount in the facility shall at all times be no less than 155%.

During the year ended December 31, 2019, we made scheduled principal payments of $33.7 million on this credit facility. Additionally, the Company refinanced the debt on five of the vessels collateralized under this facility in December 2019, which resulted in an unscheduled principal repayment of $66.6 million and the write off of approximately $1.2 million of deferred financing fees. The outstanding amounts relating to this facility as of December 31, 2019 and 2018 were $199.0 million and $299.3 million, respectively. We were in compliance with the financial covenants relating to this facility as of those dates.

*ABN AMRO Credit Facility*

In July 2015, we executed a senior secured term loan facility with ABN AMRO Bank N.V. and DVB Bank SE for up to $142.2 million. This facility was fully drawn in 2015 to partially finance the purchases of *STI Savile Row, STI Kingsway* and *STI Carnaby* and to refinance the existing indebtedness on *STI Spiga*. We refer to this credit facility as our ABN AMRO Credit Facility.

Repayments under the ABN AMRO Credit Facility are being made in equal consecutive quarterly repayment installments in accordance with a 15-year repayment profile. Repayments commenced three months after the drawdown date of each vessel. Each tranche matures on the fifth anniversary of the initial drawdown date and a balloon installment payment is due on the maturity date of each tranche. Borrowings under the ABN AMRO Credit Facility bear interest at LIBOR plus an applicable margin of 2.15%.

Our ABN AMRO Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth of no less than $677.3 million plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after October 1, 2013 and (ii) 50% of the net proceeds of new equity issues occurring on or after October 1, 2013.
- Minimum liquidity of not less than the greater of $25.0 million or $500,000 per each owned vessel.
- The aggregate of the fair market value of the vessels provided as collateral under the facility shall at all times be no less than 145% of the then aggregate outstanding principal amount of the loans under the credit facility through June 30, 2019 and 150% thereafter.

During the year ended December 31, 2019, we made scheduled principal payments of $8.6 million on this credit facility. The outstanding amounts relating to this facility as of December 31, 2019 and 2018 were $92.0 million and $100.5 million, respectively. We were in compliance with the financial covenants relating to this facility as of those dates.

*ING Credit Facility*

In June 2015, we executed a senior secured term loan facility with ING Bank N.V., London Branch for a credit facility of up to $52.0 million. In September 2015, we amended and restated the facility to increase the borrowing capacity to $87.0 million, and in March 2016, we amended and restated the facility to further increase the borrowing capacity to $132.5 million. In June 2018, we executed another agreement to further increase the borrowing capacity to $171.2 million. The 2018 upsized portion of the loan facility was fully drawn in September 2018 and was used to refinance the existing outstanding indebtedness relating to one Handymax product tanker (*STI Rotherhithe*) and one MR product tanker (*STI Notting Hill*), which were previously financed under the Company's K-Sure Credit Facility.

Repayments on borrowings up to $132.5 million are being made in equal quarterly installments, in accordance with a 15-year repayment profile, and a balloon installment payment due on the maturity dates of March 4, 2021 for *STI Lombard* and *STI Osceola* and June 24, 2022 for *STI Grace*, *STI Jermyn*, *STI Black Hawk*, *STI Pontiac*, *STI Rotherhithe* and *STI Notting Hill*. The 2018 upsized portion of the loan for *STI Rotherhithe* and *STI Notting Hill* will be repaid in equal quarterly installments of $1.0 million per quarter, in aggregate, for the first eight installments and $0.8 million per quarter, in aggregate, thereafter, with a balloon payment due upon the maturity date of June 24, 2022.

Borrowings under the ING Credit Facility bear interest at LIBOR plus a margin of 1.95% per annum for the *STI Lombard*, *STI Osceola*, *STI Grace*, *STI Jermyn*, *STI Black Hawk* and *STI Pontiac* tranches. The *STI Rotherhithe* and *STI Notting Hill* tranches bear interest at LIBOR plus a margin of 2.4% per annum.

Our ING Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth of not less than $1.0 billion plus (i) 25% of the positive consolidated net income for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million or $500,000 per each owned vessel plus $250,000 per each time chartered-in vessel.
- The aggregate of the fair market value of the vessels provided as collateral under the facility shall at all times be no less than 160% of the then aggregate outstanding principal amount of the loans under the credit facility.

The outstanding amounts relating to this facility as of December 31, 2019 and 2018 were $131.4 million and $144.2 million, respectively. We were in compliance with the financial covenants relating to this facility as of those dates.

Additionally, in September 2019, we executed an agreement with ING to upsize the existing ING Credit Facility by $8.1 million in aggregate, the proceeds of which are expected to be used to partially finance the purchase and installation of scrubbers on seven of the vessels that are currently collateralized under this facility. The upsized portion of the credit facility will mature upon the dates of maturity set forth above, bears interest at LIBOR plus a margin of 2.40% per annum on one of the vessels and 1.95% per annum on the remaining six vessels and is expected to be repaid in aggregate equal quarterly installments of approximately $0.7 million (for all seven vessels), with a balloon payment due at maturity. The amounts available under the facility are expected to be drawn upon the installation of scrubbers on the collateralized vessels, which are scheduled for 2020.

*2018 NIBC Credit Facility*

In June 2018, we executed an agreement with NIBC Bank N.V. for a $35.7 million term loan facility. We refer to this facility as our 2018 NIBC Credit Facility. This facility was fully drawn in August 2018, and the proceeds were used to refinance the existing indebtedness related to two MR product tankers (*STI Memphis* and *STI Soho*).

The loan facility has a final maturity of June 2021, bears interest at LIBOR plus a margin of 2.5% per annum and will be repaid in equal quarterly installments of $0.8 million, in aggregate, with a balloon payment due upon maturity. Our 2018 NIBC Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth of no less than $1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issuances occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million or $500,000 per each owned vessel plus $250,000 per each time chartered-in vessel.
- The aggregate of the fair market value of the vessels provided as collateral under the facility shall be: 135% through the third quarter of 2020 and 140% at all times thereafter.

The outstanding amounts relating to this facility were $31.6 million and $34.9 million as of December 31, 2019 and 2018, respectively. We were in compliance with the financial covenants relating to this facility as of those dates.

Additionally, in August 2019, we executed an agreement with NIBC to upsize the existing NIBC Credit Facility by $3.1 million in aggregate, the proceeds of which are expected to be used to partially finance the purchase and installation of scrubbers on the two vessels that are currently collateralized under this facility. The upsized portion of the credit facility will mature on June 30, 2021, bears interest at LIBOR plus a margin of 2.50% per annum and is expected to be repaid in equal quarterly installments of approximately $0.1 million per vessel (and with any residual remaining repaid at maturity). The amounts available under the facility are expected to be drawn upon the installation of scrubbers on the collateralized vessels, which are scheduled for 2020.

*2017 Credit Facility*

In March 2017, we executed a senior secured term loan facility with a group of financial institutions led by Macquarie Bank Limited (London Branch) for up to $172.0 million, or the 2017 Credit Facility. The 2017 Credit Facility consists of five tranches, including two commercial tranches of $15.0 million and $25.0 million, a KEXIM Guaranteed Tranche of $48.0 million, a KEXIM Funded Tranche of $52.0 million, and a GIEK Guaranteed Tranche of $32.0 million. Other key terms are as follows:

- The first commercial tranche of $15.0 million has a final maturity of six years from the drawdown date of each vessel, bears interest at LIBOR plus a margin of 2.25% per annum, and has a 15-year repayment profile.
- The second commercial tranche of $25.0 million has a final maturity of nine years from the drawdown date of each vessel (assuming KEXIM or GIEK have not exercised their option to call for prepayment of the KEXIM and GIEK funded and guaranteed tranches by the date falling two months prior to the maturity of the first commercial tranche and in the event that the first commercial tranche has not been extended), bears interest at LIBOR plus a margin of 2.25% per annum, and has a 15-year repayment profile.
- The KEXIM Funded Tranche and GIEK Guaranteed Tranche have a final maturity of 12 years from the drawdown date of each vessel (assuming the commercial tranches are refinanced through that date), bear interest at LIBOR plus a margin of 2.15% per annum, and have a 12-year repayment profile.
- The KEXIM Guaranteed Tranche has a final maturity of 12 years from the drawdown date of each vessel (assuming the commercial tranches are refinanced through that date), bears interest at LIBOR plus a margin of 1.60% per annum, and has a 12-year repayment profile.

Our 2017 Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth of no less than $1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million or $500,000 per each owned vessel and $250,000 per each time chartered-in vessel.
- The aggregate of the fair market value of the vessels provided as collateral under the facility shall at all times be no less than 155% of the then aggregate outstanding principal amount of the loans under the credit facility.

Additionally, we have an aggregate of $5.0 million on deposit in a debt service reserve account as of December 31, 2019 in accordance with the terms and conditions of this facility. The funds deposited in this account are not freely available and will be released upon maturity. The balance in this account has been recorded as non-current Restricted Cash on our consolidated balance sheet as of December 31, 2019.

During the year ended December 31, 2019, we made scheduled principal payments of $13.3 million on this credit facility. The outstanding amounts as of December 31, 2019 and 2018 were $131.5 million and $144.8 million. We were in compliance with the financial covenants relating to this facility as of those dates.

*Credit Agricole Credit Facility*

As part of the closing of the NPTI Vessel Acquisition in June 2017, we assumed the outstanding indebtedness under NPTI's senior secured term loan with Credit Agricole. *STI Excel*, *STI Excelsior*, *STI Expedite* and *STI Exceed* are pledged as collateral under this facility. Repayments are being made in equal quarterly installments of $2.1 million in aggregate in accordance with a 15-year repayment profile with a balloon payment due upon maturity, which occurs between November 2022 and February 2023 (depending on the vessel). The facility bears interest at LIBOR plus a margin of 2.75%.

Our Credit Agricole Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth of no less than $1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million or $500,000 per each owned vessel and $250,000 per each time chartered-in vessel.
- The aggregate of the fair market value of the vessels provided as collateral under the facility shall at all times be no less than 135% of the then aggregate outstanding principal amount of the loans under the credit facility.

The carrying values of the indebtedness related to this facility (which includes the discount recorded to write the value down to its fair value as part of the purchase price allocation for the Merger) as of December 31, 2019 and 2018 were $88.5 million and $96.2 million. We were in compliance with the financial covenants relating to this facility as of those dates.

*ABN AMRO/K-Sure Credit Facility*

We assumed the outstanding indebtedness under NPTI's senior secured credit facility with ABN AMRO Bank N.V. and Korea Trade Insurance Corporation, or K-Sure, which we refer to as the ABN AMRO/K-Sure Credit Facility, upon the closing of the Merger with NPTI in September 2017. Two LR1s (*STI Precision* and *STI Prestige*) are collateralized under this facility and the facility consists of two separate tranches, a $11.5 million commercial tranche and a $43.8 million K-Sure tranche (which represents the amounts assumed from NPTI).

The commercial tranche bears interest at LIBOR plus 2.75%, and the K-Sure tranche bears interest at LIBOR plus 1.80%. Repayments on the K-Sure tranche are being made in equal quarterly installments of $1.0 million in accordance with a 12-year repayment profile from the date of delivery from the shipyard, with a balloon payment due upon maturity, and the commercial tranche is being repaid via a balloon payment upon maturity in September and November 2022 (depending on the vessel). The K-Sure tranche fully matures in September and November 2028 (depending on the vessel), and K-Sure has an option to require repayment upon the maturity of the commercial tranche if the commercial tranche is not refinanced by its maturity dates.

Our ABN AMRO/K-Sure Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth no less than $1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million or $500,000 per each owned vessel and $250,000 per each time chartered-in vessel.
- The aggregate of the fair market value of the vessels provided as collateral under the facility shall at all times be no less than 135% of the then aggregate outstanding principal amount of the loans (less any amounts held in a debt service reserve account as described below) under the credit facility.

Additionally, we have an aggregate of $0.5 million on deposit in a debt service reserve account as of December 31, 2019 in accordance with the terms and conditions of this facility. The funds deposited in this account are not freely available and will be released upon maturity. The balance in this account has been recorded as non-current Restricted Cash on our consolidated balance sheet as of December 31, 2019.

The carrying values of the indebtedness related to this facility (which includes the discount recorded to write the value down to its fair value as part of the purchase price allocation for the Merger) as of December 31, 2019 and 2018 were $43.7 million and $46.8 million, respectively. We were in compliance with the financial covenants relating to this facility as of those dates.

*Citibank/K-Sure Credit Facility*

We assumed the outstanding indebtedness under NPTI's senior secured credit facility with Citibank N.A., London Branch, Caixabank, S.A., and K-Sure, which we refer to as the Citibank/K-Sure Credit Facility, upon the closing of the Merger with NPTI in September 2017. Four LR1s (*STI Excellence*, *STI Executive*, *STI Experience*, and *STI Express*) are collateralized under this facility. The facility consists of two separate tranches, a $25.1 million commercial tranche and a $91.2 million K-Sure tranche (which represents the amounts assumed from NPTI).

