

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **001-36139**

**PANGAEA LOGISTICS SOLUTIONS, LTD.**  
(Exact Name of Registrant as Specified in Its Charter)

**BERMUDA**

(State or Other Jurisdiction of Incorporation or  
Organization)

**98-1205464**

(I.R.S. Employer Identification Number)

**c/o Phoenix Bulk Carriers (US) LLC**

**109 Long Wharf, Newport, RI**

(Address of Principal Executive Offices)

**02840**

(Zip Code)

**(401) 846-7790**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Shares, \$0.0001 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's Common Stock held by non-affiliates at June 30, 2017 was approximately \$8,531,000 based on the Nasdaq closing price for such shares on that date. The registrant has no non-voting common equity.

As of March 21, 2018, there were 44,096,911 shares of Common Shares, \$.0001 par value per share, outstanding.

Documents Incorporated by Reference: See Item 15.

**PANGAEA LOGISTICS SOLUTIONS, LTD.**  
**FORM 10-K**  
**TABLE OF CONTENTS**

<b>PART I</b>		<b><u>5</u></b>
ITEM 1.	<a href="#"><u>BUSINESS</u></a>	<b><u>5</u></b>
ITEM 1A.	<a href="#"><u>RISK FACTORS</u></a>	<b><u>21</u></b>
ITEM 1B.	<a href="#"><u>UNRESOLVED STAFF COMMENTS</u></a>	<b><u>36</u></b>
ITEM 2.	<a href="#"><u>PROPERTIES</u></a>	<b><u>36</u></b>
ITEM 3.	<a href="#"><u>LEGAL PROCEEDINGS</u></a>	<b><u>37</u></b>
ITEM 4.	<a href="#"><u>MINE SAFETY DISCLOSURES</u></a>	<b><u>37</u></b>
<b>PART II</b>		<b><u>38</u></b>
ITEM 5.	<a href="#"><u>MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u></a>	<b><u>38</u></b>
ITEM 6.	<a href="#"><u>SELECTED FINANCIAL DATA</u></a>	<b><u>39</u></b>
ITEM 7.	<a href="#"><u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></a>	<b><u>41</u></b>
ITEM 7A.	<a href="#"><u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u></a>	<b><u>55</u></b>
ITEM 8.	<a href="#"><u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u></a>	<b><u>56</u></b>
ITEM 9.	<a href="#"><u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u></a>	<b><u>56</u></b>
ITEM 9A.	<a href="#"><u>CONTROLS AND PROCEDURES</u></a>	<b><u>56</u></b>
ITEM 9B.	<a href="#"><u>OTHER INFORMATION</u></a>	<b><u>57</u></b>
<b>PART III</b>		<b><u>58</u></b>
ITEM 10.	<a href="#"><u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u></a>	<b><u>58</u></b>
ITEM 11.	<a href="#"><u>EXECUTIVE COMPENSATION</u></a>	<b><u>62</u></b>
ITEM 12.	<a href="#"><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u></a>	<b><u>65</u></b>
ITEM 13.	<a href="#"><u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u></a>	<b><u>67</u></b>
ITEM 14.	<a href="#"><u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u></a>	<b><u>68</u></b>
ITEM 15.	<a href="#"><u>EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u></a>	<b><u>F-1</u></b>

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Our disclosure and analysis in this Annual Report on Form 10-K pertaining to our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” “projects,” “forecasts,” “may,” “should” and similar expressions are forward-looking statements.

All statements in this Form 10-K that are not statements of either historical or current facts are forward-looking statements. Forward-looking statements include, but are not limited to, such matters as:

- our future operating or financial results;
- our ability to charter-in vessels and to enter into COAs, voyage charters, time charters and forward freight agreements, and the performance of our counterparties in such contracts;
- our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- our expectations of the availability of vessels to purchase, the time it may take to construct new vessels, and vessels’ useful lives;
- competition in the drybulk shipping industry;
- our business strategy and expected capital spending or operating expenses, including drydocking and insurance costs and the ability to expand our presence in logistics trades and custom supply chain management;
- global and regional economic and political conditions, including piracy; and
- statements about shipping market trends, including charter rates and factors affecting supply and demand.

Many of these statements are based on our assumptions about factors that are beyond our ability to control or predict and are subject to risks and uncertainties that are described more fully under the “Risk Factors” section of this Form 10-K. Any of these factors or a combination of these factors could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements. Factors that might cause future results to differ include, but are not limited to, the following:

- changes in governmental rules and regulations or actions taken by regulatory authorities;
- cybersecurity threats, including the potential misappropriation of assets or sensitive information, corruption of data or operational disruption;
- changes in economic and competitive conditions affecting our business, including market fluctuations in charter rates and charterers’ abilities to perform under existing time charters;
- potential liability from future litigation and potential costs due to environmental damage and vessel collisions;
- the length and number of off-hire periods; and
- other factors discussed under the “Risk Factors” section of this Form 10-K.

You should not place undue reliance on forward-looking statements contained in this Annual Report on Form 10-K because they are statements about events that are not certain to occur as described or at all. All forward-looking statements in this Form 10-K are qualified in their entirety by the cautionary statements contained in this Form 10-K. These forward-looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

Except to the extent required by applicable law or regulation, we undertake no obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this Form 10-K or to reflect the occurrence of unanticipated events.

## **PART I.**

### **ITEM 1. BUSINESS**

#### **Introduction**

Pangaea Logistics Solutions Ltd. and its subsidiaries (collectively, “Pangaea” or the “Company”) provides seaborne drybulk logistics and transportation services. Pangaea utilizes its logistics expertise to service a broad base of industrial customers who require the transportation of a wide variety of drybulk cargoes, including grains, coal, iron ore, pig iron, hot briquetted iron, bauxite, alumina, cement clinker, dolomite and limestone. The Company addresses the logistics needs of its customers by undertaking a comprehensive set of services and activities, including cargo loading, cargo discharge, vessel chartering, voyage planning, and vessel technical management. Since 2016, the Company has participated in the development and expansion of a major port on the United States' east coast and has delivered approximately 3.6 million tons of construction material to the port since entering the contract.

#### **Business**

The Company provides logistics and transportation services to clients utilizing an ocean-going fleet of motor vessels ("m/v") in the Handymax, Supramax, Ultramax and Panamax segments. At any time, this fleet may be comprised of 30-50 vessels that are chartered-in on a short-term basis for operation under our contract business. In addition, the Company has invested in 18 vessels which are wholly-owned or partially-owned through joint ventures. The Company uses this fleet to transport approximately 25 million tons of cargo annually to more than 200 ports around the world, averaging approximately 53 vessels in service daily during 2017.

The Company's ocean logistics services provide cargo loading, cargo discharge, vessel chartering, voyage planning, and technical vessel management to vessel and cargo owners. Our logistics capabilities provide a wide array of services which allow our customers to extend their own services, to more efficiently transport their cargo, and to extend relationships with their own suppliers and customers. For some customers, the Company acts as their ocean logistics department, providing scheduling, terminal operations, port services, and marketing functions. For other customers, the Company transports supplies used in mining or processing in addition to cargo transport. The Company has worked with other customers on design, construction, and operation of loading and discharge facilities.

In addition, the Company focuses on fixing cargo and cargo contracts for transportation on backhaul routes. Backhaul routes position vessels for cargo discharge in typical loading areas. Backhaul routes allow us to reduce ballast days and instead earn revenues at times and on routes that are typically traveled without paying cargo.

The Company is a leader in the high ice class sector, secured by its control of a majority of the world's large dry bulk vessels with Ice-Class 1A designation. High ice class trading includes service in ice-restricted areas during both the winter (Baltic Sea and Gulf of St. Lawrence) and summer (Arctic Ocean). Trading during the ice seasons have provided superior profit margins, rewarding the Company for its investment in the specialized ships and the expertise it has developed working in these harsh environments.

The Company derives substantially all of its revenue from contracts of affreightment, “COAs”, voyage charters, and time charters. The Company transports a wide range of fundamental global commodities including grains, coal, iron ore, pig iron, hot briquetted iron, bauxite, alumina, cement clinker, dolomite, limestone, and other minor bulk cargo.

COAs are contracts to transport multiple shipments of cargo during the term of the contract between specified load and discharge ports, at a fixed or variable price per metric ton of cargo. The Company's COAs typically extend for a period of one to five years, although some extend for longer periods. A voyage charter is a contract for the carriage of a specific amount and type of cargo on a load port to discharge port basis, subject to various cargo handling terms. COAs and voyage charters provide voyage revenue to the Company. A time charter is a contract under which the Company is paid to provide a vessel on a per day basis for a specified period of time. Time charters provide charter revenues to the Company.

Active risk management is an important part of our business model. The Company believes its active risk management allows it to reduce the sensitivity of its revenues to market fluctuations and helps it to secure its long-term profitability and lower relative

volatility of earnings. We manage market risk by chartering in vessels for periods of less than nine months on average and through a portfolio approach based upon owned vessels, chartered-in vessels, COAs, voyage charters, and time charters. The Company tries to identify routes and ports for efficient bunkering to minimize its fuel expense. The Company also seeks to hedge a portion of its exposure to changes in the price of marine fuels, or bunkers, through fuel swaps; and to fluctuating future freight rates through forward freight agreements. The Company has also entered into interest rate agreements to fix a portion of our interest rate exposure.

## Business Strategy

The Company's principal business objectives are to profitably grow its business and increase shareholder value. The Company expects to achieve these objectives through the following strategies:

- **Focus on increasing strategic COAs.** The Company intends to increase our COA business, in particular, COAs for cargo discharge in traditional loading areas (backhaul), by leveraging its relationships with existing customers and attracting new customers. The Company believes that its dedication to solving its customer's logistics problems, and its reputation and experience in carrying a wide range of cargoes and transiting less common routes and ports, increases its likelihood of securing strategic COAs.
- **Expand capacity and flexibility by increasing its owned fleet.** The Company is continually looking to acquire additional high-quality vessels suited for its business strategy, the needs of its customers and growth opportunities the Company identifies. The Company believes that its experience as a reliable and serious counterparty in the purchase and sale market for second-hand vessels positions it as a candidate for acquisition of high quality vessels. The Company currently controls (owns or has an ownership interest in) a fleet of 18 bulk carriers. The current fleet includes six Ice-Class 1A Panamax, two Ice-Class 1C Ultramax, two Panamax, four Supramax and two Handymax Ice-Class 1A bulk carriers. The ice-class fleet has historically produced margins that are superior to the average market rate. The Company also operates two Supramax bulk carriers through bareboat charters.
- **Increase backhaul focus, expand and defend its presence in the niche ice trades and increase fleet efficiency.** The Company continues to focus on backhaul cargoes, including backhaul cargoes associated with COAs, to reduce ballast days and increase expected earnings for well-positioned vessels. In addition, the Company intends to continue to charter in vessels for periods of less than nine months, on average, to permit it to match its variable costs to demand. The Company believes that increased vessel utilization and positioning efficiency will enhance its profitability.
- **Focus on customized and complete logistics solutions within targeted dry bulk trades.** The Company intends to leverage its experience in designing custom loading and discharging systems in critical ports and optimizing vessel operations in ports to provide a complete logistics solutions to its clients. The Company continues to look for opportunities to transport cargo for clients from, or to, rarely used or underdeveloped port facilities to expand its operations. The Company believes this operational expertise and complete logistics solutions will enhance the services offered, strengthen our client relationships and generate increased operating margins for the Company.

## Competitive Strengths

The Company believes that it possesses a number of competitive strengths in its industry, including:

- **Expertise in certain niche markets and routes.** The Company has developed expertise and a major presence in selected niche markets and less commoditized routes, especially the Baltic Sea in winter, the Northern Sea Route between Europe and Asia in summer, and the trade route between Jamaica and the United States, as well as selected ports, particularly in Newfoundland and Baffin Island. The Company believes that there is less competition to carry "minor," as compared to traditional "major," bulk cargoes, and, similarly, that there is less competition on less commoditized routes. The Company believes that its experience in carrying a wide range of cargoes and transiting less common routes and ports increases its likelihood of securing higher rates and margins than those available for more commoditized cargoes and routes. The Company believes it operates assets well suited to certain of these routes, including its Japanese built Ice-Class 1A Panamax and Ice-Class 1C Ultramax vessels and its Korean built Ice-Class 1A Handymax vessels. The majority of its fleet is chartered in and the Company selects these vessels to match the cargo and port characteristics of their nominated voyages. The Company has experience operating in all regularly operating dry bulk loading and discharge ports globally.