The commercial tranche bears interest at LIBOR plus 2.50% and the K-Sure tranche bears interest at LIBOR plus 1.60%. Repayments on the K-Sure tranche are being made in equal quarterly installments of $2.1 million in accordance with a 12-year repayment profile from the date of delivery from the shipyard, with a balloon payment due upon maturity and the commercial tranche is scheduled to be repaid via a balloon payment upon the maturity which occurs between March and May 2022 (depending on the vessel). The K-Sure tranche fully matures between March and May 2028 (depending on the vessel), and K-Sure has an option to require repayment upon the maturity of the commercial tranche if the commercial tranche is not refinanced by its maturity dates.

Our Citibank/K-Sure Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth no less than $1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million or $500,000 per each owned vessel and $250,000 per each time chartered-in vessel.

- The aggregate of the fair market value of the vessels provided as collateral under the facility shall at all times be no less than 135% of the then aggregate outstanding principal amount of the loans (less any amounts held in a debt service reserve account as described below) under the credit facility.

Additionally, we have an aggregate of $4.0 million on deposit in a debt service reserve account as of December 31, 2019 in accordance with the terms and conditions of this facility. The funds deposited in this account are not freely available and will be released upon maturity. The balance in this account has been recorded as non-current Restricted Cash on our consolidated balance sheet as of December 31, 2019.

The carrying values of the indebtedness related to this facility (which includes the discount recorded to write the value down to its fair value as part of the purchase price allocation for the Merger) as of December 31, 2019 and 2018 were $91.1 million and $97.6 million, respectively. We were in compliance with the financial covenants relating to this facility as of those dates.

*ABN AMRO / SEB Credit Facility*

In June 2018, we executed a senior secured term loan facility with ABN AMRO Bank N.V. and Skandinaviska Enskilda Banken AB for up to $120.6 million. We refer to this facility as our ABN AMRO / SEB Credit Facility. This loan was fully drawn in June 2018 and the proceeds were used to refinance the existing indebtedness of $87.6 million under our K-Sure Credit Facility relating to five vessels consisting of one Handymax product tanker (*STI Hammersmith*), one MR product tanker (*STI Westminster*), and three LR2 product tankers (*STI Connaught*, *STI Winnie* and *STI Lauren*).

The ABN AMRO/SEB Credit Facility has a final maturity of June 2023 and bears interest at LIBOR plus a margin of 2.6% per annum. The loan will be repaid in equal quarterly installments of $2.9 million per quarter, in aggregate, for the first eight installments and $2.5 million per quarter, in aggregate, thereafter, with a balloon payment due upon maturity.

Our ABN AMRO / SEB Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.65 to 1.00.
- Consolidated tangible net worth of no less than $1,265,728,005 plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2018 and (ii) 50% of the net proceeds of new equity issuances occurring on or after January 1, 2018.
- Minimum liquidity of not less than the greater of $25.0 million and $500,000 per each owned vessel plus $250,000 per each time chartered-in vessel.
- The aggregate of the fair market value of the vessels provided as collateral under the facility shall be: 130% from the date of this agreement and ending on the second anniversary thereof and 140% at all times thereafter.

The outstanding amounts as of December 31, 2019 and 2018 were $103.3 million and $114.8 million, respectively. We were in compliance with the financial covenants as of those dates.

Additionally, in September 2019, we executed an agreement with the lenders under this facility to upsize the credit facility by up to $6.3 million in aggregate, the proceeds of which are expected to be used to partially finance the purchase and installation of scrubbers on four of the vessels that are currently collateralized under this facility. The upsized portion of the credit facility will mature in March 2023, bears interest at LIBOR plus a margin of 2.60%per annum and is expected to be repaid in equal quarterly installments of approximately $0.1 million per vessel through the maturity date of upsized portion of the loan. The amounts available under the facility are expected to be drawn upon the installation of scrubbers on the collateralized vessels, which are scheduled for 2020.

*Hamburg Commercial Bank Credit Facility*

In November 2019, we executed an agreement with Hamburg Commercial Bank AG for a senior secured term loan facility for $43.65 million, of which, (i) $42.15 million (Tranche 1) was used to refinance the existing debt for *STI Veneto* and *STI Poplar,* (which were previously financed under the KEXIM Credit Facility), and (ii) $1.5 million (Tranche 2) is expected to be used to finance the purchase and installation of a scrubber on *STI Veneto*. We refer to this facility as our Hamburg Commercial Bank Credit Facility. Tranche 1 was drawn in full in December 2019.

The Hamburg Commercial Bank Credit Facility has a final maturity of November 2024 and bears interest at LIBOR plus a margin of 2.25% per annum. The loan will be repaid in in equal quarterly installments of $0.8 million per quarter, in aggregate, with a balloon payment due upon maturity.

Our Hamburg Commercial Bank Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth of no less than $1,000,000,000 plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after December 31, 2018 and (ii) 50% of the net proceeds of new equity issuances occurring on or after December 31, 2018.

- Minimum liquidity of not less than the greater of $25.0 million and $500,000 per each owned vessel plus $250,000 per each time chartered-in vessel.
- The aggregate of the fair market value of the vessels provided as collateral under the facility shall be: 134% from the date of this facility.

The outstanding amount as of December 31, 2019 was $42.2 million, and we were in compliance with the financial covenants as of that date.

*Prudential Credit Facility*

In November 2019, we executed an agreement with Prudential Private Capital for a senior secured term loan facility for $55.5 million. The loan facility was fully drawn in December 2019, and the proceeds were used to refinance the existing debt for *STI Clapham*, *STI Camden* and *STI Acton*, (which were previously financed under the KEXIM Credit Facility). We refer to this facility as our Prudential Credit Facility.

The Prudential Credit Facility has a final maturity of December 2025 and bears interest at LIBOR plus a margin of 3.00% per annum. The loan will be repaid in monthly installments of $0.5 million per month, in aggregate, with a balloon payment due upon maturity.

Our Prudential Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth of no less than $1,000,000,000 plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issuances occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million and $500,000 per each owned vessel plus $250,000 per each time chartered-in vessel.
- The aggregate of the fair value of the vessels provided as collateral under the facility shall be: 125% from the date of this facility.

The outstanding amount as of December 31, 2019 was $55.5 million, and we were in compliance with the financial covenants as of that date.

*2019 DNB/GIEK Credit Facility*

In November 2019, we executed a $55.5 million term loan facility with DNB Bank ASA and the Norwegian Export Credit Guarantee Agency (“GIEK”). This credit facility is expected to be utilized to refinance two vessels that are currently financed under the KEXIM Credit Facility. The loan is comprised of two facilities: (i) an ECA facility of $47.2 million (which is comprised of a $41.6 million tranche which is guaranteed by GIEK, or the “GIEK Tranche”, and a $5.6 million commercial tranche or the “Commercial Bank Tranche”) and (ii) a commercial facility of $8.3 million, or the “Commercial Facility". These facilities are collectively referred to as the 2019 DNB/GIEK Credit Facility.

The 2019 DNB/GIEK Credit Facility is expected to be drawn in two separate drawdowns during 2020, the timing of which will align with the installation of scrubbers on certain of the Company's vessels. The 2019 DNB/GIEK Credit Facility matures in July 2024. The GIEK tranche bears interest at LIBOR plus a margin of 2.5% and the Commercial Bank and Commercial Facility tranches bear interest at LIBOR plus a margin of 2.5% per annum. The 2019 DNB/GIEK Credit Facility is expected to be repaid in equal quarterly installments of approximately $1.6 million per quarter (once fully drawn) with a balloon payment due at maturity. The remaining terms and conditions, including financial covenants, are similar to those set forth in the Company’s existing credit facilities.

*BNPP Sinosure Credit Facility*

In December 2019, we executed a senior secured term loan facility with BNP Paribas and Skandinaviska Enskilda Banken AB for up to $134.1 million. This credit facility is expected to be utilized to refinance six vessels that are currently financed under the KEXIM Credit Facility. The loan is split into two facilities, (i) a commercial facility for up to $67.0 million (the "Commercial Facility"), and (ii) a Sinosure facility for up to $67.0 million (the "Sinosure Facility"), which is expected to be funded by the lenders under the commercial facility and insured by the China Export & Credit Insurance Corporation ("Sinosure"). These facilities are collectively referred to as the BNPP Sinosure Credit Facility.

The BNPP Sinosure Credit Facility is split into 70 tranches each of which will represent the lesser of 85% of the purchase and installation price of 70 scrubbers, or $1.9 million per scrubber (not to exceed 65% of the fair value of the collateral vessels). The Sinosure Facility and the Commercial Facility bear interest at LIBOR plus a margin of 1.80% and 2.80% per annum, respectively. The loan facility is available for en bloc drawdowns on March 15, 2020, June 15, 2020, September 15, 2020, December 15, 2020 and March 15, 2021. The Sinosure Facility is expected to be repaid in 10 semi-annual installments of $6.7 million in aggregate (with separate repayment periods as each tranche of the loan is drawn down) and the Commercial Facility will be repaid a t the final maturity date of the facility, or October 2025. The remaining terms and conditions, including financial covenants, are similar to those set forth in the Company's existing credit facilities.

**Lease financing arrangements**

The below summarizes the key terms of our lease financing arrangements. For each arrangement, we have evaluated whether, in substance, these transactions are leases or merely a form of financing. As a result of this evaluation, we have concluded that each agreement is a form of financing on the basis that the terms and conditions are such that we never part with the risks and rewards incidental to ownership of each vessel for the remainder of its useful life and accordingly, the transfer of the asset does not meet the requirements for a transfer in IFRS 16. This conclusion was reached, in part, as a result of the existence within each agreement of either a purchase obligation or a purchase option that will almost certainly be exercised. Accordingly, the cash received in the transfer has been accounted for as a liability under IFRS 9, and each arrangement has been recorded at amortized cost using the effective interest method, with the corresponding vessels being recorded at cost, less accumulated depreciation, on our consolidated balance sheet.

The obligations set forth below are secured by, among other things, assignments of earnings and insurances and stock pledges and account charges in respect of the subject vessels. All of the financing arrangements contain customary events of default, including cross-default provisions as well as subjective acceleration clauses under which the lessor could cancel the lease in the event of a material adverse change in the Company's business.

*Bank of Communications Financial Leasing MR financing, or the BCFL Lease Financing (MRs)*

In September 2017, we entered into finance lease agreements to sell and lease back five 2012 built MR product tankers (*STI Amber*, *STI Topaz*, *STI Ruby*, *STI Garnet* and *STI Onyx*) with Bank of Communications Finance Leasing Co Ltd., or BCFL, for a sales price of $27.5 million per vessel. The financing for *STI Topaz*, *STI Ruby* and *STI Garnet* closed in September 2017, the financing for *STI Onyx* closed in October 2017, and the financing for *STI Amber* closed in November 2017. Each agreement is for a fixed term of seven years at a bareboat rate of $9,025 per vessel per day, and we have three consecutive one-year options to extend each charter beyond the initial term. Furthermore, we have the option to purchase these vessels beginning at the end of the fifth year of the agreements through the end of the tenth year of the agreements. A deposit of $5.1 million per vessel was retained by the buyers and will either be applied to the purchase price of the vessel if a purchase option is exercised, or refunded to us at the expiration of the agreement (as applicable).

Our BCFL Lease Financing (MRs) includes a financial covenant that requires us to maintain that the aggregate of the fair market value of each vessel leased under the facility plus the aforementioned $5.1 million deposit shall at all times be no less than 100% of the then outstanding balance plus the aforementioned $5.1 million deposit.

The aggregate outstanding balances under this arrangement were $87.8 million and $98.8 million as of December 31, 2019 and 2018, respectively. We were in compliance with the financial covenants as of those dates.

*Bank of Communications Financial Leasing LR2 financing, or the BCFL Lease Financing (LR2s)*

In connection with the Merger, we assumed the obligations under NPTI's finance lease arrangement with Bank of Communications Finance Leasing Co Ltd., or BCFL, for three LR2 tankers (*STI Solace*, *STI Solidarity*, and *STI Stability*) upon the September Closing. Under the arrangement, each vessel is subject to a 10-year bareboat charter, which expire in July 2026. Charterhire under the arrangement is determined in advance, on a quarterly basis and is calculated by determining the payment based off of the then outstanding balance, the time to expiration and an interest rate of LIBOR plus 3.50%. Using the forward interest swap curve at December 31, 2019, future monthly principal payments are estimated to be $0.2 million per vessel gradually increasing to $0.3 million per vessel per month until the expiration of the agreement. We have purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such options exercisable at the end of the fourth year from the delivery date of the respective vessel. There is also a purchase obligation for each vessel upon the expiration of the agreement.

Additionally, we have an aggregate of $0.8 million on deposit in a deposit account as of December 31, 2019 in accordance with the terms and conditions of this facility. The funds deposited in this account are not freely available and will be released upon maturity. The balance in this account has been recorded as non-current Restricted Cash on our consolidated balance sheet as of December 31, 2019.

The carrying values of the amounts due under this arrangement (which reflect fair value adjustments made as part of the purchase price allocation) were $90.4 million and $97.5 million as of December 31, 2019 and 2018, respectively. We were in compliance with the financial covenants as of those dates.