- **Enhanced vessel utilization and profitability through strategic backhaul and triangulation methods.** The Company enhances vessel utilization and profitability through selecting COAs and other contracts to carry cargo on what would normally be backhaul or ballast legs. In contrast to the typical practice of incurring charter hire and bunker costs to position an empty vessel in a port or area where cargo is normally loaded, the Company instead actively works with its customers to secure cargoes for discharge in traditional loading areas (backhaul). This practice allows the Company to position vessels for loading at lower costs than it would bear if it positioned such vessels by traveling unladen or if the Company chartered in vessels in a loading area. The Company believes that this focus on backhaul cargoes permits them to benefit from ballast bonuses that are paid to position vessels for fronthaul cargoes or, alternatively, to earn a premium for delivering ships that are in position for fronthaul cargoes.
- **Strong relationships with major industrial customers.** The Company has developed strong commercial relationships with a number of major industrial customers. These customer relationships are based upon the Company's reputation and specific history of service to these customers. The Company believes that these relationships help it generate recurring business with such customers which, in some cases, are formalized through contracts for repeat business (COAs). The Company also believes that these relationships can help create new opportunities. Although many of these relationships have extended over a period of years, there is no assurance that such relationships or business will continue in the future. The Company believes that its familiarity with local regulations and market conditions at its routinely serviced ports, particularly in Newfoundland, Baffin Island and Jamaica, provides it with a strong competitive advantage and allows it to attract new customers and secure recurring business.
- **Logistics approach to commodity business.** The Company seeks employment for its vessels in a way that utilizes its expertise in enhancing productivity of clients' supply chains. The Company focuses on movements of cargo beyond loading and discharge berths and looks for opportunities to add value in clients' supply chains. The Company believes its additional efforts in providing complete logistics provides a competitive advantage and allows it to maintain strong client relationships and generate increased operating margins for the Company.
- **Experienced management team.** The day-to-day operations of a logistics and transportation services company requires close coordination among customers, land-based transportation providers and port authorities around the world. Its efficient operation depends on the experience and expertise of management at all levels, from vessel acquisition and financing strategy to oversight of vessel technical operations and cargo loading and discharge. The Company has a management team of senior executive officers and key employees with extensive experience and relationships in the commercial, technical, and financial areas of the drybulk shipping industry.
- **Strong Alignment and Transparency.** The Company observes that many publicly traded shipping companies rely on service providers affiliated with senior management or dominant shareholders for fundamental activities. Beyond the operational benefits to its customers of integrated commercial and technical management, the Company believes that its shareholders are benefited by its strategy of performing many of those activities in-house. Related to these efforts to maximize alignment of interest, the Company believes that the associated transparency of ownership and authority will be attractive to current and prospective shareholders. Consistent with the foregoing, the Company's only related party transactions with senior management are principal and interest obligations for cash loaned to the Company by management, on terms approved by the independent members of the Board of Directors.
- **Risk-management discipline.** The Company believes its risk management strategy allows it to reduce the sensitivity of its earnings to market changes and lower the risk of losses. The Company manages its risks primarily through short-term charter-in agreements of less than nine months, on average, through the use of forward freight agreements ("FFAs") and fuel hedges, and through modest leverage. The Company believes that shorter-term charters permit it to adjust its variable costs to match demand more rapidly than if it chartered in those vessels for longer periods. The Company may choose to manage the risks of higher rates for certain future voyages by purchasing and selling FFAs to limit the impact of changes in chartering rates. Similarly, the Company may choose to manage the risks of increasing fuel costs through bunker hedging transactions in order to limit the impact of changes in fuel prices on voyage results.

## Management

The Company's management team consists of senior executive officers and key employees with decades of experience in the commercial, technical, management and financial areas of the logistics and shipping industries. The Company's co-founder and Chief Executive Officer, Edward Coll, has over 38 years of experience in the drybulk shipping industry. Other members of its management team and key employees, Mark Filanowski, Mads Boye Petersen, Peter Koken, Robert Seward, Fotis Doussopoulos, and Gianni Del Signore, also have extensive experience in the shipping industry. The Company believes its management team is well respected in the drybulk sector of the shipping industry and, over the years, has developed strong commercial relationships

with industrial customers and lenders. The Company believes that the experience, reputation and background of its management team will continue to be key factors in its success.

The Company provides logistics services and commercially manages its fleet primarily from offices in Newport, Rhode Island, Copenhagen, Denmark and Singapore. Logistics services and commercial management include identifying cargo for transportation, voyage planning, managing relationships, identifying vessels to charter in, and operating such vessels.

The Company's Ice-Class 1A Panamax vessels are technically managed by a third-party manager with extensive expertise managing these vessel types and with ice pilotage. The technical management of the remainder of the Company's owned and bareboat chartered fleet is performed in-house by our 51% owned joint venture, Seamar Management, S.A.. The Company's technical management personnel have experience in the complexities of oceangoing vessel operations, including the supervision of maintenance, repairs, improvements, drydocking and crewing. The technical management for the Company's chartered-in vessels is performed by each respective ship owner.

## **Operations and Assets**

The Company is a service business and our customers use the services we provide because they believe the Company adds and creates value for them. To add value, the Company works with its customers to provide a range of logistics services beyond the traditional loading, carriage and discharge of cargoes. For example, the Company works with certain customers to review their contractual delivery terms and conditions, permitting those customers to reduce costs and certain risks. The Company also has a customer that is heavily dependent upon a port that was insufficiently supported by port pilots for the approach to port. To permit a large expansion of its services for this client, the Company formed a separate pilots association to increase the number of available pilots and improve access to the port. Another example of value added services is the formation of a new port in Newfoundland, Canada to load aggregate cargo for export. As a result of efforts such as these, in some cases the Company is the de facto logistics department for certain clients.

The Company's core offering is the safe, reliable, and timely loading, carriage, and discharge of cargoes for customers. This offering requires identifying customers, agreeing on the terms of service, selecting a vessel to undertake the voyage, working with port personnel to load and discharge cargo, and documenting the transfers of title upon loading or discharge of the cargo. As a result, the Company spends significant time and resources to identify and retain customers and source potential cargoes in its areas of operation. To further expand its customer base and potential cargoes, the Company has developed expertise in servicing ports and routes subject to severe ice conditions, including the Baltic Sea and the Northern Sea Route. The Company's subsidiary, Nordic Bulk Carriers A/S ("NBC"), is an adviser to the European Commission on Arctic maritime issues.



To support its services, the Company operates a fleet of 18 owned or partially owned vessels and two additional vessels under bareboat charters. As of March 21, 2018, these vessels are described in the table below:

Vessel Name	Type	DWT	Year Built	Yard
<i>m/v Bulk Endurance</i>	Ultramax (Ice Class 1C)	59,450	2017	Oshima Shipbuilding
<i>m/v Bulk Destiny</i>	Ultramax (Ice Class 1C)	59,450	2017	Oshima Shipbuilding
<i>m/v Nordic Oasis</i>	Panamax (Ice Class 1A)	76,180	2016	Oshima Shipbuilding
<i>m/v Nordic Olympic</i>	Panamax (Ice Class 1A)	76,180	2015	Oshima Shipbuilding
<i>m/v Nordic Odin</i>	Panamax (Ice Class 1A)	76,180	2015	Oshima Shipbuilding
<i>m/v Nordic Oshima</i>	Panamax (Ice Class 1A)	76,180	2014	Oshima Shipbuilding
<i>m/v Nordic Orion</i>	Panamax (Ice Class 1A)	75,603	2011	Oshima Shipbuilding
<i>m/v Nordic Odyssey</i>	Panamax (Ice Class 1A)	75,603	2010	Oshima Shipbuilding
<i>m/v Bulk Power<sup>(1)</sup></i>	Supramax	56,940	2010	COSCO (Zhoushan) Shipyard Co., Ltd.
<i>m/v Bulk Progress<sup>(1)</sup></i>	Supramax	56,943	2010	COSCO (Zhoushan) Shipyard Co., Ltd.
<i>m/v Bulk Pride</i>	Supramax	58,749	2008	Tsuneishi Group (Zhoushan) Shipbuilding Inc.
<i>m/v Bulk Trident</i>	Supramax	52,514	2006	Tsuneishi Heavy Industries (Cebu)
<i>m/v Bulk Freedom</i>	Supramax	52,454	2005	Tsuneishi Shipbuilding Co. Ltd.
<i>m/v Bulk Newport</i>	Supramax	52,587	2003	Shin Kurushima Toyohashi
<i>m/v Bulk Beothuk</i>	Supramax	50,992	2002	Oshima Shipbuilding
<i>m/v Bulk Juliana</i>	Supramax	52,510	2001	Shin Kurushima Toyohashi
<i>m/v Bulk Patriot</i>	Panamax	73,700	1999	Sumitomo Shipbuilding
<i>m/v Bulk Pangaea</i>	Panamax	70,165	1996	Sumitomo Shipbuilding
<i>m/v Nordic Bothnia</i>	Handymax (Ice Class 1A)	43,706	1995	Daewoo
<i>m/v Nordic Barents</i>	Handymax (Ice Class 1A)	43,702	1995	Daewoo

<sup>(1)</sup> The Company operates this vessel under a five-year bareboat charter with the vessel owner.

The Company owns its vessels through separate wholly-owned subsidiaries and through joint venture entities with other owners, which the Company consolidates as variable interest entities in its consolidated financial statements.

The Company owns one-third of Nordic Bulk Holding Company Ltd., (“NBHC”), a corporation that was duly organized under the laws of Bermuda in October 2012. The *m/v Nordic Orion* (“Orion”), the *m/v Nordic Odyssey* (“Odyssey”), the *m/v Nordic Oshima* (“Oshima”), the *m/v Nordic Olympic* (“Olympic”), the *m/v Nordic Odin* (“Odin”) and the *m/v Nordic Oasis* (“Oasis”) are owned by wholly-owned subsidiaries of NBHC. All of these vessels are chartered to NBC at fixed rates and also have a profit share arrangement. NBC commercially operates these vessels in spot and COA trades.

At its formation in 2013, the Company owned 50% of Nordic Bulk Ventures Holding Company Ltd., (“BVH”), a corporation that was duly organized under the laws of Bermuda for the purpose of owning Bulk Nordic Five Ltd. (“Five”) and Bulk Nordic Six Ltd. (“Six”). The *m/v Bulk Endurance* (“Endurance”) and the *m/v Bulk Destiny* (“Destiny”) are owned by Five and Six, respectively. In January 2017, the Company purchased its joint venture partner's 50% interest in BVH, giving the Company full control of both vessels.

In addition to its owned fleet, the Company operates chartered-in Panamax, Supramax, Handymax and Handysize drybulk carriers. The Company employed an average of 53 vessels at any one time during 2017. In 2017, the Company owned interests in 18 vessels and chartered in an additional 198 for one or more voyages. In 2016, the Company owned interests in 14 vessels and chartered in an additional 197 for one or more voyages. The Company generally charters in third-party vessels for periods of less than nine months and, in most cases, less than six months. Chartered-in contracts are negotiated through third-party brokers, who are paid commission on a percentage basis. The Company believes that shorter-term charters afford it flexibility to match its variable costs to its customers’ service requirements. The Company also believes that this combination of owned and chartered-in vessels helps it to more efficiently match its customer demand than the Company could with only owned vessels or an entirely chartered-in fleet.

## Corporate Structure

The Company is a holding company incorporated under the laws of Bermuda as an exempted company on April 29, 2014. The Company’s principal executives operate from the offices of its wholly-owned subsidiary Phoenix Bulk Carriers (US) LLC, which is located at 109 Long Wharf, Newport, Rhode Island 02840. The phone number at that address is (401) 846-7790. The Company

also has offices in Copenhagen, Denmark, Athens, Greece and Singapore. The Company's corporate website address is <http://www.pangaeals.com>.

As of December 31, 2017, the Company's significant subsidiaries are as follows:

Company Name	Country of Organization	Proportion of Ownership Interest	
Americas Bulk Transport (BVI) Limited	British Virgin Islands	100%	(A)
Phoenix Bulk Management Bermuda Limited	Bermuda	100%	(B)
Phoenix Bulk Carriers (BVI) Limited ("PBC")	British Virgin Islands	100%	(C)
Bulk Ocean Shipping Company (Bermuda) Ltd.	Bermuda	100%	(D)
Phoenix Bulk Carriers (US) LLC	Delaware	100%	(E)
Allseas Logistics Bermuda Ltd.	Bermuda	100%	(F)
Bulk Patriot Ltd. ("Bulk Patriot")	Bermuda	100%	(G)
Bulk Juliana Ltd. ("Bulk Juliana")	Bermuda	100%	(G)
Bulk Trident Ltd. ("Bulk Trident")	Bermuda	100%	(G)
Bulk Atlantic Ltd. ("Bulk Beothuk")	Bermuda	100%	(G)
Nordic Bulk Barents Ltd. ("Bulk Barents")	Bermuda	100%	(G)
Nordic Bulk Bothnia Ltd. ("Bulk Bothnia")	Bermuda	100%	(G)
Nordic Bulk Carriers A/S ("NBC")	Denmark	100%	(H)
Nordic Bulk Holding ApS ("NBH")	Denmark	100%	(H)
109 Long Wharf LLC ("Long Wharf")	Delaware	100%	(I)
Bulk Nordic Odyssey Ltd. ("Bulk Odyssey")	Bermuda	33%	(J)
Bulk Nordic Orion Ltd. ("Bulk Orion")	Bermuda	33%	(J)
Bulk Nordic Oshima Ltd. ("Bulk Oshima")	Bermuda	33%	(J)
Bulk Nordic Odin Ltd. ("Bulk Odin")	Bermuda	33%	(J)
Bulk Nordic Olympic Ltd. ("Bulk Olympic")	Bermuda	33%	(J)
Bulk Nordic Oasis Ltd. ("Bulk Oasis")	Bermuda	33%	(J)
Nordic Bulk Holding Company Ltd. ("NBHC")	Bermuda	33%	(K)
Bulk Nordic Five Ltd. ("Five")	Bermuda	100%	(G)
Bulk Nordic Six Ltd. ("Six")	Bermuda	100%	(G)
Nordic Bulk Ventures Holding Company Ltd. ("BVH")	Bermuda	100%	(A)
Bulk Freedom Corp. ("Bulk Freedom")	Marshall Islands	100%	(G)
Bulk Pride Corp. ("Bulk Pride")	Marshall Islands	100%	(G)
Venture Barge (U.S) Corp. ("VBC")	Delaware	50%	(L)
Flintstone Ventures Limited ("FVL")	Newfoundland and Labrador	100%	(M)
Seamar Management S.A.	Greece	51%	(N)

(A) The primary purpose of this corporation is to manage and operate ocean going vessels.

(B) The primary purpose of this entity is to perform certain administrative management functions that have been assigned by PBC.

(C) The primary purpose of this corporation is to provide logistics services to customers by chartering, managing and operating ships.

(D) The primary purpose of this corporation is to manage the fuel procurement for all vessels.

(E) The primary purpose of this corporation is to act as the U.S. administrative agent for the Company.

(F) The primary purpose of this corporation is to act as the treasury agent for the Company.

(G) The primary purpose of these entities is owning bulk carriers.

(H) The primary purpose of NBC is to provide logistics services to customers by chartering, managing and operating ships. NBH is the holding company of NBC.

(I) Long Wharf is a limited liability company duly organized under the laws of Delaware for the purpose of holding real estate located in Newport, Rhode Island.

(J) The primary purpose of these entities is owning bulk carriers. These companies are wholly-owned by NBHC, which is one-third owned by the Company.

(K) The primary purpose of this entity is to own or lease bulk carriers through wholly-owned subsidiaries. The Company's interest in Bulk Odyssey, Bulk Orion, Bulk Oshima, Bulk Olympic, Bulk Odin and Bulk Oasis is through its interest in NBHC.

(L) The primary purpose of VBC is to own and operate the deck barge Miss Nora G. Pearl.

(M) The primary purpose of FVL is the carriage of specialized cargo.

(N) This entity is the technical manager of 14 vessels owned and operated by the Company.

## **Crewing and Employees**

Each of our vessels is crewed with 20-25 independently contracted officers and crew members and, on certain vessels, directly contracted officers. Our technical managers are responsible for locating, contracting and retaining qualified officers for its vessels. The crewing agencies handle each crew member's training, travel and payroll, and ensure that all the crew members on its vessels have the qualifications and licenses required to comply with international regulations and shipping conventions. The Company typically has more crew members on board than are required by the country of the vessel's flag in order to allow for the performance of routine maintenance duties.

The Company employs approximately 74 shore-based personnel and had approximately 430 independently contracted seagoing personnel on its owned vessels. The shore-based personnel are employed in the United States, Athens, Copenhagen and Singapore.

## **Competition**

The Company operates in markets that are highly competitive and based primarily on supply and demand for ocean transport of drybulk commodities. The Company competes for COAs on the basis of service, price, route history, size, age and condition of the vessel and for charters on the basis of service, price, vessel availability, size, age and condition of the vessel, as well as on its reputation as an owner and operator. The Company principally competes with owners and operators of Panamax, Supramax, Ultramax and Handymax bulk carriers. The Company attempts to differentiate itself from other owners and operators by extending its services to support more of its customers' supply chains.

## **Seasonality**

Demand for vessel capacity has historically exhibited seasonal variations and, as a result, fluctuations in charter rates. This seasonality may result in quarter-to-quarter volatility in the Company's operating results. The dry bulk carrier market is typically stronger in the fall months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. The Company may earn higher margins on ice-class business in winter and during severe ice trading.

## **Permits and Authorizations**

The Company is required by various governmental and quasi-governmental agencies to obtain certain permits and certificates with respect to its vessels. The kinds of permits 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 the vessel. The Company has been able to obtain all permits and certificates currently required to permit its vessels to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit its ability to do business or increase the cost of doing business.

## **Environmental and Other Regulations**

Government regulation significantly affects the ownership and operation of the Company's vessels. The Company is subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which its vessels may operate or are registered. These regulations relate to safety, 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 the Company's vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (such as the U.S. Coast Guard, harbor master or equivalent), classification societies, flag state administrations (countries of registry), charterers and terminal operators. Certain of these entities require them to obtain permits, certificates or approvals for the operation of its vessels. Failure to maintain necessary permits, certificates or approvals could require it to incur substantial costs or temporarily suspend the operation of one or more of its vessels.

The Company believes that the heightened level of environmental and quality concerns among insurance underwriters, regulators, the United Nations and other governments, and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the dry bulk shipping industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. The Company is required to maintain operating standards for all of its vessels that emphasize operational safety, quality maintenance, continuous training of its officers and crews and compliance with United States and international regulations. The Company believes that the operation

of its vessels is in substantial compliance with applicable environmental laws and regulations and that its vessels have all material permits, certificates or other approvals necessary for the conduct of its operations as of the date of this Form 10-K. However, because such laws and regulations are frequently changed and may impose increasingly strict requirements, the Company cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of its vessels. In addition, a future serious marine incident that results in significant oil pollution or otherwise causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect the Company's profitability.

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

### ***International Maritime Organization***

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

### **Air Emissions**

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

The IMO's Marine Environment Protection Committee, or MEPC, adopted amendments to Annex VI on October 10, 2008, which amendments were entered into force on July 1, 2010. The Amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulphur contained in any fuel oil used onboard ships. As of January 1, 2012, the Amended Annex VI required that fuel oil contain no more than 3.50% sulfur (from the current cap of 4.50%). By January 1, 2020, sulfur content must not exceed 0.50%. The cost of marine fuels is expected to increase substantially when these requirements come into force, and ability of the Company to recoup these costs is uncertain.

Beginning January 1, 2015, ships operating within an emission control area ("ECA") were not permitted to use fuel with sulfur content in excess of 0.1% (from 1.0%). Amended Annex VI establishes procedures for designating new ECAs. Currently, the Baltic Sea, the North Sea, certain coastal areas of North America and areas of the United States Caribbean Sea adjacent to Puerto Rico and the U.S. Virgin Islands are designated ECAs. Ocean-going vessels in these areas are subject to stringent emissions controls, which may cause the Company to incur additional costs. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency (the "EPA"), or the states where the Company operates, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of operations.

As of January 1, 2013, MARPOL made certain measures relating to energy efficiency for ships mandatory. It makes the Energy Efficiency Design Index, or EEDI, applicable to new ships and the Ship Energy Efficiency Management Plan, or SEEMP, applicable to all ships.

Amended Annex VI also establishes tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation.

### **Safety Management System Requirements**

The IMO also adopted the International Convention for the Safety of Life at Sea, or SOLAS, and the International Convention on Load Lines, or the LL Convention, which impose a variety of standards that regulate the design and operational features of

ships. The IMO periodically revises the SOLAS and LL Convention standards. May 2012 SOLAS amendments entered into force as of January 1, 2014.

The operation of the Company's ships is also affected by the requirements set forth in Chapter IX of SOLAS, which sets forth the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires ship owners and ship managers to develop and maintain an extensive Safety Management System ("SMS"), that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The Company relies upon the safety management system that the Company and its technical managers have developed for compliance with the ISM Code. The failure of a ship owner 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. As of the date of this filing, each of its vessels is ISM code-certified.

The ISM Code requires that vessel operators obtain a safety management certificate, or SMC, for each vessel they operate. This certificate evidences compliance by a vessel's operators with the ISM Code requirements for an SMS. No vessel can obtain an SMC under the ISM Code unless its manager has been awarded a document of compliance, or DOC, issued in most instances by the vessel's flag state. The Company's appointed ship managers have obtained documents of compliance for their offices and safety management certificates for all of its vessels for which the certificates are required by the IMO. The document of compliance, or the DOC, and ship management certificate, or the SMC, are renewed as required.

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 the Company's operations.

### **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 the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention entered into force on September 8, 2017 at which time mid-ocean ballast exchange or ballast water treatment systems became mandatory. The Company's vessels will be required to be equipped with a ballast water treatment system that meets mandatory concentration limits not later than the first intermediate or renewal survey, whichever occurs first, after the anniversary date of delivery of the vessel in 2014, for vessels with ballast water capacity of 1500 – 5000 cubic meters, or after such date in 2016, for vessels with ballast water capacity of greater than 5000 cubic meters. The cost of compliance with these requirements may be material. The Company's newer fleet of Ice-Class vessels were equipped with these systems when delivered from the shipyard.

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

Noncompliance with the ISM Code or other IMO regulations may subject the Company to increased liability, lead to decreases in available insurance coverage for affected vessels or result in the denial of access to, or detention in, some ports. As of the date of this report, each of the Company's vessels is ISM Code certified. However, there can be no assurance that such certificate will be maintained.

### **International Code for Ships Operating in Polar Waters**

The IMO in November 2014 adopted the International Code for Ships Operating in Polar Waters (the "Polar Code"), and related amendments to the International Convention for the Safety of Life at Sea ("SOLAS") to make it mandatory.

The date of entry into force of the SOLAS amendments is January 1, 2017, under the tacit acceptance procedure. It will apply to new ships constructed after that date. Ships constructed before January 1, 2017 will be required to meet the relevant requirements of the Polar Code by the first intermediate or renewal survey, whichever occurs first, after January 1, 2018.

The Polar Code will be mandatory under both SOLAS and MARPOL because it contains both safety and environment related provisions. In October 2014, IMO's Marine Environment Protection Committee ("MEPC") approved the necessary draft amendments to make the environmental provisions in the Polar Code mandatory under MARPOL. The MEPC adopted the Polar Code and associated MARPOL amendments in May 2015, with an entry-into-force date to be aligned with the SOLAS amendments.

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

The 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 with the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its 200 nautical mile exclusive economic zone around the United States. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact the Company's operations.

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

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

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 31, 2015, the U.S. Coast Guard adjusted the limits of OPA liability for non-tank vessels (e.g. drybulk) to the greater of \$1,100 per gross ton or \$939,800 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsibility party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

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

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the maximum amount of 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.

Incidents such as the 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico may result in additional regulatory initiatives or statutes, including the raising of liability caps under OPA (which were raised on December 31, 2015). Compliance with any new requirements of OPA may substantially impact the Company's cost of operations or require it to incur additional expenses to comply with any new regulatory initiatives or statutes. Additional legislation or regulations applicable to the operation of its vessels that may be implemented in the future could adversely affect its business.

The Company currently maintains pollution liability coverage insurance in the amount of \$1.0 billion per incident for each of the Company's vessels. If the damages from a catastrophic spill were to exceed the Company's insurance coverage it could have an adverse effect on its business and results of operation.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA and some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states which have enacted such legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. The Company intends to comply with all applicable state regulations in the ports where its vessels call. The Company believes that it is in substantial compliance with all applicable existing state requirements. In addition, the Company intends to comply with all future applicable state regulations in the ports where its vessels call.

### **Other Environmental Initiatives**

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

The EPA regulates the discharge of ballast water and other substances in U.S. waters under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit (the "VGP"), authorizing ballast water discharges and other discharges incidental to the operation of vessels. The VGP imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, recordkeeping and reporting requirements to ensure the effluent limits are met. On March 28, 2013, the EPA re-issued the VGP for another five years, which took effect December 19, 2013. The 2013 VGP contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants.

U.S. Coast Guard regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. As of June 21, 2012, the U.S. Coast Guard implemented revised regulations on ballast water management by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships in U.S. waters. The revised ballast water standards are consistent with those adopted by the IMO in 2004. Compliance with the EPA and the U.S. Coast Guard regulations requires the installation of a U.S. Coast Guard approved ballast water management system by the first scheduled drydocking after January 1, 2016. On September 10, 2015, the U.S. Coast Guard issued new guidance that simplifies and clarifies the process by which vessels can seek extensions to come into compliance with the standards.

### **European Union Regulations**

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

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

With effect from January 1, 2010, Directive 2005/33/EC of the European Parliament and of the Council of July 6, 2005, amending Directive 1999/32/EC came into force. The objective of the directive is to reduce emission of sulfur dioxide and particulate matter caused by the combustion of certain petroleum derived fuels.

The directive imposes limits on the sulfur content of such fuels as a condition of their use within a Member State territory. The maximum sulfur content for marine fuels used by inland waterway vessels and ships at berth in ports in EU countries after January 1, 2010, is 0.1% by mass. As of January 1, 2015, all vessels operating within ECAs, worldwide must comply with 0.1% sulfur requirements. Currently, the only grade of fuel meeting 0.1% sulfur content requirement is low sulfur marine gas oil, or LSMGO. As of July 1, 2010, the reduction of applicable sulfur content limits in the North Sea, the Baltic Sea and the English Channel Sulfur Control Areas is 0.1%. The Company does not expect that it will be required to modify any of its vessels to meet any of the foregoing low sulfur fuel requirements. On July 15, 2011, the European Commission also adopted a proposal for an amendment to Directive 1999/32/EC which would align requirements with those imposed by the revised MARPOL Annex VI which introduced stricter sulfur limits.

## **Greenhouse Gas Regulation**

In July 2011, MEPC adopted two new sets of mandatory requirements to address greenhouse gas emissions from ships, which entered into force in January 2013. Currently operating ships are required to have a Ship Energy Efficiency Management Plan ("SEEMP") on board, and minimum energy efficiency levels per capacity mile, outlined in the Energy Efficiency Design Index ("EEDI"), apply to new ships. These requirements could cause the Company to incur additional compliance costs. The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from marine vessels, and in January 2012 the European Commission launched a public consultation on possible measures to reduce greenhouse gas emissions from ships. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, such regulation of vessels is foreseeable, and the EPA has in recent years received petitions from the California Attorney General and various environmental groups seeking such regulation. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where the Company operates, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require the Company to make significant financial expenditures which the Company cannot predict with certainty at this time.

## **Vessel Security Regulations**

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

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

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;
- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;



- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel's hull;
- a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
- compliance with flag state security certification requirements.

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

Furthermore, additional security measures could be required in the future which could have a significant financial impact on the Company. The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code.

The Company intends to implement the various security measures addressed by MTSA, SOLAS and the ISPS Code, and the Company intends that its fleet will comply with applicable security requirements. The Company has implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code.