*CSSC Lease Financing*

In connection with the Merger, we assumed the obligations under NPTI's finance lease arrangement with CSSC (Hong Kong) Shipping Company Limited, or CSSC, for eight LR2 tankers (*STI Gallantry, STI Nautilus, STI Guard, STI Guide, STI Goal, STI Gauntlet, STI Gladiator* and *STI Gratitude*) upon the September Closing.

Under the arrangement, each vessel is subject to a 10-year bareboat charter which expire throughout 2026 and 2027 (depending on the vessel). Charterhire under the arrangement is comprised of a fixed repayment amount of $0.2 million per month per vessel plus a variable component calculated at LIBOR plus 4.60%. We have purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such options exercisable at the end of the fourth year from the delivery date of the respective vessel. There is also a purchase obligation for each vessel upon the expiration of the agreement.

Our CSSC finance lease arrangement includes a financial covenant that requires the fair market value of each vessel that is leased under this facility to at all times be no less than 125% of the applicable outstanding balance for such vessel.

The carrying values of the amounts due under this arrangement (which reflect fair value adjustments made as part of the purchase price allocation) were $233.7 million and $251.8 million as of December 31, 2019 and 2018, respectively.

Additionally, in September 2019, we executed an agreement with CSSC to increase the borrowing capacity by up to $12.5 million, the proceeds of which will be used to partially finance the purchase and installation of scrubbers on the eight LR2s. In December 2019, $11.0 million was borrowed under this arrangement to partially finance the purchase and installation on seven scrubbers. The final drawdown is expected during 2020 when the related scrubber installation takes place. The upsized portion of the lease financing bears interest at LIBOR plus a margin of 3.8% per annum, matures two years from the date of the drawdown and will be repaid in monthly installment payments of approximately $0.5 million in aggregate (once fully drawn). The total amount outstanding in regards to the scrubber financing was $11.0 million as of December 31, 2019, and we were in compliance with the financial covenants as of that date.

*CMBFL Lease Financing*

In connection with the Merger, we assumed the obligations under NPTI's finance lease arrangement with CMB Financial Leasing Co. Ltd, or CMBFL, for two LR1 tankers (*STI Pride* and *STI Providence*) upon the September Closing. Under this arrangement, each vessel is subject to a seven-year bareboat charter, which expires in July or August 2023 (depending on the vessel). Charterhire under the arrangement is comprised of a fixed, quarterly repayment amount of $0.6 million per vessel plus a variable component calculated at LIBOR plus 3.75%. We have purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such options exercisable on the third anniversary from the delivery date of the respective vessel. There is also a purchase obligation for each vessel upon the expiration of the agreement. We are subject to certain terms and conditions, including financial covenants, under this arrangement which are summarized as follows:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth no less than $1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million or $500,000 per each owned vessel and $250,000 per each time chartered-in vessel.
- The fair market value of each vessel leased under the facility shall at all times be no less than 115% of the outstanding balance for such vessel.

Additionally, we have an aggregate of $2.0 million on deposit in a deposit account as of December 31, 2019 in accordance with the terms and conditions of this facility. The funds deposited in this account are not freely available and will be released upon maturity. The balance in this account has been recorded as non-current Restricted Cash on our consolidated balance sheet as of December 31, 2019.

The carrying values of the amounts due under this arrangement (which reflect fair value adjustments made as part of the purchase price allocation) were $56.5 million and $61.2 million as of December 31, 2019 and 2018, respectively. We were in compliance with the financial covenants as of those dates.

*Ocean Yield Lease Financing*

In connection with the Merger, we assumed the obligations under NPTI's finance lease arrangement with Ocean Yield ASA for four LR2 tankers (*STI Sanctity*, *STI Steadfast*, *STI Supreme*, and *STI Symphony*) upon the September Closing. Under this arrangement, each vessel is subject to a 13-year bareboat charter, which expires between February and August 2029 (depending on the vessel). Charterhire, which is paid monthly in advance, includes a fixed payment in addition to a quarterly adjustment based on prevailing LIBOR rates.

Monthly principal payments are approximately $0.2 million per vessel gradually increasing to $0.3 million per vessel per month until the expiration of the agreement. The interest component of the leases approximates LIBOR plus 5.40%. We also have purchase options to re-acquire each of the vessels during the bareboat charter period, with the first of such options exercisable beginning at the end of the seventh year from the delivery date of the subject vessel.

We are subject to certain terms and conditions, including financial covenants, under this arrangement which are summarized as follows:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth no less than $1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issues occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million or $500,000 per each owned vessel and $250,000 per each time chartered-in vessel.

The carrying values of the amounts due under this arrangement (which reflect fair value adjustments made as part of the purchase price allocation) were $148.2 million and $158.8 million as of December 31, 2019 and 2018, respectively. We were in compliance with the financial covenants as of those dates.

*China Huarong Lease Financing*

In May 2018, we reached an agreement to sell and leaseback six 2014 built MR product tankers, *(STI Opera*, *STI Virtus*, *STI Venere*, *STI Aqua*, *STI Dama*, and *STI Regina)* to China Huarong Shipping Financial Leasing Co., Ltd. The borrowing amount under the arrangement is $144.0 million in aggregate. These agreements closed in August 2018, and the proceeds were utilized to repay $92.7 million of the outstanding indebtedness under our 2016 Credit Facility.

Each agreement is for a fixed term of eight years, and the Company has options to purchase the vessels beginning at the end of the third year of each agreement. The leases bear interest at LIBOR plus a margin of 3.5% per annum and will be repaid in equal quarterly principal installments of $0.6 million per vessel. Each agreement also has a purchase obligation at the end of the eighth year, which is equal to the outstanding principal balance at that date. We are subject to certain terms and conditions under this arrangement, including the financial covenant that the Company will maintain consolidated tangible net worth of no less than $650.0 million.

The outstanding amounts were $123.8 million and $137.3 million as of December 31, 2019 and 2018, respectively. We were in compliance with the financial covenants relating to this facility as of those dates.

*$116.0 million Lease Financing*

In August 2018, we executed an agreement to sell and leaseback two MR product tankers (*STI Gramercy* and *STI Queens*) and two LR2 product tankers (*STI Oxford* and *STI Selatar*) in two separate transactions to an international financial institution. The net borrowing amount (which reflect the selling price less deposits and commissions to the lessor) under the arrangement was $114.8 million in aggregate, consisting of $23.8 million per MR and $33.7 million per LR2.

Under the terms of these agreements, the Company will bareboat charter-in the vessels for a period of seven years at $7,935 per day for each MR and $11,040 per day for each LR2 (which includes both the principal and interest components of the lease). In addition, we have purchase options beginning at the end of the third year of each agreement, and a purchase obligation for each vessel upon the expiration of each agreement.

We are subject to certain terms and conditions, including a financial covenant that requires us to maintain that the aggregate of the fair market value of each vessel leased under the facility plus the aforementioned deposits shall at all times be no less than 111% of the then outstanding balance plus the aforementioned deposits. The LR2 tankers in this facility are grouped for purposes of this test.

The amounts outstanding were $106.0 million and $112.7 million as of December 31, 2019 and 2018, respectively. We were in compliance with the financial covenants as of those dates.

*2018 CMB Lease Financing*

In July 2018, we executed an agreement to sell and leaseback six MR product tankers *(STI Battery*, *STI Milwaukee*, *STI Tribeca*, *STI Bronx*, *STI Manhattan*, and *STI Seneca*) to CMB Financial Leasing Co., Ltd. The borrowing amount under the arrangement is $141.6 million in aggregate and the sales closed in August 2018. The proceeds were utilized to repay $33.5 million of the outstanding indebtedness on our DVB 2017 Credit Facility, $39.7 million of the outstanding indebtedness on our K-Sure Credit Facility and $14.4 million of the outstanding indebtedness on our BNPP Credit Facility for these vessels.

Each agreement is for a fixed term of eight years, and the Company has options to purchase the vessels at the start of the fourth year of each agreement. The lease bears interest at LIBOR plus a margin of 3.2% per annum and will be repaid in quarterly principal installments of $0.4 million per vessel. Each agreement also has a purchase obligation at the end of the eighth year, which is equal to the outstanding principal balance at that date. We are subject to certain terms and conditions, including financial covenants, under this arrangement which are summarized as follows:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth of no less than $1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issuances occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million and $500,000 per each owned vessel plus $250,000 per each time chartered-in vessel.
- The fair market value of each vessel leased under the facility shall at all times be no less than 115% of the outstanding balance for such vessel.

The outstanding amounts were $126.4 million and $136.5 million as of December 31, 2019 and 2018, respectively. We were in compliance with the financial covenants as of those dates.

In December 2019, we amended and restated the agreement to increase the borrowing capacity by up to $10.5 million to partially finance the purchase and installation of scrubbers on the six MRs that are currently part of the agreement. The upsized portion of the lease financing has a final maturity of 3.5 years after the first drawdown, bears interest at LIBOR plus a margin of 3.10% per annum and will be repaid in quarterly principal payments of approximately $0.1 million per vessel. Drawdowns are expected to occur in 2020 as the related scrubbers are installed.

*AVIC Lease Financing*

In July 2018, we executed an agreement to sell and leaseback three MR product tankers (*STI Ville*, *STI Fontvieille* and *STI Brooklyn)* and two LR2 product tankers *(STI Rose* and *STI Rambla)* to AVIC International Leasing Co., Ltd. The borrowing amounts under the arrangement are $24.0 million per MR and $36.5 million per LR2 ($145.0 million in aggregate). These transactions closed in August and September 2018.

Each agreement is for a fixed term of eight years, and the Company has options to purchase the vessels beginning at the end of the second year of each agreement. The leases bear interest at LIBOR plus a margin of 3.7% per annum and will be repaid in quarterly principal installments of $0.5 million per MR and $0.8 million per LR2. Each agreement also has a purchase obligation at the end of the eighth year, which is equal to the outstanding principal balance at that date. We are subject to certain terms and conditions, including financial covenants, under this arrangement which are summarized as follows:

- The ratio of net debt to total capitalization no greater than 0.70 to 1.00.
- Consolidated tangible net worth of no less than $650.0 million.
- The fair market value of each grouped vessels (MRs or LR2s) leased under the facility shall at all times be no less than 110% of the outstanding balance for such grouped vessels (MRs or LR2s).

The outstanding amounts were $127.3 million and $139.1 million as of December 31, 2019 and 2018, respectively, and we were in compliance with the financial covenants as of those dates.

Additionally, in October 2019, we received a commitment to upsize this lease financing arrangement by up to $8.0 million to partially finance the purchase and installation of scrubbers on the two MRs and two LR2 product tankers that are currently part of this agreement. The upsized portion of the lease financing is expected to have final maturity of three years after the first drawdown, bear interest at LIBOR plus a margin of 4.20% per annum and be repaid in quarterly principal payments of approximately $0.2 million per vessel. Drawdowns are expected to occur in 2020 as the related scrubbers are installed.

*COSCO Lease Financing*

In September 2018, we executed an agreement to sell and leaseback two Handymax product tankers (*STI Battersea* and *STI Wembley*) and two MR product tankers (*STI Texas City* and *STI Meraux*) to Oriental Fleet International Company Limited ("COSCO Shipping"). The borrowing amounts under the arrangement are $21.2 million for the Handymax vessels and $22.8 million for the MR vessels ($88.0 million in aggregate).

Each agreement is for a fixed term of eight years, and the Company has options to purchase the vessels beginning at the end of the second year of each agreement. The facility bears interest at LIBOR plus a margin of 3.6% per annum and is being repaid in quarterly installments of $0.5 million per vessel. Each agreement also has a purchase obligation at the end of the eighth year, which is equal to the outstanding principal balance at that date. We are subject to certain terms and conditions, including financial covenants, under this arrangement which are summarized as follows:

- The ratio of total liabilities (less cash and cash equivalents) to total assets no greater than 0.65 to 1.00.
- Consolidated tangible net worth of no less than $1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2018 and (ii) 50% of the net proceeds of new equity issuances occurring on or after January 1, 2018.

- The fair market value of each vessel leased under the facility shall at all times be no less than 110% of the outstanding balance for such vessel.

The outstanding amounts were $76.5 million and $84.2 million as of December 31, 2019 and 2018, respectively, and we were in compliance with the financial covenants as of those dates.

*$157.5 million Lease Financing*

In July 2018, we agreed to sell and leaseback six MR product tankers (*STI San Antonio, STI Benicia, STI St. Charles, STI Yorkville, STI Mayfair* and *STI Duchessa*) and one LR2 product tanker (*STI Alexis*) to an international financial institution. The borrowing amount under the arrangement was $157.5 million in aggregate, and these sales closed in October 2018.

Each agreement is for a fixed term of seven years, and we have options to purchase the vessels beginning at the end of the third year of each agreement. The leases bear interest at LIBOR plus a margin of 3.0% per annum and will be repaid in equal quarterly principal installments of $0.5 million per MR and $0.6 million for the LR2. Each agreement also has a purchase obligation at the end of the seventh year (which is equal to the outstanding principal balance at that date). We are subject to certain terms and conditions, including financial covenants, under this arrangement which are summarized as follows:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth of no less than $1.0 billion plus (i) 25% of the cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after January 1, 2016 and (ii) 50% of the net proceeds of new equity issuances occurring on or after January 1, 2016.
- Minimum liquidity of not less than the greater of $25.0 million and $500,000 per each owned vessel plus $250,000 per each time chartered-in vessel.
- The fair market value of each vessel leased under the facility shall at all times be no less than 115% of the outstanding balance for such vessel.