### **International Labor Organization**

The International Labor Organization (ILO) is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006, or MLC 2006. A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 entered into force on August 20, 2013. Amendments to MLC 2006 entered into force on January 18, 2017. Ships that are subject to the MLC will, after this date, be required to display certificates issued by an insurer or other financial security provider confirming that insurance or other financial security is in place for the cost and expense of crew repatriation, as well as up to four months contractually entitled arrears of wages and entitlements following abandonment. Amendments also require a certificate for liabilities for contractual claims arising from seafarer personal injury, disability or death. The Company's vessels are in full compliance with its requirements.

### **Inspection by Classification Societies**

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

The classification society also undertakes, as requested, other surveys that may be required by the vessel's flag state. These surveys are subject to agreements made with the vessel owner and/or to the regulations of the country concerned.

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

- *Annual Surveys:* For seagoing ships, annual surveys are conducted within three months, before or after each anniversary of the class period indicated in the certificate.
- *Intermediate Surveys:* Extended surveys are referred to as intermediate surveys and are typically conducted two and one-half years after commissioning, and two and one-half years after each class renewal. Intermediate surveys are to be carried out at or between the occasion of the second or third annual survey.
- *Class Renewal Surveys:* Class renewal surveys, also known as special surveys, are carried out at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. If the steel thickness is found to be less than class requirements, the

classification society would prescribe steel renewals which require drydocking of the vessel. The classification society may grant a one-year grace period for completion of the special survey. Substantial costs may be incurred for steel renewal in order to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a shipowner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which case every part of the vessel would be surveyed on a continuous five-year cycle. This process is referred to as continuous class renewal.

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

Most vessels undergo regulatory inspection of the underwater parts every 30 to 36 months. If any defects are found, the classification surveyor will issue a recommendation which must be rectified by the ship owner within prescribed time limits.

The Company expects to perform one special survey in 2018 at an aggregate total cost of approximately \$1.3 million. The Company expects to perform six intermediate surveys in 2018 at an aggregate total cost of approximately \$1.8 million. The Company estimates that offhire related to the surveys and related repair work is ten to twenty days per vessel, depending on the size and condition of the vessel.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies. All of the Company's vessels are certified by Det Norske Veritas, Nippon Kaiji Kiokai or Bureau Veritas. All new and second-hand vessels that the Company purchases must be certified prior to delivery under its standard purchase contracts, referred to as the memorandum of agreement. Certification of second-hand vessels must be verified by a Class Maintenance Certificate issued within 72 hours prior to delivery. If the vessel is not certified on the date of closing, the Company has the option to cancel the agreement on the basis of Seller's default, and not take delivery of the vessel.

## **Risk of Loss and Insurance**

### ***General***

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

The Company maintains hull and machinery insurance, war risks insurance, protection and indemnity cover and freight, demurrage and defense cover for its owned fleet at amounts it believes address the normal risks of its operations. The Company may not be able to maintain this level of coverage throughout a vessel's useful life. Furthermore, while the Company believes that its current insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that the Company will always be able to obtain adequate insurance coverage at reasonable rates.

### ***Hull & Machinery and War Risks Insurance***

The Company maintains marine hull and machinery and war risks insurances, which cover the risk of actual or constructive total loss, for all of its vessels. Vessels are insured for their fair market value, at a minimum, with a deductible of \$100,000 per vessel per incident.

### ***Protection and Indemnity Insurance***

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

The Company's current protection and indemnity insurance coverage for pollution is \$1.0 billion per vessel per incident. The thirteen P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P&I Association, which is a member of the International Group, the Company is subject to calls payable to the associations based on the group's claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Associations comprising the International Group.

## **Exchange Controls**

The Company is an exempted company organized under the Bermuda Companies Act. The Bermuda Companies Act differs in some material respects from laws generally applicable to United States companies and their stockholders. However, a general permission issued by the Bermuda Monetary Authority, ("BMA"), results in the Company's common shares being freely transferable among persons who are residents and non-residents of Bermuda. Each shareholder, whether a resident or non-resident of Bermuda, is entitled to one vote for each share of stock held by the shareholder.

Although the Company is incorporated in Bermuda, the Company is classified as a non-resident of Bermuda for exchange control purposes by the BMA. Other than transferring Bermuda Dollars out of Bermuda, there are no restrictions on its ability to transfer funds into and out of Bermuda or to pay dividends in currency other than Bermuda Dollars to U.S. residents (or other non-residents of Bermuda) who are holders of its common shares.

In accordance with Bermuda law, share certificates may be issued only in the names of corporations, individuals or legal persons. In the case of an applicant acting in a special capacity (for example, as an executor or trustee), certificates may, at the request of the applicant, record the capacity in which the applicant is acting. Notwithstanding the recording of any such special capacity, the Company is not bound to investigate or incur any responsibility in respect of the proper administration of any such estate or trust.

The Company will take no notice of any trust applicable to any of its shares or other securities whether or not the Company had notice of such trust.

## **INDUSTRY AND MARKET CONDITIONS**

### **Market Overview**

Ocean going vessels represent the most efficient and often the only means of transporting large volumes of dry cargo over long distances. Dry bulk cargo includes both major and lesser commodities such as coal, iron ore, grain, bauxite, cement clinker, and limestone. Dry bulk trade is influenced by the underlying demand for the dry bulk commodities which in turn is influenced by the level of global economic activity.

The world's fleet of vessels dedicated to carrying dry bulk cargoes is traditionally divided into six major categories, based on a vessel's cargo carrying capacity. These categories are: Handysize, Supramax, Ultramax, Panamax, Capesize and Very Large Ore Carrier. Certain routes and geographies are less accessible to certain vessel sizes. For example, Panamax and Supramax vessels are the main dry bulk vessel types deployed in the Baltic due to draft restrictions. Similarly, these vessels tend to be deployed on the Northern Sea Route (NSR) along the coast of Russia is Panamax.

Dry bulk vessels are employed through a number of different chartering options. The most common are time charters, spot charters, and voyage charters. Historically, charter rates have been volatile as they are driven by the underlying balance between vessel supply and demand. Ice class vessels, when operating in ice-bound areas, usually command a rate premium to conventional trades.

### **Dry Bulk Shipping — the Main Participants**

In the dry bulk shipping industry there are multiple functions, with individual parties carrying out one or more of such functions. In general, the principal functions within dry bulk shipping are as follows:

- Ship Owner or Registered Owner — Generally, this is an entity retaining the legal title of ownership over a vessel.
- Ship Operator — Generally, this is an entity seeking to generate profit either through the chartering of ships (owned or chartered-in) to others, or from the transportation of cargoes. Entities focusing on the transportation of cargoes may engage

in chartering of ships to other entities, but those companies focusing on chartering ships to other entities rarely act to carry cargoes for customers.

- **Shipmanager/Commercial Manager** — This is an entity designated to be responsible for the day to day commercial management of the ship and the best contact for the ship regarding commercial matters, including post fixture responsibilities, such as laytime, demurrage, insurance and charter clauses. These companies undertake the activities of ship operators but, unlike a ship operator, they do not own or charter-in the vessels at their own risk.
- **Technical Manager** — This is an entity specifically responsible for the technical operation and technical superintendence of a ship. This company may also be responsible for hiring, training and supervising ship officers and crew, and for all aspects of the day to day operation of the fleet, including repair work, spare parts inventory, re-engineering, surveys and dry-docking.
- **Cargo Owner** — This is normally a producer (e.g., a miner), consumer (e.g., a steel mill) or trading house who requires transportation of cargo by a cargo focused ship operator.

The Company participates in each of these capacities with the exception of cargo owner.

## The Freight Market

Dry bulk vessels are employed in the market through a number of different chartering options. The general terms typically found in these types of contracts are described below.

- **Time Charter.** A charter under which the vessel owner or operator is paid charterhire on a per-day basis for a specified period of time. Typically, the shipowner receives semi-monthly charterhire payments on a U.S. dollar-per-day basis and is responsible for providing the crew and paying vessel operating expenses, while the charterer is responsible for paying the voyage expenses and additional voyage insurance. The ship owner is also responsible for the vessel's intermediate and special survey (heavy mandatory maintenance) costs. Under time charters, including trip charters, the charterer pays all voyage expenses including port, canal and bunker (fuel) costs.
- **Trip Charter.** A time charter for a trip to carry a specific cargo from a load port to a discharge port at a set daily rate.
- **Voyage Charter.** A charter to carry a specific amount and type of cargo on a load-port to discharge-port basis, subject to various cargo handling terms. Most of these charters are of a single voyage nature, as trading patterns do not encourage round trip voyage trading. The ship operator receives payment based on a price per ton of cargo loaded on board the vessel. The ship operator is responsible for the payment of all voyage expenses, as well as the costs of owning or hiring the vessel.
- **Contract of Affreightment.** A contract of affreightment, or COA, relates to the carriage of multiple cargoes over the same route and enables the service provider to nominate different vessels to perform the individual voyages. Essentially, it constitutes a series of voyage charters to carry a specified amount of cargo during the term of the CoA, which usually spans a number of months or years. Freight normally is agreed on a U.S. dollar-per-ton carried basis with bunker cost escalation or de-escalation adjustments.
- **Bareboat Charter.** A bareboat charter involves the use of a vessel, usually over longer periods of time (several years). In this case, all voyage expenses and vessel operating expenses, including maintenance, crewing and insurance, are paid for by the charterer. The owner of the vessel receives monthly charterhire payments on a U.S. dollar per day basis and is responsible only for the payment of capital costs related to the vessel. A bareboat charter is also known as a "demise charter" or a "time charter by demise."

The Company employs its vessels under each type of contract listed above.

## Rates

In the time charter (period) market, rates vary depending on the length of the charter period and vessel specific factors such as age, speed, size and fuel consumption. In the voyage charter market, rates are influenced by cargo size, commodity, port dues and canal transit fees, as well as delivery and redelivery regions. In general, a larger cargo size is quoted at a lower rate per ton than a smaller cargo size. Routes with costly ports or canals generally command higher rates. Voyages loading from a port where vessels usually discharge cargo, or discharging at a port where vessels usually load cargo, are generally quoted at lower rates. These voyages are known as "backhaul" voyages.

In some cases, charters will include an additional payment known as a ballast bonus. A ballast bonus is a lump sum payment made to a shipowner or operator (by the charterer) as compensation for delivering a ship in a particular loading region of the world. For a ship to enter a loading region, an empty (ballast) leg may be required because there are no inbound cargoes. The ballast bonus should reflect the cost of the empty ballast in terms of time and fuel. A typical fixture that involves a ballast bonus might be expressed as “freight hire of \$10,000 per day, plus a ballast bonus of \$100,000 lump sum”.

Within the dry bulk shipping industry, the freight rate indices issued by the Baltic Exchange in London are the references most likely to be monitored. These references are based on actual charter hire rates under charters entered into by market participants as well as daily assessments provided to the Baltic Exchange by a panel of major shipbrokers. The Baltic Exchange, an independent organization comprised of shipbrokers, shipping companies and other shipping players, provides daily independent shipping market information and has created freight rate indices reflecting the average freight rates for the major bulk vessel trading routes. These indices include the Baltic Panamax Index, or BPI, the index with the longest history and, more recently, the Baltic Capesize Index, or BCI.

### **Dry Bulk Trades Requiring Ice Class Tonnage**

Ice class vessels are required to serve ports accessed by routes crossing seasonal or year-round ice-covered oceans, lakes, seas or rivers. Ice class vessels are mainly deployed in the Baltic Sea, the Northern Sea Route (NSR) and the Great Lakes/St. Lawrence Seaway. These regions have experienced strong trade growth in dry bulk cargoes, driven in particular by increased mining activities supported by strong commodity demand in Asia, decreased level of ice, and technology advancement in shipping. However, the NSR experienced a steep drop in tons of cargo transported and has remained low due to low fuel prices, which made the NSR less attractive. Cargo traffic to and from Russian ports is expected to increase in the coming years, mainly representing supplies and cargo for new industrial projects.

## **ITEM 1A. RISK FACTORS**

*An investment in our securities involves a high degree of risk. You should consider carefully the material risks described below, which we believe represent the material risks related to our business and our securities, together with the other information contained in this Form 10-K, before making a decision to invest in our securities. This Form 10-K also contains forward-looking statements that involve risks and uncertainties. In connection with such forward looking statements, you should also carefully review the cautionary statements referred to under “Special Note Regarding Forward Looking Statements.” Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks described below.*

### Risks Relating to the Company’s Industry

***The cyclical and volatile nature of the seaborne drybulk transportation industry may lead to decreases in charter and freight rates, which may have an adverse effect on the Company’s revenues, earnings and profitability and its ability to comply with its loan covenants. The market improved in 2017 due to increased demand and a slightly lower increase in the supply of tonnage. However, should supply attrition diminish, market growth may be limited in 2018.***

The seaborne drybulk transportation industry is cyclical and volatile, and a lengthy downturn in the drybulk charter market severely affected the entire drybulk shipping industry. Although rates increased in 2017, there can be no assurance that drybulk charter rates will continue to increase, and rates could decline. Volatility of charter and freight rates is due to various factors, including changing crude oil prices, economic activity in the largest economies, including China, a strong U.S. Dollar and the associated weakening of other world currencies and the over-supply of available tonnage.

Although our operating fleet is primarily chartered-in on a short term basis and lower charter rates result in lower charter hire costs, changes in charter and freight rates in the drybulk market affect vessel values and earnings on our owned fleet, and may affect our cash flows, liquidity and ability to comply with the financial covenants in our loan agreements. Another extended downturn in the drybulk carrier market may have adverse consequences. The value of our common shares could be substantially reduced under these circumstances.