The outstanding amounts were $137.9 million and $152.1 million as of December 31, 2019 and 2018, respectively, and we were in compliance with the financial covenants as of those dates.

*$28.9 Million Scrubber Lease Financing*

During 2019, we received a series of commitments from an international financial institution to upsize existing lease finance arrangements to partially finance the purchase and installation of scrubbers on 10 MRs and five LR2s. The aggregate commitments under these arrangements are for up to $28.9 million, or approximately $1.9 million per vessel. The amounts borrowed will be repaid through additional fixed charterhire payments of $1,910 per day per vessel, and these arrangements have a final maturity of three years after the first drawdown. Drawdowns are expected to occur in 2020 as the related scrubbers are installed.

**Unsecured debt**

*Senior Notes Due 2020*

On May 12, 2014, we issued $50.0 million in aggregate principal amount of 6.75% Senior Notes due May 2020, or our "Senior Notes Due 2020," and on June 9, 2014, we issued an additional $3.75 million aggregate principal amount of Senior Notes Due 2020 when the underwriters partially exercised their option to purchase additional Senior Notes Due 2020 on the same terms and conditions. The net proceeds from the issuance of the Senior Notes Due 2020 were $51.8 million after deducting the underwriters’ discounts, commissions and offering expenses.

The Senior Notes Due 2020 bear interest at a coupon rate of 6.75% per year, payable quarterly in arrears on the 15th day of February, May, August and November of each year. Coupon payments commenced on August 15, 2014. The Senior Notes Due 2020 are redeemable at our option, in whole or in part, at any time on or after May 15, 2017 at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The Senior Notes Due 2020 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 Due 2020. The Senior Notes Due 2020 were issued in minimum denominations of $25.00 and integral multiples of $25.00 in excess thereof and are listed on the NYSE under the symbol “SBNA.”

The Senior Notes Due 2020 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 we undergo 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 under our Senior Notes Due 2020 include:

- Net borrowings shall not equal or exceed 70% of total assets.
- Net worth shall always exceed $650.0 million.

The outstanding balance was $53.8 million as of December 31, 2019 and December 31, 2018, and we were in compliance with the financial covenants relating to the Senior Notes Due 2020 as of those dates.

*Convertible Notes Due 2019*

In June 2014, we issued $360.0 million in aggregate principal amount of convertible senior notes due 2019, or the "Convertible Notes due 2019," in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

In May 2018 and July 2018, we exchanged $188.5 million and $15.0 million (out of the $348.5 million outstanding at the time), respectively, in aggregate principal amount of our Convertible Notes due 2019 for $188.5 million and $15.0 million, respectively, in aggregate principal amount of the Company's new 3.0% Convertible Senior Notes due 2022 (the “Convertible Notes due 2022”), the terms of which are described below. These exchanges were executed with certain holders of the Convertible Notes due 2019 via separate, privately negotiated agreements. We recognized an aggregate loss on these exchanges of $17.8 million.

On July 1, 2019, the Convertible Notes due 2019 matured, and we repaid the then outstanding balance of $142.7 million.

*Convertible Notes due 2022*

As discussed above, in May 2018 and July 2018, we exchanged $188.5 million and $15.0 million, respectively, in aggregate principal amount of our Convertible Notes due 2019 for $188.5 million and $15.0 million, respectively, in aggregate principal amount of newly issued Convertible Notes due 2022. The Convertible Notes due 2022 issued in July 2018 have identical terms, are fungible with and are part of the series of Convertible Notes due 2022 issued in May 2018. Interest is payable semi-annually in arrears on November 15 and May 15 of each year, beginning on November 15, 2018. The Convertible Notes due 2022 will mature on May 15, 2022, unless earlier converted or repurchased in accordance with their terms.

The conversion rate of the Convertible Notes due 2022 was initially 25 common shares per $1,000 principal amount of Convertible Notes due 2022 (equivalent to an initial conversion price of approximately $40.00 per share of the Company’s common stock), and is subject to adjustment upon the occurrence of certain events as set forth in the indenture governing the Convertible Notes due 2022 (such as the payment of dividends).

The table below details the dividends issued during the years ended December 31, 2019 and 2018, and the corresponding effect on the conversion rate of the Convertible Notes due 2022:

| Record Date | Dividends per share | Share Adjusted Conversion Rate [1] |
|---|---|---|
| June 6, 2018 | $ 0.10 | 25.0812 |
| September 20, 2018 | $ 0.10 | 25.2132 |
| December 5, 2018 | $ 0.10 | 25.3362 |
| March 13, 2019 | $ 0.10 | 25.4799 |
| June 5, 2019 | $ 0.10 | 25.5767 |
| September 10, 2019 | $ 0.10 | 25.6637 |
| November 25, 2019 | $ 0.10 | 25.7401 |

[1] Per $1,000 principal amount of the Convertible Notes.

The Convertible Notes due 2022 are freely convertible at the option of the holder on or after January 1, 2019 and prior to the close of business on the business day immediately preceding the maturity date, and could be converted at any time prior to the close of business on the business day immediately preceding January 1, 2019 only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2018 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 15 trading days (whether or not consecutive) during a period of 25 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five-business day period after any five consecutive trading day period, or the Measurement Period, in which the trading price (as defined in the indenture) per $1,000 principal amount of Convertible Notes due 2022 for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or
- upon the occurrence of specified corporate events as defined in the indenture (e.g. consolidations, mergers, a binding share exchange or the transfer or lease of all or substantially all of our assets).

Upon conversion of the Convertible Notes due 2022, holders will receive shares of the Company's common stock. The Convertible Notes due 2022 are not redeemable by the Company.

The Convertible Notes due 2022 require us to comply with certain covenants such as restrictions on consolidations, mergers or sales of assets. Additionally, if we undergo a fundamental change (as defined in the indenture), holders may require us to repurchase for cash all or any portion of their notes at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

Upon the May and July 2018 issuances, we determined the initial carrying values of the liability components of the Convertible Notes due 2022 to be $154.3 million and $12.2 million, respectively, based on the fair value of a similar liability that does not have any associated conversion feature. We utilized recent pricing (with adjustments made to align the tenor) on our (i) Senior Notes due 2019 (which were repaid in March 2019), (ii) Senior Notes due 2020 and (iii) the pricing on recently issued unsecured bonds in the shipping sector as the basis for this determination. The difference between the fair value of the liability component and the face value of the Convertible Notes due 2022 is being amortized over the term of the Convertible Notes due 2022 under the effective interest method and recorded as part of financial expenses. The residual value (the conversion feature) of $34.2 million and $2.8 million, respectively, were recorded to Additional paid-in capital upon issuance.

The carrying values of the liability component of the Convertible Notes due 2022 (consisting of both the May 2018 and July 2018 issuances) as of December 31, 2019 and 2018, respectively, were $180.1 million and $171.5 million. We incurred $6.1 million of coupon interest and $8.6 million of non-cash accretion during the year ended December 31, 2019. We incurred $3.8 million of coupon interest and $4.9 million of non-cash accretion during the year ended December 31, 2018. We were in compliance with the covenants related to the Convertible Notes due 2022 as of those dates.

*Senior Notes Due 2019*

In March 2017, we issued $50.0 million in aggregate principal amount of 8.25% Senior Notes due June 2019, or our Senior Notes Due 2019, in an underwritten public offering and in April 2017, we issued an additional $7.5 million of Senior Notes due 2019 when the underwriters fully exercised their option to purchase additional notes under the same terms and conditions. During the year ended December 31, 2019, we redeemed the entire outstanding balance of the Senior Notes due 2019 of $57.5 million.

**14. Derivative financial instruments**

We did not have any derivative financial instruments during the years ended December 31, 2019 and 2018.

*Profit or loss sharing agreement*

In February 2015, we took delivery of an LR2 product tanker on a time charter-in arrangement for one year at $21,050 per day with an option to extend the charter for an additional year at $22,600 per day. We also entered into a profit and loss sharing agreement whereby 50% of the profits and losses relating to this vessel above or below the charterhire rate were shared with a third party who neither owns nor operates this vessel. This agreement was settled in January 2017.

This profit and loss agreement was recorded as a derivative, recorded at fair value through profit or loss, with the resultant gain or loss recognized in the consolidated statement of income or loss. Changes in fair value were recorded as unrealized gains or losses and actual earnings were recorded as realized gains or losses on derivative financial instruments within the consolidated statement of income or loss. The fair value of this instrument was determined by comparing published time charter rates to the charter rate in the agreement and discounting these cash flows to their present value.

The following activity relating to this instrument was recorded during the year ended December 31, 2017:

| *Amounts in thousands of U.S. dollars* | Fair value adjustments | | | | | |
|---|---|---|---|---|---|---|
| | Statement of income | | | | | |
| | Realized (loss) / gain | | Unrealized gain / (loss) | | Recognized in equity | |
| Profit and loss agreement | $ | (116 ) | $ | — | $ | — |
| **Total year ended December 31, 2017** | **$** | **(116 )** | **$** | **—** | **$** | **—** |

## 15. Segment reporting

Information about our reportable segments for the years ended December 31, 2019, 2018 and 2017 is as follows:

*For the year ended December 31, 2019*

| *In thousands of U.S. dollars* | LR1 | Handymax | LR2 | MR | Reportable segments subtotal | Corporate and eliminations | Total |
|---|---|---|---|---|---|---|---|
| Vessel revenue | $ 67,461 | $ 106,811 | $ 263,818 | $ 266,235 | 704,325 | $ — | $ 704,325 |
| Vessel operating costs | (29,161) | (50,750) | (97,346) | (117,274) | (294,531) | — | (294,531) |
| Voyage expenses | (1,628) | (1,414) | (530) | (2,588) | (6,160) | — | (6,160) |
| Charterhire | — | (4,256) | 271 | (414) | (4,399) | — | (4,399) |
| Depreciation - owned or finance leased vessels | (19,520) | (19,119) | (73,774) | (67,639) | (180,052) | — | (180,052) |
| Depreciation - right of use assets | — | (11,678) | (2,266) | (12,972) | (26,916) | — | (26,916) |
| General and administrative expenses | (1,167) | (2,192) | (3,841) | (4,951) | (12,151) | (50,144) | (62,295) |
| Financial expenses | — | — | — | — | — | (186,235) | (186,235) |
| Financial income | 360 | 18 | 32 | 538 | 948 | 7,234 | 8,182 |
| Other expenses, net | — | — | — | 15 | 15 | (424) | (409) |
| **Segment income or loss** | $ 16,345 | $ 17,420 | $ 86,364 | $ 60,950 | $ 181,079 | $ (229,569) | $ (48,490) |

*For the year ended December 31, 2018*

| *In thousands of U.S. dollars* | LR1 | Handymax | LR2 | MR | Reportable segments subtotal | Corporate and eliminations | Total |
|---|---|---|---|---|---|---|---|
| Vessel revenue | $ 47,722 | $ 95,188 | $ 203,414 | $ 238,723 | $ 585,047 | $ — | $ 585,047 |
| Vessel operating costs | (28,942) | (48,249) | (91,975) | (111,294) | (280,460) | — | (280,460) |
| Voyage expenses | (591) | (440) | (3,225) | (890) | (5,146) | — | (5,146) |
| Charterhire | — | (19,223) | (7,883) | (32,526) | (59,632) | — | (59,632) |
| Depreciation - owned or finance leased vessels | (19,290) | (18,190) | (72,610) | (66,633) | (176,723) | — | (176,723) |
| General and administrative expenses | (1,173) | (2,195) | (3,790) | (4,771) | (11,929) | (40,343) | (52,272) |
| Merger transaction related costs | — | — | — | — | — | (272) | (272) |
| Financial expenses | — | — | — | — | — | (186,628) | (186,628) |
| Loss on exchange of convertible notes | — | — | — | — | — | (17,838) | (17,838) |
| Financial income | 111 | 16 | 22 | 515 | 664 | 3,794 | 4,458 |
| Other expenses, net | — | — | — | — | — | (605) | (605) |
| **Segment income or loss** | **$ (2,163)** | **$ 6,907** | **$ 23,953** | **$ 23,124** | **$ 51,821** | **$ (241,892)** | **$ (190,071)** |

*For the year ended December 31, 2017*

| *In thousands of U.S. dollars* | LR1 | Handymax | LR2 | MR | Reportable segments subtotal | Corporate and eliminations | Total |
|---|---|---|---|---|---|---|---|
| Vessel revenue | $ 22,573 | $ 95,098 | $ 157,123 | $ 237,938 | $ 512,732 | $ — | $ 512,732 |
| Vessel operating costs | (12,561) | (50,145) | (67,254) | (101,267) | (231,227) | — | (231,227) |
| Voyage expenses | (1,018) | (3,087) | (2,642) | (986) | (7,733) | — | (7,733) |
| Charterhire | (2,230) | (24,560) | (6,258) | (42,702) | (75,750) | — | (75,750) |
| Depreciation - owned or finance leased vessels | (7,828) | (18,159) | (54,922) | (60,509) | (141,418) | — | (141,418) |
| General and administrative expenses | (479) | (2,170) | (2,805) | (4,569) | (10,023) | (37,488) | (47,511) |
| Loss on sales of vessels | — | — | — | (23,345) | (23,345) | — | (23,345) |
| Merger transaction related costs | — | — | — | — | — | (36,114) | (36,114) |
| Bargain purchase gain | — | — | — | — | — | 5,417 | 5,417 |
| Financial expenses | — | — | — | — | — | (116,240) | (116,240) |
| Realized loss on derivative financial instruments | — | — | (116) | — | (116) | — | (116) |
| Financial income | 26 | 214 | 15 | 338 | 593 | 945 | 1,538 |
| Other expenses, net | — | 1,876 | — | — | 1,876 | (349) | 1,527 |
| **Segment income or loss** | **$ (1,517)** | **$ (933)** | **$ 23,141** | **$ 4,898** | **$ 25,589** | **$ (183,829)** | **$ (158,240)** |

Revenue from customers representing greater than 10% of total revenue during the years ended December 31, 2019, 2018 and 2017, within their respective segments was as follows:

| *In thousands of U.S. dollars* | | For the year ended December 31, | | |
|---|---|---|---|---|
| **Segment** | **Customer** | **2019** | **2018** | **2017** |
| MR | Scorpio MR Pool Limited [(1)] | $ 261,727 | $ 225,181 | $ 217,141 |
| LR2 | Scorpio LR2 Pool Limited [(1)] | 260,893 | 188,890 | 136,514 |
| Handymax | Scorpio Handymax Tanker Pool Limited [(1)] | 103,150 | 82,782 | 78,510 |
| | | $ 625,770 | $ 496,853 | $ 432,165 |

(1) These customers are related parties as described in Note 17.

## 16. Common shares

*Reverse stock split*

On January 18, 2019, the Company effected a one-for-ten 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.

*Trafigura Transaction*

As described in Note 7, in September 2019, we acquired the leasehold interests in 19 product tankers (four of which were under construction) as part of the Trafigura Transaction. The consideration exchanged consisted of:

- For the 15 delivered vessels, the assumption of the obligations under the Agreements of $531.5 million and the issuance of 3,981,619 shares of common stock at $29.00 per share to a nominee of Trafigura with an aggregate market value of $115.5 million.
- For the four vessels under construction, the assumption of the commitments on the Agreements of $138.9 million and the issuance 591,254 shares of common stock at $29.00 per share to a nominee of Trafigura with an aggregate market value of $17.1 million. Three of the vessels under construction were delivered as of March 27, 2020 and one is expected to be delivered in September 2020.

*Private Placement*

In September 2019, we closed on private placements with Trafigura and SSH (a related party) for $35 million and $15 million, respectively, in exchange for an aggregate of 1,724,137 of our common shares at $29.00 per share.

*At the Market Share Issuance Program*

In November 2019, the Company entered into an “at the market” offering program (the "ATM Program") pursuant to which the Company may sell up to $100 million of its common shares, par value $0.01 per share. As part of the ATM Program, the Company entered into an equity distribution agreement dated November 7, 2019 (the “Sales Agreement”), with BTIG, LLC, as sales agent (the “Agent”). In accordance with the terms of the Sales Agreement, the Company may offer and sell its common shares from time to time through the Agent by means of ordinary brokers’ transactions on the NYSE at market prices, in block transactions, or as otherwise agreed upon by the Agent and the Company. The Company intends to use the net proceeds from any sales under the Program for general corporate and working capital purposes.

No shares were sold under this program during the year ended December 31, 2019.

*Follow-on Offerings of Common Shares*

In October 2018, we closed on the sale of 18.2 million newly issued shares of our common stock in an underwritten public offering at an offering price of $18.50 per share. We received aggregate net proceeds of $319.6 million after deducting underwriters' discounts and offering expenses. Of the 18.2 million common shares issued, 5.4 million and 0.54 million shares were issued to Scorpio Bulkers Inc., and SSH, each a related party, respectively, at the offering price.

In December 2017, we closed on the sale of 3.45 million newly issued shares of our common stock in an underwritten public offering at an offering price of $30.00 per share. We received aggregate net proceeds of $99.6 million after deducting underwriters' discounts and offering expenses. Of the 3.45 million common shares issued, 0.67 million shares were issued to SSH, a related party, at the offering price.

In May 2017, we closed on the sale of 5.0 million newly issued shares of our common stock in an underwritten public offering at an offering price of $40.00 per share. We received aggregate net proceeds of $188.7 million, after deducting underwriters' discounts and offering expenses. The completion of this offering was a condition to closing the Merger with NPTI.

*Merger with NPTI*

On September 1, 2017, we issued a total of 5,499,999 common shares to NPTI's shareholders as consideration for the Merger.

Additionally, as a part of the Merger, we issued 0.2 million of warrants to the NPTI pool manager (a former related party of NPTI), exercisable into our common shares at an exercise price of $0.10 per warrant, upon the delivery of the vessels acquired from NPTI to the Scorpio Pools. The first warrant was issued in June 2017 as part of the NPTI Vessel Acquisition for an aggregate of 22,222 of the Company's common shares, and the second warrant was issued on similar terms to the first warrant on September 1, 2017 for an aggregate of 127,778 of the Company's common shares at an exercise price of $0.10 per share upon the delivery of each of the 23 remaining vessels to the Scorpio Pools. This transaction is further described in Note 2. All of the warrants had been exercised as of December 31, 2017.

*2013 Equity Incentive Plan*

In April 2013, we adopted an equity incentive plan, which was amended in March 2014 and which we refer to as the 2013 Equity Incentive Plan, under which directors, officers, employees, consultants and service providers of us and our subsidiaries and affiliates are eligible to receive incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and unrestricted common stock. We initially reserved a total of 500,000 common shares for issuance under the 2013 Equity Incentive Plan which was increased by an aggregate of 1,286,971 common shares through December 31, 2016 and subsequently revised as follows:

- In October 2017, we reserved an additional 950,180 common shares, par value $0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.
- In February 2018, we reserved an additional 512,244 common shares, par value $0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.
- In June 2018, we reserved an additional 210,140 common shares, par value $0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.
- In December 2018, we reserved an additional 1,383,248 common shares, par value $0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.
- In February 2019, we reserved an additional 86,977 common shares, par value $0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.
- In July 2019, we reserved an additional 134,893 common shares, par value $0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.
- In December 2019, we reserved an additional 529,624 common shares, par value $0.01 per share, for issuance pursuant to the 2013 Equity Incentive Plan. All other terms of the 2013 Equity Incentive Plan remained unchanged.

Under the terms of the 2013 Equity Incentive Plan, stock options and stock appreciation rights granted under the 2013 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. Following the vesting of a restricted stock unit, the award recipient will be paid an amount equal to the number of vested restricted stock units multiplied by the fair market value of a common share on the date of vesting, which payment may be paid in the form of cash or common shares or a combination of both, as determined by the plan administrator. The plan administrator may grant dividend equivalents with respect to grants of restricted stock units.

Adjustments may be made to outstanding awards in the event of a corporate transaction or change in capitalization or other extraordinary event. In the event of a “change in control” (as defined in the 2013 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 2013 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 plan amendments will be required under certain circumstances. Unless terminated earlier by our board of directors, the 2013 Equity Incentive Plan will expire ten years from the date the plan was adopted.

In December 2017, we issued 997,380 shares of restricted stock to our employees, 60,000 shares to our independent directors and 34,900 shares to SSH employees for no cash consideration. The share price on the issuance date was $30.90 per share. The vesting schedule of the restricted stock issued to our employees is as follows:

| Number of restricted shares | Vesting date |
|---|---|
| 36,043 | September 5, 2019 |
| 67,026 | March 2, 2020 |
| 125,857 | June 1, 2020 |
| 139,576 | September 4, 2020 |
| 67,026 | March 1, 2021 |
| 125,858 | June 1, 2021 |
| 139,577 | September 3, 2021 |
| 67,026 | March 1, 2022 |
| 125,858 | June 1, 2022 |
| 103,533 | September 2, 2022 |
| 997,380 | |

The vesting schedule of the restricted stock issued to SSH employees is (i) one-third of the shares vest on June 1, 2020, (ii) one-third of the shares vest on June 1, 2021, and (iii) one-third of the shares vest on June 1, 2022. The vesting schedule of the restricted shares issued to our independent directors is (i) one-third of the shares vested on September 5, 2018, (ii) one-third of the shares vested on September 5, 2019, and (iii) one-third shares vest on September 4, 2020.

In March 2018, we issued 500,245 shares of restricted stock to our employees and 12,000 shares to our independent directors for no cash consideration. The share price on the issuance date was $22.15 per share. The vesting schedule of the restricted stock issued to our employees is as follows:

| Number of restricted shares | Vesting date |
|---|---|
| 123,518 | September 4, 2020 |
| 21,750 | November 4, 2020 |
| 21,479 | March 1, 2021 |
| 123,518 | September 3, 2021 |
| 21,750 | November 5, 2021 |
| 21,480 | March 1, 2022 |
| 123,519 | September 2, 2022 |
| 21,751 | November 4, 2022 |
| 21,480 | March 1, 2023 |
| 500,245 | |

The vesting schedule of the restricted stock issued to our independent directors is: (i) one-third of the shares vested on March 1, 2019, (ii) one-third of the shares vested on March 2, 2020, and (iii) one-third of the shares vest on March 1, 2021.

In September 2018, we issued 198,141 shares of restricted stock to our employees and 12,000 shares to our independent directors for no cash consideration. The share price on the issuance date was $19.75 per share. The vesting schedule of the restricted stock issued to our employees is (i) one-third of the shares vest on June 9, 2021, (ii) one-third of the shares vest on June 9, 2022, and (iii) one-third of the shares vest on June 8, 2023. The vesting schedule of the restricted stock issued to our independent directors is (i) one-third of the shares vested on June 10, 2019, (ii) one-third of the shares vest on June 10, 2020, and (iii) one-third of the shares vest on June 9, 2021.

In December 2018, we issued 1,103,248 shares of restricted stock to our employees and 60,000 shares to our independent directors for no cash consideration. The share price on the issuance date was $19.55 per share. The vesting schedule of the restricted stock issued to our employees is (i) one-third of the shares vest on September 23, 2021, (ii) one-third of the shares vest on September 26, 2022, and (iii) one-third of the shares vest on September 25, 2023. The vesting schedule of the restricted stock issued to our independent directors is (i) one-third of the shares vested on September 25, 2019, (ii) one-third of the shares vest on September 24, 2020, and (iii) one-third of the shares vest on September 23, 2021.

In June 2019, we issued 112,750 shares of restricted stock to our employees and 107,500 to SSH employees for no cash consideration. The share price on the issuance date was $24.93 per share. The vesting schedule of the restricted stock issued to both our employees and SSH employees is (i) one-third of the shares vest on June 6, 2022, (ii) one-third of the shares vest on June 5, 2023 and (iii) one-third of the shares vest on June 4, 2024.

In July 2019, we issued 230,170 shares of restricted stock to our employees for no cash consideration. The share price on the issuance date was $26.23 per share. The vesting schedule of the restricted stock issued to our employees is (i) one-third of the shares vest on May 24, 2022, (ii) one-third of the shares vest on May 23, 2023, and (iii) one-third of the shares vest on May 22, 2024.

In December 2019, we issued 60,000 shares of restricted stock to our independent directors for no cash consideration. The share price on the issuance date was $33.90 per share. The vesting schedule of the restricted stock issued to our independent directors is (i) one-third of the shares vest on December 4, 2020, (ii) one-third of the shares vest on December 3, 2021, and (iii) one-third of the shares vest on December 2, 2022.

There were 469,680 shares eligible for issuance under the 2013 Equity Incentive Plan as of December 31, 2019.

The following is a summary of activity for awards of restricted stock during the years ended December 31, 2019 and 2018:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding and non-vested, December 31, 2017 | 1,925,441 | $ 53.39 |
| Granted | 1,885,633 | 20.28 |
| Vested | (447,380) | 89.13 |
| Forfeited | (3,807) | 52.59 |
| Outstanding and non-vested, December 31, 2018 | **3,359,887** | **30.05** |
| Granted | 510,420 | 26.57 |
| Vested | (306,065) | 65.96 |
| Forfeited | (2,500) | 46.41 |
| **Outstanding and non-vested, December 31, 2019** | **3,561,742** | **$ 26.45** |

Compensation expense is recognized ratably over the vesting periods for each tranche using the straight-line method.