We employ our vessels under a mix of voyage charters and time charters and COA’s which typically extend for varying lengths of time, from one month to ten years. As a result, we are exposed to changes in market rates for drybulk carriers and such changes may affect our earnings and the value of our owned drybulk carriers at any given time. A COA relates to the carriage of multiple cargoes over the same route and enables the COA holder to nominate different vessels to perform individual voyages. We may not be able to successfully employ our vessels in the future or renew existing contracts at rates sufficient to allow us to meet our obligations. We are also exposed to volatility in the market rates we pay to charter-in vessels. Fluctuations in charter and freight

rates result from changes in the supply of and demand for vessel capacity and changes in the demand for seaborne carriage of commodities. Because the factors affecting the supply of and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

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

The factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;
- port and canal congestion;
- bunker prices;
- the scrapping rate of older vessels;
- vessel casualties;
- the number of vessels that are out of service.

In addition to the prevailing and anticipated charter and 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 bunker fuels and other operating costs, costs associated with classification society surveys, normal maintenance and insurance coverage, 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 carriers and our logistics services will be dependent upon economic growth in world economies and its associated industrial production, seasonal and regional changes in demand, changes in the

capacity of the global drybulk carrier fleet and the sources and supply of drybulk cargoes to be transported by sea. Total newbuilding orders increased dramatically in 2017, lead by Panamax and Kamsarmax, which order levels are the highest since 2013, while supramax orders seemed poised to drop to a 12 year low. However, the dry bulk fleet as a whole is expected to grow at a slower pace than demand.

***Any change in drybulk carrier capacity in the future may result in lower charter and freight rates which, in turn, will adversely affect our profitability.***

The market supply of drybulk carriers is not expected to exceed vessel demand growth in the short term, however, the dry bulk fleet is expected to grow faster than demand in 2019. Until that new supply is fully absorbed by the market, charter rates may come under pressure.

***The market values of our owned vessels may decrease, which could limit the amount of funds that we can borrow or cause us to breach certain covenants in our credit facilities and we may incur impairment or a loss if we sell vessels following a decline in their market value.***

The fair market values of our owned vessels have generally experienced high volatility, and you should expect the market values of our vessels to fluctuate depending on a number of factors including:

- prevailing level of charter and freight rates;
- general economic and market conditions affecting the shipping industry;
- types and sizes of vessels;
- supply of and demand for vessels;
- other modes of transportation;
- cost of newbuildings;
- governmental and other regulations; and
- technological advances.

In addition, as vessels grow older, they generally decline in value. If the market values of our owned vessels decrease, we may not be in compliance with certain covenants in our credit facilities secured by mortgages on our drybulk vessels unless we provide additional collateral or prepay a portion of the loan to a level where we are again in compliance with our loan covenants. The Company was in compliance with all of its covenants at December 31, 2017 and 2016.

If we sell one or more of our vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our consolidated financial statements, the sale proceeds may be less than the vessel's carrying amount, resulting in a loss and a reduction in earnings.

The carrying amounts of vessels held and used by us are reviewed for potential impairment when events or changes in circumstances indicate that the carrying amount of a particular vessel may not be fully recoverable. In such instances, an impairment charge would be recognized if the estimate of the undiscounted future cash flows expected to result from the use of the vessel and its eventual disposition is less than the vessel's carrying amount. This assessment is made at the asset group level which represents the lowest level for which identifiable cash flows are largely independent of other groups of assets. The asset groups are defined by vessel size and classification.

At March 31, 2017, June 30, 2017 and December 31, 2017, we did not identify any potential indicator of impairment and accordingly, did not compare the estimated undiscounted cash flows to the carrying amount of vessels. At December 31, 2016, we identified a potential impairment indicator by reference to industry-wide estimated market values of all vessels of the same size range and age. As a result, we evaluated each asset group for impairment by estimating the total undiscounted cash flows expected to result from the use of the asset group and its eventual disposal. At March 31, 2017, June 30, 2017 and December 31, 2016, the estimated undiscounted future cash flows were higher than the carrying amount of the vessels in the Company's fleet and as such, no loss on impairment was recognized.

***The Company has relied on financial support from its founders and investors through related party loans, which may not be available to the Company in the future.***

From time to time, we have obtained loans from our founders, Edward Coll, Anthony Laura, and Lagoa Investments, an entity beneficially owned by Claus Boggild, to meet vessel purchase, newbuilding deposit, and other obligations of the Company. These loans may not be available to the Company in the future. We may seek to refinance such related party loans with the net proceeds of future debt and equity offerings, but we cannot be sure that we will be able to do so on acceptable terms. If we are not able to find additional sources of financing on acceptable terms, we may have to dedicate a larger portion of our cash flow from operations to pay the principal and interest of these loans. Even if we are able to borrow money from such parties, such borrowing could create a conflict of interest of management to the extent they also act as lenders to the Company.

***The state of the global financial markets and economic conditions may adversely impact our ability to obtain additional financing on acceptable terms and otherwise negatively impact our business.***

Global financial markets can be volatile and contraction in available credit may happen as economic conditions change. In recent years, operating businesses in the global economy have faced weakening demand for goods and services, deteriorating international liquidity conditions, and declining markets which lead to a general decline in the willingness of banks and other financial institutions to extend credit, particularly in the shipping industry. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it may be negatively affected by such changes and volatility.

Also, as a result of concerns about the stability of financial markets generally, and the solvency of counterparties specifically, the cost of obtaining money from the credit markets may increase if lenders increase interest rates, enact tighter lending standards, refuse to refinance existing debt at all or on terms similar to current debt, and reduce, or cease to provide funding to borrowers. Due to these factors, additional financing may not be available to the extent required, on acceptable terms or at all. If additional financing is not available when needed, or is available only on unfavorable terms, we may be unable to expand or meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

***Our revenues are subject to seasonal fluctuations, which could affect our operating results and our ability to pay dividends, if any, in the future.***

We operate our drybulk vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter and freight rates. This seasonality may result in quarter-to-quarter volatility in our operating results, which could affect our ability to pay dividends, if any, in the future. The drybulk carrier market is typically stronger in the fall and winter months due to demand increases arising from agricultural harvest and increased coal demand in preparation for winter in the Northern Hemisphere. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. This seasonality may adversely affect our operating results and our ability to pay dividends, if any, in the future.

***Risks associated with operating ocean-going vessels could affect our business and reputation, which could adversely affect our revenues and the price of our common shares.***

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

- marine disaster;
- environmental accidents;
- cargo and property losses or damage;
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions; and
- piracy.

The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator. Any of these circumstances or events could increase our costs or lower our revenues.



***The operation of drybulk carriers entails certain unique operational risks.***

The operation of certain ship types, such as drybulk carriers, has certain unique risks. With a drybulk carrier, the cargo itself and its interaction with the ship can be a risk factor. 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. Furthermore, any defects or flaws in the design of a drybulk carrier may contribute to vessel damage. Hull breaches in drybulk carriers may lead to the flooding of the vessels holds. If a drybulk carrier suffers flooding in its holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads, leading to the loss of the vessel. If we are unable to adequately maintain our vessels, we may be unable to prevent these events. Any of these circumstances or events could negatively impact our business, financial condition, results of operations and our ability to pay dividends, if any, in the future. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

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

On our charterers' instructions, notwithstanding contractual restrictions agreed with us, our vessels may call on ports or operate in countries subject to sanctions and embargoes imposed by the U.S. government and other authorities or countries identified by the U.S. government or other authorities as state sponsors of terrorism, such as Iran and Syria. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into permissible 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 permissible 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 shares may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

***We are subject to international safety regulations and the failure to comply with these regulations 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 United Nations' International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code. The ISM Code requires ship owners and ship managers 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 for dealing with emergencies. The failure of a shipowner to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. Each of the vessels owned or operated by the Company is ISM Code-certified.

In addition, vessel classification societies impose significant safety and other requirements on our vessels. In complying with current and future environmental requirements, vessel owners and operators may incur significant additional costs for maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage. Government regulation of vessels, particularly in the areas of safety and environmental protection requirements, can be expected to become stricter in the future and may require us to incur significant capital expenditures to keep our vessels in compliance.

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

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership cost and operation of our vessels. These requirements include, but are not

limited to, European Union Regulations, the International Convention for the Prevention of Pollution from Ships of 1975, the International Maritime Organization, or IMO, International Convention for the Prevention of Marine Pollution of 1973, the IMO International Convention for the Safety of Life at Sea of 1974, the International Convention on Load Lines of 1966, the U.S. Oil Pollution Act of 1990, or OPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, the U.S. Clean Air Act, U.S. Clean Water Act, the U.S. Marine Transportation Security Act of 2002 and the International Code for Ships Operating in Polar Waters.

Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, 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. 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.

We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to pay dividends.

***In order to comply with new ballast water treatment requirements, we will have to install expensive ballast water treatment systems and modify our vessels to accommodate such systems.***

The International Convention for the Control and Management of Ships' Ballast Water and Sediments (the "BWM Convention"), adopted by the UN International Maritime Organization in February 2004, calls for the prevention, reduction or elimination of the transfer of harmful aquatic organisms and pathogens through the control and management of ships' ballast water and sediments. The BWM Convention entered into force on September 8, 2017. In order to comply with these living organism limits, vessel owners will have to install expensive ballast water treatment systems and modify existing vessels to accommodate those systems or make port facility disposal arrangements, which may have a material impact on our business, financial condition and results of operations, depending on the cost of available ballast water treatment systems and the extent to which existing vessels must be modified to accommodate such systems.

***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 inspections and related procedures in countries of origin, destination and trans-shipment points. Inspection procedures may result in the seizure of the contents of our vessels, delays in the loading, offloading or delivery of our vessels 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.

***Maritime claimants could arrest one or more of our vessels, which could interrupt our cash flow.***

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a claimant may seek to obtain security for its claim by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow 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 which 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 a vessel in our fleet for claims relating to another of our vessels.

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

A government could requisition one or more of our vessels for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while requisition for hire occurs when a government takes control of a vessel

and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we would be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment would be uncertain. Government requisition of one or more of our vessels may negatively impact our revenues and reduce the amount of dividends, if any, in the future.

***Changes in fuel prices may adversely affect profits.***

Fuel, or bunkers, is typically the largest expense of our operating business and therefore, changes in the price of fuel may adversely affect our profitability. When we operate vessels under COAs or voyage charters, we are responsible for all voyage costs, including bunkers. The price and supply of fuel can be unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, such as when new regulations requiring the use of low sulphur fuel go into effect in 2020. Increased fuel costs may reduce our profitability. We continually monitor the market volatility associated with bunker prices and seek to hedge our exposure to changes in the price of marine fuels with our bunker hedging program. Please see “*The Company’s Management and Discussion Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures about Market Risks — Fuel Swap Contracts.*”

***In the highly competitive international shipping industry, we may not be able to compete successfully for chartered-in vessels or for vessel employment and, as a result, we may be unable to charter-in vessels at reasonable rates or employ our vessels profitably.***

We charter-in and employ vessels in a highly competitive market that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners and operators, some of whom have substantially greater resources than we do. Competition for seaborne transportation of drybulk cargo by sea is intense and depends on the charter or freight rate and on the location, size, age, condition and acceptability of a vessel and its operators. Due to the highly fragmented market, competitors with greater resources are able to operate larger fleets and may be able to offer lower charter or freight rates and higher quality vessels than we are able to offer. If we are unable to successfully compete with other drybulk shipping operators, we may be unable to retain customers or attract new customers, which would have an adverse impact on our results of operations.

***Labor interruptions could disrupt our business.***

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

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean, Indonesia, the Gulf of Guinea off the Coast of Nigeria and the Gulf of Aden off the coast of Somalia. Although the frequency of sea piracy continued to decrease during 2017, sea piracy incidents continue to occur, predominantly off the Southeast Asian coast. Dry bulk vessels and small tankers are 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 “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 costs to employ onboard security guards, could increase in such circumstances. Furthermore, the obligations for charter hire payments and determination of on-hire days is unclear with respect to piracy. 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.

***Political instability, terrorist attacks and international hostilities can affect the seaborne transportation industry, which could adversely affect our business.***

We conduct most of our operations outside of the United States, and our business, results of operations, cash flows, financial condition and ability to pay dividends, if any, in the future may be adversely affected by changing economic, political and government conditions in the countries and regions where our vessels are employed or registered. Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political conflicts, including the current political instability

in the Middle East, Ukraine, North Africa, North Korea and other geographic areas, terrorist or other attacks, war and other international hostilities. Terrorist attacks and the continuing response of the United States and others to these attacks, as well as the threat of future terrorist attacks around the world, continues to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. Continuing conflicts and recent developments in North Korea, the Middle East, Ukraine and North Africa, and the presence of U.S. or other armed forces in Iraq, Afghanistan and various other regions, 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 many regions around the world. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

***Our insurance may not be adequate to cover our losses that may result from our operations due to the inherent operational risks of the seaborne transportation industry.***

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

In addition, we do not carry loss-of-hire insurance, which covers the loss of revenues during extended vessel off-hire periods, such as those that occur during an unscheduled drydocking due to damage to the vessel from accidents. Accordingly, any loss of a vessel or extended vessel off-hire, due to an accident or otherwise, could have a material adverse effect on our business, financial condition, results of operations and our ability to pay dividends.

***The logistics industry has its own set of risks, including infrastructure issues, operational efficiencies, lack of digital culture and training, labor relations and operational costs. We may not be able to provide logistics solutions to our customers in the face of obstacles created as a result of one of these factors.***

The Company has dedicated resources to developing logistics solutions for our customers. These solutions may depend on infrastructure quality and improvement, the ability to hire qualified personnel, the ability to coordinate operations, development of digital integration and collaboration with suppliers and customers, and the ability to contain costs. If we are unable to facilitate these solutions due to any of these factors, we will not be able to continue developing such solutions.