Assuming that all the restricted stock will vest, the stock compensation expense in future periods, including that related to restricted stock issued in prior periods will be:

| *In thousands of U.S. dollars* | Employees | Directors | Total |
|---|---|---|---|
| For the year ending December 31, 2020 | 21,584 | 1,734 | 23,318 |
| For the year ending December 31, 2021 | 14,531 | 659 | 15,190 |
| For the year ending December 31, 2022 | 7,167 | 208 | 7,375 |
| For the year ending December 31, 2023 | 2,423 | — | 2,423 |
| For the year ending December 31, 2024 | 321 | — | 321 |
| | **$ 46,026** | **$ 2,601** | **$ 48,627** |

*Dividend Payments*

The following dividends were paid during the years ended December 31, 2019, 2018 and 2017.

| **Dividends per share** | **Date Paid** |
|---|---|
| $0.100 | March 30, 2017 |
| $0.100 | June 14, 2017 |
| $0.100 | September 29, 2017 |
| $0.100 | December 28, 2017 |
| $0.100 | March 27, 2018 |
| $0.100 | June 28, 2018 |
| $0.100 | September 27, 2018 |
| $0.100 | December 13, 2018 |
| $0.100 | March 28, 2019 |
| $0.100 | June 27, 2019 |
| $0.100 | September 27, 2019 |
| $0.100 | December 13, 2019 |

*2015 Securities Repurchase Program*

In May 2015, our Board of Directors authorized a new Securities Repurchase Program to purchase up to an aggregate of $250 million of our common stock and bonds, the latter of which currently consists of our (i) Senior Notes Due 2020 (NYSE: SBNA), and (ii) Convertible Notes due 2022.

During the year ended December 31, 2019, we purchased an aggregate of 30 of our common shares that are being held as treasury shares at an average price of $17.10 per share.

We had $121.6 million remaining under our Securities Repurchase Program as of December 31, 2019. We expect to repurchase any securities in the open market, at times and prices that are considered to be appropriate, but we are not obligated under the terms of the program to repurchase any securities.

There were 6,349,324 and 6,349,294 common shares held in treasury at each of December 31, 2019 and December 31, 2018, respectively.

*Shares outstanding*

We currently have 175,000,000 registered shares of which 150,000,000 are designated as common shares with a par value of $0.01 and 25,000,000 designated as preferred shares with a par value of $0.01.

As of December 31, 2019, we had 58,202,400 common shares outstanding. These shares provide the holders with rights to dividends and voting rights.

**17. Related party transactions**

Our vessels are commercially managed by SCM and technically managed by SSM pursuant to the terms and conditions set forth under a Revised Master Agreement (defined below).

On September 29, 2016, we agreed to amend our master agreement, or the Master Agreement, with SCM and SSM under a deed of amendment, or the Deed of Amendment. Pursuant to the terms of the Deed of Amendment, on November 15, 2016, we entered into definitive documentation to memorialize the agreed amendments to the Master Agreement, or the Amended and Restated Master Agreement. On February 22, 2018, we entered into definitive documentation to memorialize previously 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, was effective as from January 1, 2018.

The Revised Master Agreement 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 in control, including a sale of all or substantially all of our vessels, in which case a payment equal to 24 months of management fees will apply. SCM and SSM are related parties of ours. We expect that additional vessels that we may acquire in the future will also be managed under the Revised Master Agreement or on substantially similar terms.

Pursuant to the Revised Master Agreement, the fixed annual technical management fee was reduced from $250,000 per vessel to $175,000 per vessel, 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, did not materially differ from the annual technical management fee charged prior to the amendment.

Transactions with entities controlled by the Lolli-Ghetti family (herein referred to as related parties) in the consolidated statements of income or loss and balance sheets are as follows:

| | For the year ended December 31, | | |
|---|---|---|---|
| *In thousands of U.S. dollars* | **2019** | **2018** | **2017** |
| Pool revenue[1] | | | |
| Scorpio MR Pool Limited | $ 261,727 | $ 225,181 | $ 217,141 |
| Scorpio LR2 Pool Limited | 260,893 | 188,890 | 136,514 |
| Scorpio Handymax Tanker Pool Limited | 103,150 | 82,782 | 78,510 |
| Scorpio LR1 Pool Limited | 66,009 | 46,823 | 13,895 |
| Scorpio Panamax Tanker Pool Limited | — | — | 1,515 |
| Scorpio Aframax Pool Limited | — | — | 1,170 |
| Voyage expenses[2] | (2,131) | (1,290) | (1,786) |
| Vessel operating costs[3] | (31,732) | (34,272) | (27,601) |
| Administrative expenses[4] | (12,975) | (12,475) | (10,744) |

(1) These transactions relate to revenue earned in the Scorpio Pools. The Scorpio Pools are related parties. When our vessels are in the Scorpio Pools, SCM, the pool manager, charges fees of $300 per vessel per day with respect to our LR1/Panamax and Aframax vessels, $250 per vessel per day with respect to our LR2 vessels, and $325 per vessel per day with respect to each of our Handymax and MR vessels, plus a commission of 1.50% on gross revenue per charter fixture. These are the same fees that SCM charges other vessels in these pools, including third party vessels. In September 2018, we entered into an agreement with SCM whereby SCM reimbursed a portion of the commissions that SCM charges the Company's vessels to effectively reduce such to 0.85% of gross revenue per charter fixture, effective from September 1, 2018 and ending on June 1, 2019.

(2) Related party expenditures included within voyage expenses in the consolidated statements of income or loss consist of the following:

- Expenses due to SCM, a related party, for commissions related to the commercial management services provided by SCM under the commercial management agreement for vessels that are not in one of the Scorpio Pools. SCM's services include securing employment, in the spot market and on time charters, for our vessels. When not in one of the Scorpio Pools, each vessel pays (i) flat fees of $250 per day for LR1/Panamax and LR2/Aframax vessels and $300 per day for Handymax and MR vessels and (ii) commissions of 1.25% of their gross revenue per charter fixture. These expenses are included in voyage expenses in the consolidated statements of income or loss. In September 2018, we entered into an agreement with SCM whereby SCM reimbursed a portion of the commissions that SCM charges the Company's vessels to effectively reduce such to 0.85% of gross revenue per charter fixture, effective from September 1, 2018 and ending on June 1, 2019.
- Voyage expenses of $4,357 and $25,747 charged by a related party port agent during the years ended December 31, 2019 and December 31, 2018, respectively. SSH has a majority equity interest in a port agent that provides supply and logistical services for vessels operating in its regions. No voyage expenses were charged by this port agent during the year ended December 31, 2017.

(3) Related party expenditures included within vessel operating costs in the consolidated statements of income or loss consist of the following:

- Technical management fees of $30.0 million, $30.1 million, and $22.9 million charged by SSM, a related party, during the years ended December 31, 2019, 2018 and 2017 respectively. SSM's services include day-to-day vessel operations, performing general maintenance, monitoring regulatory and classification society compliance, customer vetting procedures, supervising the maintenance and general efficiency of vessels, arranging the hiring of qualified officers and crew, arranging and supervising drydocking and repairs, purchasing supplies, spare parts and new equipment for vessels, appointing supervisors and technical consultants, and providing technical support. SSM administers the payment of salaries to our crew on our behalf. The crew wages that were administered by SSM (and disbursed through related party subcontractors of SSM) were $138.9 million, $125.8 million, and $100.0 million during the years ended December 31, 2019, 2018 and 2017 respectively. SSM's fixed annual technical management fee is $175,000 per vessel plus certain itemized expenses in the technical management agreement.
- Insurance related expenses of $2.6 million and $4.3 million incurred through a related party insurance broker during the years ended December 31, 2018 and 2017 respectively. The amounts recorded reflect the amortization of the policy premiums, which are paid directly to the broker, who then remits the premiums to the underwriters. In 2016, an Executive Officer of the Company acquired a minority interest, which in 2018 increased to a majority interest, in an insurance broker which arranges hull and machinery and war risk insurance for certain of our owned and finance leased vessels. This broker has arranged such policies for the Company since 2010 and the extent of the coverage and the manner in which the policies are priced did not change as a result of this transaction. In September 2018, the Executive Officer disposed of their interest in the insurance broker in its entirety to a third party not affiliated with the Company.
- Vessel operating expenses of $1.7 million, $1.6 million and $0.4 million charged by a related party port agent during the years ended December 31, 2019, 2018 and 2017, respectively. SSH has a majority equity interest in a port agent that provides supply and logistical services for vessels operating in its regions.

(4) We have an Amended Administrative Services Agreement with SSH for the provision of administrative staff and office space, and administrative services, including accounting, legal compliance, financial and information technology services. SSH is a related party to us. SSH also arranges vessel sales and purchases for us. The services provided to us by SSH may be sub-contracted to other entities within Scorpio. The expenses incurred under this agreement were recorded in general and administrative expenses in the consolidated statement of income or loss and were as follows:

- The expense for the year ended December 31, 2019 of $13.0 million included (i) administrative fees of $11.4 million charged by SSH, (ii) restricted stock amortization of $1.1 million, which relates to the issuance of an aggregate of 221,900 shares of restricted stock to SSH employees for no cash consideration pursuant to the 2013 Equity Incentive Plan, and (iii) the reimbursement of expenses of $0.2 million to SSH and $0.2 million to SCM.
- The expense for the year ended December 31, 2018 of $12.5 million included (i) administrative fees of $11.1 million charged by SSH, (ii) restricted stock amortization of $1.3 million, which relates to the issuance of an aggregate of 114,400 shares of restricted stock to SSH employees for no cash consideration pursuant to the 2013 Equity Incentive Plan and (iii) the reimbursement of expenses of $46,535.
- The expense for the year ended December 31, 2017 of $10.7 million included (i) administrative fees of $9.0 million charged by SSH, (ii) restricted stock amortization of $1.2 million, which relates to the issuance of an aggregate of 114,400 shares of restricted stock to SSH employees for no cash consideration pursuant to the 2013 Equity Incentive Plan and (iii) the reimbursement of expenses of $0.5 million.

We had the following balances with related parties, which have been included in the consolidated balance sheets:

| In thousands of U.S. dollars | As of December 31, 2019 | As of December 31, 2018 |
|---|---|---|
| **Assets:** | | |
| Accounts receivable (due from the Scorpio Pools) (1) | $ 74,412 | $ 66,178 |
| Accounts receivable and prepaid expenses (SSM) (2) | 1,624 | 2,461 |
| Accounts receivable and prepaid expenses (SCM) (3) | 0 | 2,511 |
| Other assets (pool working capital contributions) (4) | 49,094 | 42,973 |
| **Liabilities:** | | |
| Accounts payable and accrued expenses (owed to the Scorpio Pools) | 3,717 | 66 |
| Accounts payable and accrued expenses (SSM) | 2,667 | 832 |
| Accounts payable and accrued expenses (related party port agent) | 361 | 459 |
| Accounts payable and accrued expenses (SSH) | 353 | 409 |
| Accounts payable and accrued expenses (SCM) | 14 | 389 |

(1) Accounts receivable due from the Scorpio Pools relate to hire receivables for revenues earned and receivables from working capital contributions. The amounts as of December 31, 2019 and 2018 include $24.3 million and $22.9 million, respectively, of working capital contributions made on behalf of our vessels to the Scorpio Pools. Upon entrance into such pools, all vessels are required to make working capital contributions of both cash and bunkers. Additional working capital contributions can be made from time to time based on the operating needs of the pools. These amounts are accounted for and repaid as follows:

- For vessels in the Scorpio Handymax Tanker Pool, the initial contribution amount is repaid, without interest, upon a vessel's exit from the pool no later than six months after the exit date. Bunkers on board a vessel exiting the pool are credited against such repayment at the actual invoice price of the bunkers. For all owned or finance leased vessels we assume that these contributions will not be repaid within 12 months and are thus classified as non-current within other assets on the consolidated balance sheets. For time or bareboat chartered-in vessels we classify the initial contributions as current (within accounts receivable) or non-current (within other assets) according to the expiration of the contract. Any additional working capital contributions are repaid when sufficient net revenues become available to cover such amounts.
- For vessels in the Scorpio MR Pool and Scorpio Panamax Tanker Pool, any contributions are repaid, without interest, when such vessel has earned sufficient net revenues to cover the value of such working capital contributed. Accordingly, we classify such amounts as current (within accounts receivable).
- For vessels in the Scorpio LR2 Pool, Scorpio Aframax Pool and Scorpio LR1 Pool, the initial contribution amount is repaid, without interest, upon a vessel's exit from each pool. Bunkers on board a vessel exiting the pool are credited against such repayment at the actual invoice price of the bunkers. For all owned or finance leased vessels we assume that these contributions will not be repaid within 12 months and are thus classified as non-current within other assets on the consolidated balance sheets. For time or bareboat chartered-in vessels we classify the initial contributions as current (within accounts receivable) or non-current (within other assets) according to the expiration of the contract. Any additional working capital contributions are repaid when sufficient net revenues become available to cover such amounts and are therefore classified as current.

(2) Accounts receivable and prepaid expenses from SSM primarily relate to advances made for vessel operating expenses (such as crew wages) that will either be reimbursed or applied against future costs.

(3) Accounts receivable and prepaid expenses from SCM primarily relate to the reduction of commission rebate to 0.85% of gross revenue per charter fixture as described above.

(4) Represents the non-current portion of working capital receivables as described above.

Prior to September 29, 2016, we paid SSH a fee for arranging vessel purchases and sales, on our behalf, equal to 1% of the gross purchase or sale price, payable upon the consummation of any such purchase or sale. This fee was eliminated for all vessel purchase or sale agreements entered into after September 29, 2016. These fees are capitalized as part of the carrying value of the related vessel for a vessel purchase and are included as part of the gain or loss on sale for a vessel disposal.

- During the year ended December 31, 2019, no fees were paid to SSH for the sale or purchase of vessels.
- During the year ended December 31, 2018, we paid SSH an aggregate fee of $0.7 million in connection with the purchase and delivery of *STI Esles II* and *STI Jardins.* The agreements to acquire the aforementioned vessels were entered into prior to the September 29, 2016 amendments to the Administrative Services Agreement.
- During the year ended December 31, 2017, we paid SSH an aggregate fee of $2.2 million in connection with the purchase and delivery of *STI Galata*, *STI Bosphorus*, *STI Leblon*, *STI La Boca*, *STI San Telmo* and *STI Donald C. Trauscht*. Additionally, we paid SCM an aggregate termination fee of $0.2 million that was due under the commercial management agreement and we paid SSM an aggregate termination fee of $0.2 million that was due under the technical management agreements as a result of the sales of *STI Emerald* and *STI Sapphire* which have been recorded within loss on sales of vessels within the consolidated statement of income or loss. The agreements to acquire and sell the aforementioned vessels were entered into prior to the September 29, 2016 amendments to the Master Agreement and Administrative Services Agreement.

*Follow-on Offerings of Common Shares*

In December 2017, we closed on the sale of 3.45 million newly issued shares of our common stock in an underwritten public offering at an offering price of $30.00 per share. We received aggregate net proceeds of $99.6 million after deducting underwriters' discounts and offering expenses. Of the 3.45 million common shares issued, 0.67 million shares were issued to SSH, at the offering price.

In October 2018, we closed on the sale of 18.2 million newly issued shares of our common stock in an underwritten public offering at an offering price of $18.50 per share. We received aggregate net proceeds of $319.6 million after deducting underwriters' discounts and offering expenses. Of the 18.2 million common shares issued, 5.4 million and 0.54 million shares were issued to Scorpio Bulkers Inc., a related party, and SSH at the offering price.

*Private Placement*

In September 2019, we closed on a private placement with SSH for $15 million, in exchange for an aggregate of 517,241 of our common shares at $29.00 per share, as described in Note 16.

*Other agreements*

In 2011, we entered into an agreement to reimburse costs to SSM as part of its supervision agreement for newbuilding vessels. There were no costs incurred under this agreement during the years ended December 31, 2019, 2018 and 2017. We also have an agreement with SSM to supervise the eight MR product tankers that were under construction at HMD and delivered throughout 2017 and in January 2018. We paid SSM $0.7 million under this agreement during the year ended December 31, 2017. There were no costs incurred under this agreement during the years ended December 31, 2019 and 2018.

In October 2019, we provided two guarantees in respect of the payment obligations of a related party bunker provider (who is engaged in the procurement of bunkers on behalf of the Company and the Scorpio Pools) toward its physical suppliers. No amounts were paid to this provider during the year ended December 31, 2019. The maximum amount under these guarantees is $6.0 million in aggregate.

**Key management remuneration**

The table below shows key management remuneration for the years ended December 31, 2019, 2018 and 2017:

| | For the year ended December 31, | | |
|---|---|---|---|
| *In thousands of U.S. dollars* | 2019 | 2018 | 2017 |
| Short-term employee benefits (salaries) | $ 10,821 | $ 5,436 | $ 6,614 |
| Share-based compensation [(1)] | 21,712 | 20,316 | 19,113 |
| **Total** | **$ 32,533** | **$ 25,752** | **$ 25,727** |

(1) Represents the amortization of restricted stock issued under our equity incentive plans as described in Note 16.

For the purpose of the table above, key management are those persons who have authority and responsibility for making strategic decisions, and managing operating, financial and legal activities.

We have entered into employment agreements with the majority of our executives. These employment agreements remain in effect until terminated in accordance with their terms upon not less than between 24 months' and 36 months' prior written notice, depending on the terms of the employment agreement applicable to each executive. Pursuant to the terms of their respective employment agreements, our executives 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, and the executive may receive an assurance bonus equal to the fixed bonus, 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 three times the sum of the executive’s then current base salary and the assurance bonus, and he will continue to receive all salary, compensation payments and benefits, including additional bonus payments, otherwise due to him, to the extent permitted by applicable law, for the remaining balance of his then-existing employment period. 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.

There are no material post-employment benefits for our executive officers or directors. By law, our employees in Monaco are entitled to a one-time payment of up to two months salary upon retirement if they meet certain minimum service requirements.

There are no post-employment benefits.

**18. Vessel revenue**

During the years ended December 31, 2019, 2018 and 2017, we had three, five, and five vessels that earned revenue through long-term time-charter contracts (with initial terms of one year or greater), respectively. The remaining vessels earned revenue from the Scorpio Pools or in the spot market. The following table sets forth our revenue, by employment type, for these periods:

| | For the year ended December 31, | | |
|---|---|---|---|
| *In thousands of U.S. dollars* | **2019** | **2018** | **2017** |
| Pool revenue | $ 691,886 | $ 543,784 | $ 458,730 |
| Time charter revenue | 2,551 | 34,015 | 37,411 |
| Voyage revenue (spot market) | 9,888 | 7,248 | 16,591 |
| | **$ 704,325** | **$ 585,047** | **$ 512,732** |

**19. Crewing costs**

The following table sets forth the components of our crew expenses, including crew benefits, during the years ended December 31, 2019, 2018 and 2017, respectively.

| | For the year ended December 31, | | |
|---|---|---|---|
| *In thousands of US dollars* | 2019 | 2018 | 2017 |
| Short term crew benefits (i.e. wages, victualing, insurance) | 155,958 | 150,743 | 122,197 |
| Other crewing related costs | 20,728 | 19,534 | 18,733 |
| | $ 176,686 | $ 170,277 | $ 140,930 |

There are no material post-employment benefits for our crew.

**20. General and administrative expenses**

General and administrative expenses primarily represent employee benefit expenses, professional fees and administrative fees payable to SSH under our administrative services agreement (as described in Note 17).

Employee benefit expenses (excluding crew) consist of:

| | For the year ended December 31, | | |
|---|---|---|---|
| *In thousands of U.S. dollars* | 2019 | 2018 | 2017 |
| Short term employee benefits (salaries) | $ 16,776 | $ 9,605 | $ 9,196 |
| Share based compensation (see Note 16) | 27,421 | 25,547 | 22,385 |
| | **$ 44,197** | **$ 35,152** | **$ 31,581** |

There are no material post-employment benefits for our executive officers or directors. By law, our employees in Monaco are entitled to a one-time payment of up to two months salary upon retirement if they meet certain minimum service requirements.

There are no post-employment benefits.

**21. Financial expenses**

The following table sets forth the components of our financial expenses for the years ended December 31, 2019, 2018 and 2017:

| | For the year ended December 31, | | |
|---|---|---|---|
| *In thousands of U.S. dollars* | 2019 | 2018 | 2017 |
| Interest expense on debt (including all lease financing arrangements) (1) | $ 162,738 | $ 145,871 | $ 86,703 |
| Amortization of deferred financing fees | 7,041 | 10,541 | 13,381 |
| Write-off of deferred financing fees (2) | 1,466 | 13,212 | 2,467 |
| Accretion of convertible notes (as described in Note 13) | 11,375 | 13,225 | 12,211 |
| Accretion of premiums and discounts on assumed debt(3) | 3,615 | 3,779 | 1,478 |
| **Total financial expenses** | **$ 186,235** | **$ 186,628** | **$ 116,240** |

(1) The increase in interest expense is primarily attributable to increases in the Company's average debt balance over each period. The average carrying value of our debt outstanding during the years ended December 31, 2019, 2018 and 2017 was $2.91 billion, $2.81 billion and $2.27 billion, respectively. The increase in the average carrying value of our debt balance during the year ended December 31, 2019 was primarily the result of the Trafigura Transaction and the assumption of $531.5 million of obligations under leasing arrangements. The increase in the average carrying value of our debt balance during the year ended December 31, 2018 was primarily the result of the Merger and the assumption of NPTI's indebtedness of $907.4 million (which closed in September 2017 and thus did not impact the entire year ended December 31, 2017), in addition to an increase in debt as a result of a series of refinancing initiatives on certain of our vessels in our fleet that was completed during the year ended December 31, 2018.

Additionally, LIBOR rates increased during the year ended December 31, 2018, thus augmenting the increase in interest expense during that year. LIBOR rates decreased during the year ended December 31, 2019, thus partially offsetting the increase in interest expense during that year.

Interest payable during those periods was offset by interest capitalized of $2.8 million, $0.2 million and $4.2 million, during the years ended December 31, 2019, 2018 and 2017 respectively.

(2) The write-off of deferred financing fees during the year ended December 31, 2019 include (i) $1.2 million related to the refinancing of existing indebtedness on certain vessels, and (ii) $0.3 million related to the redemption of the Senior Notes due 2019 (as described in Note 13). The write-off of deferred financing fees during the year ended December 31, 2018 includes (i) $1.2 million related to the exchange of our Convertible Notes due 2019 in May and July 2018 (as described in Note 13), and (ii) $12.0 million related to the refinancing of the existing indebtedness on certain vessels. The write-off of deferred financing fees during the year ended December 31, 2017 includes (i) $0.5 million related to the repayment of debt as a result of the sales of two vessels, (ii) $0.1 million related to the repayment of debt as a result of the sale and operating leasebacks of three vessels, (iii) $1.1 million related to the repayment of debt as a result of the sale and finance leasebacks for five vessels, and (iv) $0.8 million related to the refinancing and repayment of various secured and unsecured borrowings during the year ended December 31, 2017.

(3) The accretion of premiums and discounts represent the accretion or amortization of the fair value adjustments relating to the indebtedness assumed from NPTI that have been recorded since the closing dates of the NPTI Vessel Acquisition and the September Closing.

## 22. Tax

Scorpio Tankers Inc. and its vessel-owning subsidiaries are incorporated in the Republic of the Marshall Islands, and in accordance with the income tax laws of the Marshall Islands, are not subject to Marshall Islands' income tax. Based upon review of applicable laws and regulations, and after consultation with counsel, we do not believe we are subject to material income taxes in any jurisdiction, including the United States of America. Therefore, we did not have any income tax charges, benefits, or balances as of or for the periods ended December 31, 2019, 2018 and 2017.

### 23. (Loss) / earnings per share

The calculation of both basic and diluted loss per share is based on net loss attributable to equity holders of the parent and weighted average outstanding shares of:

| | For the year ended December 31, | | |
|---|---|---|---|
| *In thousands of U.S. dollars except for share data* | 2019 | 2018 | 2017 |
| Net loss attributable to equity holders of the parent - basic | $ (48,490) | $ (190,071) | $ (158,240) |
| Convertible notes interest expense | — | — | — |
| Convertible notes deferred financing amortization | — | — | — |
| Net loss attributable to equity holders of the parent - diluted | $ (48,490) | $ (190,071) | $ (158,240) |
| Basic weighted average number of shares | 49,857,998 | 34,824,311 | 21,533,340 |
| Effect of dilutive potential basic shares: | | | |
| Restricted stock | — | — | — |
| Convertible notes | — | — | — |
| | — | — | — |
| Diluted weighted average number of shares | **49,857,998** | **34,824,311** | **21,533,340** |
| Loss Per Share: | | | |
| Basic | $ (0.97) | $ (5.46) | $ (7.35) |
| Diluted | $ (0.97) | $ (5.46) | $ (7.35) |

During the years ended December 31, 2019, 2018 and 2017, we incurred net losses and as a result, the inclusion of potentially dilutive shares relating to unvested shares of restricted stock and our Convertible Notes due 2019 and Convertible Notes due 2022 were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. Accordingly, interest expense, deferred financing amortization and the potentially dilutive securities relating to the conversion of the Convertible Notes due 2019 and Convertible Notes due 2022 (representing 5,238,105, 6,613,733, and 3,442,282 shares of common stock for the years ended December 31, 2019, 2018 and 2017, respectively) along with the potentially dilutive impact of 3,561,742 and 3,359,887 and 1,925,441 unvested shares of restricted stock were excluded from the computation of diluted earnings per share for the years ended December 31, 2019, 2018 and 2017, respectively.

### 24. Financial instruments - financial and other risks

**Funding and capital risk management**

We manage our funding and capital resources to ensure our ability to continue as a going concern while maximizing the return to the shareholder through optimization of the debt and equity balance.

IFRS 13 requires classifications of fair value measures into Levels 1, 2 and 3. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values and carrying values of our financial instruments at December 31, 2019 and 2018, respectively, are shown in the table below.