#### Risks Relating to Our Company

***Our business strategy includes chartering-in vessels, and we may not be able to charter-in suitable vessels.***

Our business strategy depends, in large part, on our ability to charter-in vessels. If we are not able to find suitable vessels to charter-in, or to charter-in vessels at what we deem to be a reasonable rate, we may not be able to operate profitably or perform our contractual obligations. As a result, we may need to adjust our business strategy, and we may experience material adverse effects on our business, financial condition and results of operations. In addition, if we charter-in a vessel and shipping rates subsequently decrease, or we are unable to secure employment for such a vessel, our obligation under the charter may adversely affect our financial condition and results of operations.

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

We expect to derive a significant part of our revenue and cash flow from a relatively small number of repeat customers. For the year ended December 31, 2017, five of our top ten customers, representing 26% of total revenue, are repeat customers. If one or more of our significant customers is unable to perform under one or more charters or COAs and we are not able to find a replacement charter or COA; or if a customer exercises certain rights to terminate the charter or COA, we could suffer a loss of revenues that could materially adversely affect our business, financial condition, results of operations and cash available for distribution as dividends to our shareholders.

We could lose a customer or the benefits of a charter or COA if, among other things:

- the customer fails to make charter payments because of its financial inability, disagreements with us or otherwise; or
- the customer terminates the charter because we do not perform in accordance with such charter and do not cure such failures within a specified period.

If we lose a key customer, we may be unable to obtain replacement charters or COAs on comparable terms or at all. The loss of any of our customers, COAs, charters or vessels, or a decline in payments under our agreements, could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our shareholders.

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

We are a holding company, and our subsidiaries conduct all of our operations and own all of our operating assets. The equity interests in our vessel-owning subsidiaries represent a significant portion of our operating assets. As a result, our ability to satisfy our financial obligations and to pay dividends to our shareholders depends on the ability of our subsidiaries to generate profits available for distribution to us and, to the extent that they are unable to generate profits, we will be unable to pay dividends to our shareholders.

***We are subject to certain risks with counterparties on contracts and the failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business and ability to comply with covenants in our loan agreements.***

We enter into various contracts that are material to the operation of our business, including COAs, time charters and voyage charters under which we employ our vessels, and charter agreements under which we charter-in vessels. We also enter into loan agreements and hedging agreements, such as interest rate swap agreements, bunker swap agreements, and forward freight agreements, or FFAs. 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, including, among other things, general economic conditions, the condition of the drybulk shipping industry, the overall financial condition of our counterparty, prevailing prices for drybulk cargoes, rates received for specific types of vessels and voyages, and various expenses. In addition, in depressed market conditions, our customers may no longer need us to carry a cargo that is currently under contract or may be able to obtain carriage at a lower rate. If our customers fail to meet their obligations to us or attempt to renegotiate our agreements, it may be difficult to secure suitable substitute employment for the vessel, and any new charter arrangements we secure may be at lower rates or, if our counterparties fail to deliver a vessel we have agreed to charter-in, or if a counterparty otherwise fails to honor its obligations to us under a contract, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to pay dividends to holders of our common shares in the amounts anticipated or at all and compliance with covenants in our secured loan agreements.

Additionally, we are subject to certain risks as a result of using our vessels as collateral. If we are in breach of financial covenants contained in our loan agreements, we may not be successful in obtaining waivers and amendments. If our indebtedness is accelerated, it may be difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels if our lenders foreclose on their liens.

***We may be unable to comply with covenants in our credit facilities or any financial obligations that impose operating and financial restrictions on us.***

Our credit facilities and capital leases, which are secured by mortgages on our vessels, impose certain operating and financial restrictions on us, mainly to ensure that the market value of the mortgaged vessel under the applicable credit facility does not fall below a certain percentage of the outstanding amount of the loan, which we refer to as the collateral maintenance or loan to value ratio. In addition, certain of our credit facilities include other financial covenants, which require us to, among other things, maintain:

- a consolidated leverage ratio of not more than 200%;
- a consolidated debt service coverage ratio of not less than 120%;
- Minimum consolidated net worth of \$45 million plus, with respect to any vessel purchased or leased by the Guarantor or its subsidiaries, for so long as such vessels are legally or economically owned, 25% of the purchase price or (finance) lease amount of such vessels;

- consolidated minimum liquidity of not less than \$16 million plus \$1 million for each additional vessel we acquire

In general, the operating restrictions that are contained in our credit facilities may prohibit or otherwise limit our ability to, among other things:

- effect changes in management of our vessels;
- sell or dispose of any of our assets, including our vessels;
- declare and pay dividends;
- incur additional indebtedness;
- mortgage our vessels; and
- incur and pay management fees or commissions.

Non-compliance with any of our financial covenants or operating restrictions contained in our credit facilities may constitute an event of default under our credit facilities, which, unless cured within the grace period set forth under the applicable 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, sell vessels in our fleet, reclassify our indebtedness as current liabilities, accelerate our indebtedness, or 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. As of December 31, 2017, we are in compliance with covenants contained in our debt agreements. Please read “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Borrowing Activities.*”

Furthermore, certain of 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 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. 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.

***We may be unable to effectively manage our growth strategy.***

One of our principal business strategies is to continue to expand capacity and flexibility by increasing our owned fleet as we secure additional demand for our services. Our growth strategy will depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

- enter into new contracts for the transportation of cargoes;
- develop customized logistics solutions within targeted dry bulk trades;
- locate and acquire suitable vessels for acquisitions at attractive prices;
- obtain required financing for our existing and new operations;
- integrate any acquired vessels successfully with our existing operations, including obtaining any approvals and qualifications necessary to operate vessels that we acquire;
- enhance our customer base;
- hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet;
- identify additional new markets; and

- improve our operating, financial and accounting systems and controls.

We may undertake future financings to finance our growth. Our failure to effectively identify, purchase, develop and integrate any vessels could adversely affect our business, financial condition and results of operations. The number of employees that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet, and we may not be able to effectively hire more employees or adequately improve those systems. Finally, acquisitions may require additional equity issuances or debt issuances (with amortization payments), both of which could lower our available cash. If any such events occur, our financial condition may be adversely affected.

Growing any business presents numerous risks such as difficulty in obtaining additional qualified personnel and managing relationships with customers and suppliers. The expansion of our fleet may impose significant additional responsibilities on our management and staff, and may necessitate that we 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.

***Investment in forward freight agreements and other derivative instruments could result in losses.***

We manage our market exposure using forward freight agreements, or FFAs, and other derivative instruments, such as bunker hedging contracts and interest rate swap agreements. FFAs are cash-settled derivative contracts based on future freight delivery rates and other derivative instruments. FFAs may be used to hedge exposure to the changing rates by providing for the purchase or sale of a contracted charter rate along a specified route or combination of routes and over a specified period of time. Upon settlement, if the contracted charter rate is less than the settlement rate, the seller of the FFA is required to pay the buyer an amount equal to the difference between the contracted rate and the settlement rate, multiplied by the number of days in the specified period. Conversely, if the contracted rate is greater than the settlement rate, the buyer is required to pay the seller the settlement sum. If we take positions in FFAs and do not correctly anticipate rate movements for the specified vessel route or routes and relevant time period or our assumptions regarding the relative relationships of certain vessels' earnings, routes and other factors relevant to the FFA markets are incorrect, we could suffer losses in settling or terminating our FFAs. In addition, we normally do not designate our FFAs for special hedge accounting and, as such, our use of such derivatives may lead to material fluctuations in our results of operations.

We also seek to manage our exposure to volatility in the market price of bunkers and interest rate fluctuations by entering into bunker hedging contracts and interest rate swap agreements. There can be no assurance that we will be able to successfully limit our risks, leaving us exposed to unprofitable contracts and we may suffer significant losses from these hedging activities.

***Our long-term COAs, single charter bookings and time-charter agreements may result in significant fluctuations in our quarterly results, which may adversely affect our liquidity, as well as our ability to satisfy our financial obligations.***

As part of our business strategy, we enter into long-term COAs, single charter bookings and time-charter agreements. We evaluate entering into long-term positions based on the expected return over the full term of the contract. However, long-term contracts that we believe provide attractive returns over their full term may produce losses over portions of the contract period. We may be required to provide additional margin collateral in connection with FFA positions that are settled through clearinghouses, depending upon movements in the FFA markets. These interim losses, fluctuations in our quarterly results or incremental collateral requirements may adversely affect our financial liquidity, as well as our ability to satisfy our financial obligations.

***We depend on COAs, which could require us to operate at unfavorable rates for a certain amount of time or subject us to other operating risks.***

A significant portion of our revenues are derived from COAs. While COAs provide a relatively stable and predictable source of revenue, they typically fix the rate we are paid for our drybulk shipping services. Once we have entered into a COA, if we have not correctly anticipated vessel rates, location and availability for our owned or chartered-in fleet to fulfill the COA, we could suffer losses. Moreover, factors beyond our control may cause a COA to become unprofitable. Nevertheless, we would be obligated to continue to perform for the term of the COA. In addition, factors beyond our control, such as vessel availability, port delays, changes in government or industry rules or regulation, industrial actions or acts of terrorism or war, could affect our ability to perform our obligations under our COAs, which could result in breach of contract or other claims by our COA counterparties. Any of these occurrences could have a material adverse effect on our business, financial condition and results of operations and financial condition.

***We are a “smaller reporting company” and we cannot be certain if the reduced disclosure requirements applicable to smaller reporting companies will make our common shares less attractive to investors.***

We are a “smaller reporting company,” as defined in the Securities Act of 1934, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. Such exemptions may be available until our public float exceeds \$75 million as of the last day of our most recently completed second fiscal quarter. Investors may find our common shares and the price of our common shares less attractive because we rely, or may rely, on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and the price of our common shares may be more volatile.

***Obligations associated with being a public company require significant company resources and management attention, and we incur increased costs as a result of being a public company.***

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the rules and regulations of the SEC, including Sarbanes-Oxley, and requirements of the NASDAQ Global Select Market. These requirements and rules may place a strain on our systems and resources. For example, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition and Sarbanes-Oxley requires that we document and maintain effective disclosure controls and procedures and internal control over financial reporting. These reporting and other obligations place significant demands on our management, administrative, operational and accounting resources and we incur significant legal, accounting and other expenses as a result. The expenses incurred by public companies, generally, for reporting and corporate governance purposes have been increasing and the costs we incur for such purposes may strain our resources. We anticipate upgrading our accounting information systems in conjunction with the replacement of our ERP system in 2018. We may implement additional financial and management controls and procedures, reporting and business intelligence systems, create or outsource an internal audit function, or hire additional accounting and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. In addition, our limited management resources may exacerbate the difficulties in complying with these reporting and other requirements while focusing on executing our business strategy. Our incremental general and administrative expenses as a publicly traded corporation include costs associated with preparing reports to shareholders, tax returns, investor relations, registrar and transfer agent’s fees, incremental director and officer liability insurance costs and director compensation. Any failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, prospects, liquidity, results of operations and financial condition. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common shares, fines, sanctions and other regulatory action.

We are required to comply with certain provisions of Section 404 of Sarbanes-Oxley. However, as a smaller reporting company, we are exempt from certain of its requirements for so long as we remain so. For example, Section 404 of Sarbanes-Oxley requires that the Company and its independent auditors report annually on the effectiveness of our internal control over financial reporting. However, as a smaller reporting company, we may take advantage of an exemption from the auditor attestation requirement. Once we are no longer a smaller reporting company or, if prior to such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent auditors on the effectiveness of our internal control over financial reporting. Management, however, is not exempt from this requirement, and is required to, among other things, maintain and periodically evaluate our internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process documentation, evaluation and testing of our internal control over financial reporting to allow us to report on the effectiveness of our internal control over financial reporting.

***A failure to pass inspection by classification societies could result in vessels being unemployable until they pass inspection, resulting in a loss of revenues from such vessels for that period.***

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 United Nations Safety of Life at Sea Convention. Our owned fleet is currently enrolled with Bureau Veritas (BV), DNV GL Group (DNV), and Nippon Kaiji Kyokai (NK).

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel’s machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Our vessels are on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel must undergo regulatory surveys of its underwater parts every 30 to 60 months.



If a vessel fails any annual survey, intermediate survey or special survey, the vessel may be unable to trade between ports and, therefore, would be unemployable, potentially causing a negative impact on our revenues due to the loss of revenues from such vessel until it was able to trade again.

***Because we purchase and operate secondhand vessels, we may be exposed to increased operating costs which could adversely affect our earnings and, as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.***

As part of our current business strategy to increase our owned fleet, we may acquire new and secondhand vessels. While we inspect secondhand vessels prior to purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Accordingly, we may not discover defects or other problems with secondhand vessels prior to purchasing or chartering-in, or may incur costs to terminate a purchase agreement. Any such hidden defects or problems may be expensive to repair, and if not detected, may result in accidents or other incidents for which we may become liable to third parties.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel-efficient than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

Furthermore, governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment and may restrict the type of activities in which the vessel 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.

***Unless we set aside reserves or are able to borrow funds for vessel replacement, we will be unable to replace the vessels in our fleet at the end of their useful lives.***

We estimate the useful life of our vessels to be 25 or 30 years from the date of initial delivery from the shipyard. The remaining estimated useful lives of our vessels range from 3 to 24 years, depending on the age and type of vessel. The average age of our owned drybulk carriers at the time of this filing is approximately 10 years. A portion of our cash flows and income are dependent on the revenues earned by employing our vessels. If we are unable to replace the vessels in our fleet at the end of their useful lives, our business, results of operations, financial condition and ability to pay dividends could be materially and adversely affected. We currently do not maintain reserves for vessel replacements. We intend to finance vessel replacements from internally generated cash flow, borrowings under our credit facilities or additional equity or debt offerings.

***Our ability to obtain additional debt financing, or to refinance existing indebtedness, may be dependent on the performance and length of our COAs and charters, and the creditworthiness of our contract counterparties.***

The performance and length of our COAs and charters and the actual or perceived credit quality of our contract counterparties, and any defaults by them, may materially affect our ability to obtain the additional capital resources required to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing on acceptable terms or at all may materially affect our results of operations and our ability to implement our business strategy.

We intend to partially finance the acquisition of vessels with borrowings drawn under credit facilities or capital lease obligations. While we may refinance amounts drawn under our credit facilities with the net proceeds of future debt and equity offerings, we cannot assure you that we will be able to do so at interest rates and on terms that are acceptable to us or at all. If we are not able to refinance these amounts with the net proceeds of debt and equity offerings at an interest rate or on terms acceptable to us or at all, we will have to dedicate a larger portion of our cash flow from operations to pay the principal and interest of this indebtedness. If we are not able to satisfy these obligations, we may have to undertake alternative financing plans or sell vessels. The actual or perceived credit quality of our contract counterparties, any defaults by them and the market value of our fleet, among other things, may materially affect our ability to obtain alternative financing. In addition, debt service payments under our credit facilities, capital lease obligations or alternative financing may limit funds otherwise available for working capital, capital expenditures, the payment of dividends and other purposes. If we are unable to meet our debt obligations, or if we otherwise default under our credit facilities or alternative financing arrangements, our lenders could declare the debt, together with accrued interest and fees, to be immediately due and payable and foreclose on our fleet, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders.

***We depend on our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and other key employees, and the loss of their services would have a material adverse effect on our business, results and financial condition.***

We depend on the efforts, knowledge, skill, reputations and business contacts of our Chief Executive Officer, Edward Coll, our Chief Financial Officer, Gianni Del Signore, our Chief Operating Officer, Mark Filanowski, and other key employees, including Mads Boye Petersen, Peter Koken, Robert Seward and Fotis Doussopoulos. Accordingly, our success will depend on the continued service of these individuals. We do not have employment agreements with our executive officers or employees. We may experience departures of senior executive officers and other key employees, and we cannot predict the impact that any of their departures would have on our ability to achieve our financial objectives. The loss of the services of any of them could have a material adverse effect on our business, results of operations and financial condition.

***We may be subject to litigation, arbitration and other proceedings that could have an adverse effect on our business***

We may be, from time to time, involved in various litigation matters arising in the ordinary course of business, or otherwise. These matters may include, among other things, contract disputes, personal injury claims, environmental matters, governmental claims for taxes or duties, securities, or maritime matters. The potential costs to resolve any claim or other litigation matter, or a combination of these, may have a material adverse effect on us because of potential negative outcomes, the costs associated with asserting our claims or defending such lawsuits, and the diversion of management's attention to these matters.

***United States tax authorities could treat us as a “passive foreign investment company,” which could have adverse United States federal income tax consequences to U.S. holders***

A foreign corporation will be treated as a “passive foreign investment company,” or PFIC, for United States federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of “passive income” or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of “passive income.” For purposes of these tests, “passive income” includes dividends, interest, 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 does not constitute “passive income.” United States shareholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

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

There is, however, no direct legal authority under the PFIC rules addressing our proposed 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 future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States shareholders will face adverse United States tax consequences. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders), such shareholders would be liable to pay United States federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our common shares.

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

Under sections 863(c)(3) and 887(a) of the United States 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 may be subject to a 4% United States federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under section 883 of the Code and the applicable Treasury Regulations recently promulgated thereunder.

We expect that we and each of our subsidiaries qualify for this statutory tax exemption and we will take this position for United States federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause

us to lose the benefit of this tax exemption and thereby become subject to United States federal income tax on our United States source income. Due to the factual nature of the issues involved, we can give no assurances on our tax-exempt status or that of any of our subsidiaries.

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

***We have had and in the future may identify material weaknesses in our internal control over financial reporting that may cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements***

Our management team is responsible for establishing and maintaining adequate internal control over financial reporting. 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 in accordance with U.S. generally accepted accounting principles. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

***Information technology disruptions and security threats could negatively impact our business***

Our information technology (IT) and related systems are critical to the operation of our business. Cybersecurity threats, including attempts to gain access to our confidential or proprietary information, malicious software, and other security breaches, continue to evolve and require highly skilled IT resources. We are not aware of any material losses relating to cybersecurity violations, and we believe our threat detection and mitigation processes are sufficient. However, these security threats continue to evolve, and the possibility of future material incidents cannot be completely mitigated. Any future breach of data security, whether of our systems or the systems of our service providers who may have access to our data for business purposes, could compromise confidential information and disrupt our operations, exposing us to liability and increased costs. Such a breach may not be covered by insurance, may result in reputational damage and adversely affect our competitiveness and our results of operations. We may update and/or replace IT systems used by our business. The implementation of new systems may cause temporary disruptions of business activities as existing processes are transitioned to the new systems.

#### Risks Related To Our Common Shares

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

The market price of our common shares could decline due to sales of a large number of shares in the market, including sales of shares by our large shareholders, or the perception that these sales could occur. These sales could also make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate to raise funds through future offerings of common shares.

***We may need to raise additional capital in the future, which may not be available on favorable terms or at all or which may dilute our common shares or adversely affect its market price.***

We may require additional capital to expand our business and increase revenues, add liquidity in response to negative economic conditions, meet unexpected liquidity needs caused by industry volatility or uncertainty and reduce our outstanding indebtedness under our existing facilities. To the extent that our existing capital and borrowing capabilities are insufficient to meet these requirements and cover any losses, we will need to raise additional funds through debt or equity financings, including offerings of our common shares, securities convertible into our common shares, or rights to acquire our common shares, or curtail our growth and reduce our assets or restructure arrangements with existing security holders. Any equity or debt financing, or additional borrowings, if available at all, may be on terms that are not favorable to us. Equity financings could result in dilution to our shareholders, as described further below, and the securities issued in future financings may have rights, preferences and privileges that are senior to those of our common shares. If our need for capital arises because of significant losses, the occurrence of these losses may make it more difficult for us to raise the necessary capital. If we cannot raise funds on acceptable terms if and when needed, we may not be able to take advantage of future opportunities, grow our business or respond to competitive pressures or unanticipated requirements.

***Future issuances of our common shares could dilute our shareholders' interests in our company.***

We may, from time to time, issue additional common shares to support our growth strategy, reduce debt or provide us with capital for other purposes that our Board of Directors believes to be in our best interest. To the extent that an existing shareholder does not purchase additional shares that we issue, that shareholder's interest in our company will be diluted, which means that its percentage of ownership in our company will be reduced. Following such a reduction, that shareholder's common shares would represent a smaller percentage of the vote in our Board of Directors' elections and other shareholder decisions.

***Volatility in the market price and trading volume of our common shares could adversely impact the trading price of our common shares.***

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like us. These broad market factors may materially reduce the market price of our common shares, regardless of our operating performance. The market price of our common shares, which has experienced significant price fluctuations in the past twelve months, could continue to fluctuate significantly for many reasons, including in response to the risks described herein or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability.

***Classified Board of Directors.***

Our Board of Directors is divided into three classes serving staggered, three-year terms. 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 up to two years.

***We are incorporated in Bermuda and it may not be possible for our investors to enforce U.S. judgments against us.***

We are incorporated in Bermuda and substantially all of our assets are located outside the United States. In addition, one of our directors is a non-resident of the United States, and all or a substantial portion of such director's assets are located outside the United States. As a result, it may be difficult or impossible for U.S. investors to serve process within the United States, upon us or our directors and executive officers, or to enforce a judgment against us for civil liabilities in United States courts.

In addition, you should not assume that courts in the countries in which we are incorporated or where our assets are located would enforce judgments of United States courts obtained in actions against us based upon the civil liability provisions of applicable United States federal and state securities laws or would enforce, in original actions, liabilities against us based on those laws.

***Because we are a foreign corporation, you may not have the same rights that a shareholder in a U.S. corporation may have.***

We are a Bermuda exempted company. Our memorandum of association and bye-laws and the Companies Act, 1981 of Bermuda, or the Companies Act, govern our affairs. The Companies Act does not as clearly establish your rights and the fiduciary responsibilities of our directors as do statutes and judicial precedent in some United States jurisdictions. Therefore, you may have more difficulty in protecting your interests as a shareholder in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction. There is a statutory remedy under Section 111 of the Companies Act which provides that a shareholder may seek redress in the courts as long as such shareholder can establish that our affairs are being conducted, or have been conducted, in a manner oppressive or prejudicial to the interests of some part of the shareholders, including such shareholder. However, you may not have the same rights that a shareholder in a United States corporation may have.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2. PROPERTIES**

Phoenix Bulk Carriers (US) LLC, the administrative agent for the Company, maintains office space at 109 Long Wharf, Newport, Rhode Island 02840. The building is owned by 109 Long Wharf LLC ("Long Wharf"), a wholly-owned subsidiary of the Company since September 1, 2014. Long Wharf was previously owned by certain of the Company's Executive Officers and Directors. The Company leases office space in Copenhagen, Athens and Singapore.

### **ITEM 3. LEGAL PROCEEDINGS**

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

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

Our common shares are traded on The Nasdaq Capital Market under the symbol PANL. The following table sets forth the high and low sales prices for our common shares for the periods indicated since our common shares began public trading (as PANL) on October 3, 2014.

<u>2017</u>	<u>High</u>	<u>Low</u>
Fourth Quarter	\$8.40	\$2.25
Third Quarter	\$2.98	\$2.14
Second Quarter	\$3.70	\$2.54
First Quarter	\$3.75	\$2.85
<u>2016</u>	<u>High</u>	<u>Low</u>
Fourth Quarter	\$4.44	\$2.40
Third Quarter	\$3.06	\$2.25
Second Quarter	\$3.74	\$2.22
First Quarter	\$2.84	\$1.89

#### Holders

As of March 21, 2018, there were approximately 490 holders of record of our common shares.

#### Dividends

Under our Bye-laws, our board of directors may declare dividends or distributions out of contributed surplus and may also pay interim dividends to be paid in cash, shares of the Company's stock or any combination thereof. Our board of directors' objective is to generate competitive returns for our shareholders. Any dividends declared will be in the sole discretion of the board of directors and will depend upon earnings, restrictions in our debt agreements described later in this prospectus, market prospects, current capital expenditure programs and investment opportunities, the provisions of Bermuda law affecting the payment of distributions to shareholders and other factors. Under Bermuda law, the board of directors has no discretion to declare or pay a dividend if there are reasonable grounds for believing that the Company is, or would after the payment be, unable to pay its liabilities as they become due or the realizable value of the Company's assets would thereby be less than its liabilities.

In addition, since we are a holding company with no material assets other than the shares of our subsidiaries through which we conduct our operations, our ability to pay dividends will depend on our subsidiaries' distributing to us their earnings and cash flows. During the years ended December 31, 2017 and 2016, we did not declare any dividends on our common shares. We cannot assure you that we will be able to pay regular quarterly dividends, and our ability to pay dividends will be subject to the limitations set forth above and in the section of this Form 10-K titled "[Risk Factors.](#)" The Company has dividends payable to related parties totaling \$7.2 million at December 31, 2017.

#### Use of Proceeds

Not applicable

#### Purchases of Equity Securities by Issuer and Affiliates

Not applicable

#### Securities Authorized for Issuance Under Equity Compensation Plan

See [Part III, Item 12](#) for information regarding securities authorized for issuance under our equity compensation plan.

## ITEM 6. SELECTED FINANCIAL DATA

(in thousands, except shipping days data) (figures may not foot due to rounding)	As of and for the years ended December 31,	
	2017	2016
<b>Selected Data from the Consolidated Statements of Operations</b>		
Voyage revenue	\$ 337,683	\$ 222,116
Charter revenue	47,405	15,900
Total revenue	385,088	238,016
Charter expense	160,578	103,647
Voyage expense	132,853	63,692
Vessel operating expenses	36,436	30,904
Total cost of transportation and service revenue	329,867	198,243
Net revenue <sup>(1)</sup>	55,221	39,773
Other operating expenses	30,778	26,882
Loss on sale and leaseback of vessels	9,275	—
Income from operations	15,168	12,892
Total other expense, net	(6,068)	(3,733)
Net income	9,100	9,159
Income attributable to noncontrolling interests	(1,288)	(1,702)
Net income attributable to Pangaea Logistics Solutions Ltd.	\$ 7,812	\$ 7,457
<b>Selected Data from the Consolidated Balance Sheets</b>		
Cash	\$ 34,532	\$ 22,323
Total assets	\$ 423,297	\$ 362,194
Total secured debt, including obligations under capital leases	\$ 163,396	\$ 127,266
Total shareholders' equity	\$ 210,656	\$ 176,677
<b>Selected Data from the Consolidated Statements of Cash Flows</b>		
Net cash provided by operating activities	\$ 29,223	\$ 19,214
Net cash used in investing activities	\$ (64,554)	\$ (10,254)
Net cash provided by financing activities	\$ 47,539	\$ (24,157)
Adjusted EBITDA <sup>(2)</sup>	\$ 40,058	\$ 27,000
<b>Shipping Days <sup>(3)</sup></b>		
Voyage days	15,422	11,912
Time charter days	3,924	2,033
Total shipping days	19,346	13,945
TCE Rates (\$/day) <sup>(4)</sup>	\$ 11,605	\$ 9,636

(1) Net revenue represents total revenue less the total direct costs of transportation and services, which includes charter hire, voyage and vessel operating expenses. Net revenue is included because it is used by management and certain investors to measure performance by comparison to other logistic service providers. Net revenue is not an item recognized by the generally accepted accounting principles in the United States of America, or U.S. GAAP, and should not be considered as an alternative to net income, operating income, or any other indicator of a company's operating performance required by U.S. GAAP. Pangaea's definition of net revenue used here may not be comparable to an operating measure used by other companies.