**Categories of Financial Instruments**

| *Amounts in thousands of U.S. dollars* | As of December 31, 2019 | | As of December 31, 2018 | |
|---|---|---|---|---|
| | Fair value | Carrying Value | Fair value | Carrying Value |
| **Financial assets** | | | | |
| Cash and cash equivalents [1] | $ 202,303 | $ 202,303 | $ 593,652 | $ 593,652 |
| Restricted cash [2] | 12,293 | 12,293 | 12,285 | 12,285 |
| Accounts receivable [3] | 78,174 | 78,174 | 69,718 | 69,718 |
| Investment in BWTS [4] | 1,751 | 1,751 | 1,751 | 1,751 |
| Working capital contributions to Scorpio Pools [5] | 49,094 | 49,094 | 42,973 | 42,973 |
| Seller's credit on sale leaseback vessels [6] | 9,624 | 9,624 | 9,087 | 9,087 |
| **Financial liabilities** | | | | |
| Accounts payable [7] | $ 23,122 | $ 23,122 | $ 11,865 | $ 11,865 |
| Accrued expenses [7] | 41,452 | 41,452 | 22,972 | 22,972 |
| Secured bank loans [8] | 1,001,087 | 1,001,087 | 1,066,452 | 1,066,452 |
| Finance lease liability [9] | 1,317,709 | 1,317,709 | 1,420,381 | 1,420,381 |
| IFRS 16 - lease liability [10] | 571,748 | 569,974 | — | — |
| Senior Notes Due 2020 [11] | 54,562 | 53,750 | 52,584 | 53,750 |
| Senior Notes Due 2019 [11] | — | — | 58,029 | 57,500 |
| Convertible Notes due 2019 [12] | — | — | 140,267 | 145,000 |
| Convertible Notes due 2022 [12] | 250,305 | 203,500 | 163,842 | 203,500 |

(1) Cash and cash equivalents are considered Level 1 items as they represent liquid assets with short-term maturities.

(2) Restricted cash are considered Level 1 items due to the liquid nature of these assets.

(3) We consider that the carrying amount of accounts receivable approximate their fair value due to the relative short maturity of these instruments.

(4) We consider the value of our minority interest in our BWTS supplier (as described in Note 9) to be a Level 3 fair value measurement, as this supplier is a private company and the value has been determined based on unobservable market data (i.e. the proceeds that we would receive if we exercised the put option set forth in the agreement in full). Moreover, we consider that its carrying value approximates fair value given that the value of this investment is contractually limited to the strike prices set forth in the put and call options prescribed in the agreement and the difference between the two prices is not significant. The difference in the aggregate value of the investment, based on the spread between the exercise prices of the put and call options is $0.6 million.

(5) Non-current working capital contributions to the Scorpio Pools are repaid, without interest, upon a vessel's exit from the pool. For all owned vessels, we assume that these contributions will not be repaid within 12 months and are thus classified as non-current within Other Assets on the consolidated balance sheets. We consider that their carrying values approximate fair value given that the amounts due are contractually fixed based on the terms of each pool agreement.

(6) The seller's credit on lease financed vessels represents the present value of the deposits of $4.35 million per vessel ($13.1 million in aggregate) that was retained by the buyer as part of the sale and operating leasebacks of *STI Beryl*, *STI Le Rocher* and *STI Larvotto*. This deposit will either be applied to the purchase price of the vessel if a purchase option is exercised or refunded to us at the expiration of the agreement. This deposit has been recorded as a financial asset measured at amortized cost. The present value of this deposit has been calculated based on the interest rate that is implied in the lease, and the carrying value will accrete over the life of the lease using the effective interest method, through interest income, until expiration. We consider that its carrying value approximates fair value given that its value is contractually fixed based on the terms of each lease.

(7) We consider that the carrying amounts of accounts payable and accrued expenses approximate the fair value due to the relative short maturity of these instruments.

(8) The carrying value of our secured bank loans are measured at amortized cost using the effective interest method. We consider that their carrying value approximates fair value because the interest rates on these instruments change with, or approximate, market interest rates and the credit risk of the Company has remained stable. Accordingly, we consider their fair value to be a Level 2 measurement. These amounts are shown net of $8.8 million and $12.6 million of unamortized deferred financing fees as of December 31, 2019 and 2018, respectively.

(9) The carrying value of our obligations due under finance lease arrangements are measured at amortized cost using the effective interest method. We consider that their carrying value approximates fair value because the interest rates on these instruments change with, or approximate, market interest rates and the credit risk of the Company has remained stable. These amounts are shown net of $7.8 million and $9.5 million of unamortized deferred financing fees as of December 31, 2019 and 2018, respectively.

(10) The carrying value of our lease obligations that are being accounted for under IFRS 16 are measured at present value of the minimum lease payments under each contract. These leases are mainly comprised of the leases acquired as part of the Trafigura Transaction. We consider that their carrying value approximates fair value because the interest rates on these leases change with, or approximate, market interest rates and the credit risk of the Company has remained stable. The fair value of leases with fixed payments are measured at the net discounted value of the remaining minimum lease payments using the Company's incremental borrowing rate at December 31, 2019. Accordingly, we consider their fair value to be a Level 2 measurement.

(11) The carrying value of our Senior Notes Due 2020 and 2019 are measured at amortized cost using the effective interest method. The carrying values shown in the table are the face value of the notes. The Senior Notes due 2019 were repaid in March 2019. The Senior Notes due 2020 are shown net of $0.1 million of unamortized deferred financing fees on our consolidated balance sheet as of December 31, 2019. Both issuances of notes are shown net of $0.5 million and $0.5 million of unamortized deferred financing fees, respectively, on our consolidated balance sheet as of December 31, 2018. Our Senior Notes Due 2020 are quoted on the NYSE under the symbol 'SBNA'. We consider its fair value to be Level 1 measurement due to its quotation on an active exchange.

(12) The carrying values of our Convertible Notes due 2019 and Convertible Notes due 2022 shown in the table above are their face value. The liability component of the Convertible Notes due 2022 has been recorded within Long-term debt on the consolidated balance sheet as of December 31, 2019. The equity component of the Convertible Notes due 2022 has been recorded within Additional paid-in capital on the consolidated balance sheet as of December 31, 2019. The Convertible Notes due 2019 were repaid in full upon their maturity in July 2019. These instruments are traded in inactive markets and are valued based on quoted prices on the recent trading activity. Accordingly, we consider its fair value to be a Level 2 measurement.

**Financial risk management objectives**

We identify and evaluate significant risks on an ongoing basis with the objective of managing the sensitivity of our results and financial position to those risks. These risks include market risk, credit risk, liquidity risk and foreign exchange risk.

The use of financial derivatives is governed by our policies as approved by the Board of Directors.

**Market risk**

Our activities expose us to the risks inherent with the tanker industry, which has historically been volatile, and financial risks of changes in interest rates.

***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 Pools. 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 all of our vessel classes would have increased or decreased our operating income by $41.7 million, $43.7 million and $36.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

***Interest rate risk***

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date.

If interest rates had been 1% higher/lower and all other variables were held constant, our net loss for the year ended December 31, 2019 would have decreased/increased by $23.1 million. This is mainly attributable to our exposure to interest rate movements on our variable interest rate credit facilities, lease financing arrangements and leases being accounted for under IFRS 16 as described in Notes 7 and 13.

If interest rates had been 1% higher/lower and all other variables were held constant, our net income for the year ended December 31, 2018 would have decreased/increased by $22.8 million. This is mainly attributable to our exposure to interest rate movements on our variable interest rate credit facilities and lease financing arrangements as described in Note 13.

If interest rates had been 1% higher/lower and all other variables were held constant, our net income for the year ended December 31, 2017 would have decreased/increased by $17.9 million. This is mainly attributable to our exposure to interest rate movements on our variable interest rate credit facilities that were in place during that year.

**Credit risk**

Credit risk is the potential exposure of loss in the event of non-performance by customers and derivative instrument counterparties.

We only place cash deposits with major banks covered with strong and acceptable credit ratings.

Accounts receivable are generally not collateralized; however, we believe that the credit risk is partially offset by the creditworthiness of our counterparties including the commercial manager. We did not experience any credit losses on our accounts receivables portfolio in the years ended December 31, 2019, 2018 and 2017.

The carrying amount of financial assets recognized on our consolidated financial statements represents the maximum exposure to credit risk without taking into account the value of any collateral obtained. We did not experience any impairment losses on financial assets in the years ended December 31, 2019, 2018 and 2017.

We monitor exposure to credit risk, and believe that there is no substantial credit risk arising from counterparties.

**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.

Our Senior Notes due 2020 are scheduled to mature in May of 2020 and our ABN AMRO Credit Facility is scheduled to mature in the third quarter of 2020 (depending on the tranche). While we believe our current financial position is adequate to address the maturity of these instruments, a deterioration in economic conditions could cause us to pursue other means to raise liquidity, such as through the sale of vessels, to meet these obligations. Moreover, a deterioration in economic conditions could cause us to breach our debt covenants and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Based on internal forecasts and projections, which 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 debt service obligations, obligations under sale and leaseback arrangements, commitments under other leasing arrangements, and commitments under our scrubber and BWTS contracts) for a period of at least twelve months from the date of approval of these consolidated financial statements. Accordingly, we continue to adopt the going concern basis in preparing our financial statements.

***Remaining contractual maturity on secured and unsecured credit facilities, finance lease liabilities and IFRS-16 lease liabilities***

The following table details our remaining contractual maturity for our secured and unsecured credit facilities, lease financing and IFRS-16 lease liabilities. The amounts represent the future undiscounted cash flows of the financial liability based on the earliest date on which we can be required to pay. The table includes both interest and principal cash flows.

As the interest cash flows are not fixed, the interest amount included has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

| | As of December 31, | |
|---|---|---|
| *In thousands of U.S. dollars* | 2019 | 2018 |
| Less than 1 month | $ 31,501 | $ 18,994 |
| 1-3 months | 93,139 | 140,710 |
| 3 months to 1 year | 462,365 | 419,070 |
| 1-3 years | 1,187,553 | 1,049,739 |
| 3-5 years | 919,044 | 1,095,717 |
| 5+ years | 1,114,328 | 910,050 |
| Total | $ 3,807,930 | $ 3,634,280 |

All other current liabilities fall due within less than one month.

**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 are in U.S. Dollars. However, we 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.

## 25. Subsequent events

*Declaration of Dividend*

On February 18, 2020, the Company's Board of Directors declared a quarterly cash dividend of $0.10 per common share. The dividend was paid on March 13, 2020 to all shareholders of record as of March 2, 2020 (the record date). As of March 27, 2020, there were 58,672,080 common shares outstanding.

*Delivery of Three Vessels*

During the first quarter of 2020, the Company took delivery of three scrubber-fitted 2020-built MR product tankers (*STI Miracle, STI Maestro* and *STI Mighty*) under eight-year bareboat leases. The leasehold interests in these vessels were acquired as part of the Trafigura Transaction. The bareboat leases have similar terms and conditions as the original leased vessels in the Trafigura Transaction.

*2013 Equity Incentive Plan*

In January 2020, we issued 469,680 shares of restricted stock to our employees for no cash consideration. The share price on the issuance date was $36.73 per share. The vesting schedule of the restricted stock issued to our employees is (i) one-third of the shares vest on September 8, 2022, (ii) one-third of the shares vest on September 7, 2023, and (iii) one-third of the shares vest on September 5, 2024.

*Related Party Transactions*

In January 2020, we provided three guarantees in respect of the payment obligations of a related party bunker provider (who is engaged in the procurement of bunkers on behalf of the Company and the Scorpio Pools) toward its physical suppliers. The maximum amount under these guarantees is $3.5 million in aggregate. As of March 27, 2020, the total maximum guarantee amount is $9.5 million.

*Debt Drawdowns and Repayments.*

In March 2020, we repaid $46.2 million on our KEXIM Credit Facility to refinance *STI Fulham, STI Park* and *STI Sloane*. We drew down $31.9 million on the 2019 DNB/GIEK Credit Facility and $42.1 million on the BNPP Sinosure Credit Facility.

*Convertible Notes due 2022*

On March 2, 2020, the conversion rate of the Convertible Notes due 2022 was adjusted to reflect the payment of a cash dividend on March 13, 2020 to all shareholders of record as of March 2, 2020. The new conversion rate for the Convertible Notes due 2022 is 25.8763 of the Company's common shares representing an increase of the prior conversion rate of 0.1362 for each $1,000 principal amount of the Convertible Notes due 2022.

*Novel Coronavirus (COVID-19)*

Since the beginning of the calendar year 2020, the outbreak of COVID-19 that originated in China and has spread to most developed nations of the world has resulted in the implementation of numerous actions taken by governments and governmental agencies in an attempt to mitigate the spread of the virus. These measures have resulted in a significant reduction in global economic activity and extreme volatility in the global financial markets. The reduction of economic activity has significantly reduced the global demand for oil and refined petroleum products. While recent actions taken by Saudi Arabia and other OPEC members to increase the production of oil in the near term has resulted in increased tankers rates in March of this year, the continued impact of these production increases is uncertain. We expect that the impact of the COVID-19 virus and the uncertainty in the supply of oil will continue to cause volatility in the commodity markets. The scale and duration of the impact of these factors remain unknowable but could have a material impact on our earnings, cash flow and financial condition for 2020. An estimate of the impact on the Company’s results of operations and financial condition cannot be made at this time.