- (2) Adjusted EBITDA represents operating earnings before interest expense, income taxes, depreciation and amortization, loss on sale and leaseback of vessels and other non-operating income and/or expense, if any. Adjusted EBITDA is included because it is used by management and certain investors to measure operating performance and is also reviewed periodically as a measure of financial performance by Pangaea's Board of Directors. Adjusted EBITDA is not an item recognized by the generally accepted accounting principles in the United States of America, or U.S. GAAP, and should not be considered as an alternative to net income, operating income, or any other indicator of a company's operating performance required by U.S. GAAP. Pangaea's definition of Adjusted EBITDA used here may not be comparable to the definition of EBITDA used by other companies.

The reconciliation of income from operations to net revenue and adjusted EBITDA is as follows:

	Years Ended December 31,	
	2017	2016
<b><u>Net Revenue</u></b>		
Income from operations	\$ 15,169	\$ 12,892
General and administrative	\$ 15,163	\$ 12,774
Depreciation and amortization	15,615	14,108
Loss on sale and leaseback of vessels	9,275	—
Net Revenue	<u>\$ 55,222</u>	<u>\$ 39,773</u>
<b><u>Adjusted EBITDA (in millions)</u></b>		
Income from operations	\$ 15,169	\$ 12,892
Depreciation and amortization	\$ 15,615	\$ 14,108
Loss on sale and leaseback of vessel	\$ 9,275	\$ —
Adjusted EBITDA	<u>\$ 40,058</u>	<u>\$ 27,000</u>

- (3) Shipping days are defined as the aggregate number of days in a period during which its owned or chartered-in vessels are performing either a voyage charter (voyage days) or time charter (time charter days).

- (4) Pangaea defines time charter equivalent, or "TCE," rates as total revenues less voyage expenses divided by the length of the voyage, which is consistent with industry standards. TCE rate 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 rates for vessels on voyage charters are generally not expressed in per-day amounts while rates for vessels on time charters generally are expressed in such amounts.



## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and footnotes thereto contained in this report.

### Forward Looking Statements

All statements other than statements of historical fact included in this Form 10-K including, without limitation, statements under “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward looking statements. When used in this Form 10-K, words such as “anticipate,” “believe,” “estimate,” “expect,” “intend” and similar expressions, as they relate to us or our management, identify forward looking statements. Such forward looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those contemplated by the forward looking statements as a result of the risk factors and other factors detailed in our filings with the Securities and Exchange Commission, including the risk factors set forth in *Part I, Item 1A*, above. All subsequent written or oral forward looking statements attributable to us or persons acting on our behalf are qualified in their entirety by this paragraph.

### Overview

#### Critical Accounting Policies

The discussion and analysis of the Company’s financial condition and results of operations is based upon the Company’s consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of those financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues, expenses and related disclosure of contingent assets and liabilities at the date of its financial statements. Actual results may differ from these estimates under different assumptions and conditions. Significant estimates include the establishment of the allowance for doubtful accounts, the estimate of salvage value used in determining vessel depreciation expense and the fair value used to calculate the loss on sale and leaseback of the m/v Bulk Destiny.

Critical accounting policies are those that reflect significant judgments or uncertainties and potentially result in materially different results under different assumptions and conditions. The critical accounting policies are revenue recognition, deferred revenue, allowance for doubtful accounts, vessel depreciation and long-lived assets impairment considerations.

**Revenue Recognition.** Voyage revenues represent revenues earned by the Company, principally from providing transportation services under voyage charters. A voyage charter involves the carriage of a specific amount and type of cargo on a load port to discharge port basis, subject to various cargo handling terms. Under a voyage charter, the service revenues are earned and recognized ratably over the duration of the voyage. Estimated losses under a voyage charter are provided for in full at the time such losses become probable. Demurrage, which is included in voyage revenues, represents payments by the charterer to the vessel owner when loading and discharging time exceed the stipulated time in the voyage charter. Demurrage is measured in accordance with the provisions of the respective charter agreements and the circumstances under which demurrage revenues arise. At the time demurrage revenue can be estimated, it is included in the calculation of voyage revenue and recognized ratably over the duration of the voyage to which it pertains. Voyage revenue recognized is presented net of address commissions.

Charter revenues relate to a time charter arrangement under which the Company is paid to provide transportation services on a per day basis for a specified period of time. Revenues from time charters are earned and recognized on a straight-line basis over the term of the charter, as the vessel operates under the charter. Revenue is not earned when vessels are offhire.

**Deferred Revenue.** Billings for services for which revenue is not recognized in the current period are recorded as deferred revenue. All deferred revenue recognized in the accompanying consolidated balance sheets is expected to be realized within 12 months of the balance sheet date.

**Allowance for Doubtful Accounts.** The Company provides a specific reserve for significant outstanding accounts that are considered potentially uncollectible in whole or in part. In addition, the Company establishes a reserve equal to approximately 25% of accounts receivable balances that are 30 – 180 days past due and approximately 50% of accounts receivable balances that are 180 or more days past due, and which are not otherwise reserved. The reserve estimates are adjusted as additional information becomes available, or as payments are made.

**Vessels and Depreciation.** Vessels are stated at cost, which includes contract price and acquisition costs. Significant betterments to vessels are capitalized; maintenance and repairs that do not improve or extend the lives of the vessels are expensed as incurred. Depreciation is provided using the straight-line method over the remaining estimated useful lives of the vessels based on cost less salvage value. Each vessel's salvage value is equal to the product of its lightweight tonnage and an estimated scrap rate of \$300 per lightweight ton which was determined by reference to quoted rates and is reviewed annually. The Company estimates the useful life of its vessels to be 25 years to 30 years from the date of initial delivery from the shipyard. The remaining estimated useful lives of the current fleet are 3 – 24 years. The Company does not incur depreciation expense when vessels are taken out of service for drydocking.

**Drydocking Expenses and Amortization.** Significant upgrades made to the vessels during drydocking are capitalized when incurred and amortized on a straight-line basis over the five year period until the next drydocking. Costs capitalized as part of the drydocking include direct costs incurred to meet regulatory requirements that add economic life to the vessel, that increase the vessel's earnings capacity or which improve the vessel's efficiency. Direct costs include the shipyard costs, parts, inspection fees, steel, blasting and painting. Expenditures for normal maintenance and repairs, whether incurred as part of the drydocking or not, are expensed as incurred. Unamortized drydocking costs of vessels that are sold are written off and included in the calculation of the resulting gain or loss on sale.

**Long-lived Assets Impairment Considerations.** The carrying values of the Company's vessels may not represent their fair market value or the amount that could be obtained by selling the vessel at any point in time because the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the pricing of new vessels. Historically, both charter rates and vessel values tend to be cyclical. The carrying value of each group of vessels (allocated by size, age and major characteristic or trade), which are classified as held and used by the Company, are reviewed for potential impairment when events or changes in circumstances indicate that the carrying value of a particular group may not be fully recoverable. In such instances, an impairment charge would be recognized if the estimate of the undiscounted future cash flows expected to result from the use of the group and its eventual disposition is less than its carrying value. This assessment is made at the group level, which represents the lowest level for which identifiable cash flows are largely independent of other groups of assets. The asset groups established by the Company are defined by vessel size and major characteristic or trade.

The significant factors and assumptions used in the undiscounted projected net operating cash flow analysis include the Company's estimate of future TCE rates based on current rates under existing charters and contracts. When existing contracts expire, the Company uses an estimated TCE based on actual results and extends these rates out to the end of the vessel's useful life. TCE rates can be highly volatile, may affect the fair value of the Company's vessels and may have a significant impact on the Company's ability to recover the carrying amount of its fleet. Accordingly, the volatility is contemplated in the undiscounted projected net operating cash flow by using a sensitivity analysis based on percent changes in the TCE rates. The Company prepares a series of scenarios in an attempt to capture the range of possible trends and outcomes. For example, in the event that TCE rates over the estimated useful lives of the entire fleet are 10% lower than expected, the impact on the total undiscounted projected net operating cash flow would be a decrease of 12%. Projected net operating cash flows are net of brokerage and address commissions and assume no revenue on scheduled offhire days. The Company uses the current vessel operating expense budget, estimated costs of drydocking and historical general and administrative expenses as the basis for its expected outflows, and applies an inflation factor it considers appropriate. The net of these inflows and outflows, plus an estimated salvage value, constitutes the projected undiscounted future cash flows. If these projected cash flows do not exceed the carrying value of the asset group, an impairment charge would be recognized.

At December 31, 2017, the Company did not identify any potential impairment indicators and therefore, did not prepare an evaluation of the estimated total undiscounted cash flows expected to result from the use of the group and eventual disposal.

At June 30, 2017, March 31, 2017 and December 31, 2016, the Company identified a potential impairment indicator by reference to industry-wide estimated market values of its vessel groups. As a result, the Company evaluated each group for impairment by estimating the total undiscounted cash flows expected to result from the use of the group and its eventual disposal. The estimated undiscounted future cash flows were higher than the carrying amount of the vessels in the Company's fleet and as such, no loss on impairment was recognized.

The table set forth below indicates the purchase price of the Company's vessels and the carrying amount of each vessel as of December 31, 2017.

(In thousands of U.S. dollars)

Vessel Name	Date Acquired	Size	Purchase Price		Carrying Amount
m/v Nordic Orion	April 2012	PMX-1A	\$	32,363	\$ 26,468
m/v Nordic Odyssey	April 2012	PMX-1A		32,691	25,635
m/v Nordic Oshima	September 2014	PMX-1A		33,709	30,122
m/v Nordic Odin	February 2015	PMX-1A		32,625	30,548
m/v Nordic Olympic	February 2015	PMX-1A		32,600	30,371
m/v Nordic Oasis	January 2016	PMX-1A		32,600	31,609
m/v Bulk Pangaea	December 2009	PMX		26,500	16,399
m/v Bulk Patriot	October 2011	PMX		15,350	11,111
m/v Bulk Juliana	April 2012	SMX		14,750	11,411
m/v Bulk Trident	September 2012	SMX		17,010	14,195
m/v Bulk Beothuk	February 2013	SMX		14,197	6,840
m/v Bulk Newport	September 2013	SMX		15,546	13,139
m/v Bulk Freedom	June 2017	SMX		9,016	8,835
m/v Bulk Pride	December 2017	SMX		14,023	14,008
m/v Nordic Bothnia	January 2014	HMX-1A		7,640	4,847
m/v Nordic Barents	March 2014	HMX-1A		7,640	4,787
m/v Bulk Destiny	January 2017	UMX - 1C		24,000	23,154
m/v Bulk Endurance	January 2017	UMX - 1C		28,000	27,031
Miss Nora G. Pearl	November 2017	Deck Barge		2,695	2,695
Total			\$	392,955	\$ 333,205

**Use of 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

#### **Recent Accounting Pronouncements**

In February 2016, the FASB issued an ASU 2016-02, Accounting Standards Update for Leases. The update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The Company does not typically enter into charters for terms exceeding six months. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The Company does not expect adoption of this guidance to have a material impact on its financial statements.

In May 2014, the FASB issued an ASU 2014-09, Accounting Standards Update for Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2017. The Company analyzed its contracts with customers covering each significant revenue stream, applying the provisions of the new standard. The Company determined that revenue from vessels operating on time charter will continue to be recognized under current revenue recognition policy because the services being provided to its customers currently reflect the consideration to which the entity expects to be entitled in exchange for those services, and because these arrangements qualify as single performance obligations that meet the criteria to recognize revenue over time, as the customer is simultaneously receiving and consuming the

benefits of these services. The performance obligation in a voyage charter is also the transportation service provided and also meets the criteria to recognize revenue over time. Under the new standard, revenue for these voyages will be recognized over the period between load port and discharge port in contrast to the current recognition policy to recognize revenue from discharge port to discharge port. The Company will also recognize an asset representing certain costs to fulfill contracts that have not begun to load, if they meet the criteria outlined in this update. Such assets will be amortized pro rata over the period of the contract. The Company will expense costs to obtain a contract as incurred, as provided by the practical expedient, since all such costs are expected to be amortized over less than one year. The Company will apply the new revenue standard on a modified retrospective basis with a cumulative effect adjustment reducing retained earnings by approximately \$2.6 million on January 1, 2018. Prior periods were not adjusted. The Company has modified its accounting information system, financial close process and internal controls in order to make the adjustments necessary to report under the new standard.

In November 2016, the FASB issued an ASU 2016-18 Accounting Standards Update for Statement of Cash Flows. The amendments in this update provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows, thereby reducing the diversity in practice. Specifically, this update addresses how to classify and present changes in restricted cash or restricted cash equivalents that occur when there are transfers between cash, cash equivalents, and restricted cash or restricted cash equivalents and when there are direct cash receipts into restricted cash or restricted cash equivalents or direct cash payments made from restricted cash or restricted cash equivalents. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments in this update should be applied using a retrospective transition method to each period presented. The Company does not expect adoption of this guidance to have a material impact on its financial statements.

In August 2017, the FASB issued an ASU 2017-12 Accounting Standards Update for Derivatives and Hedging. The amendments in this update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted in any interim period after issuance of the update. All transition requirements and elections should be applied to hedging relationships existing on the date of adoption. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. For cash flow and net investment hedges existing at the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the amendments in this update. The amended presentation and disclosure guidance is required only prospectively. The Company does not expect adoption of this guidance to have a material impact on its financial statements.

### **Important Financial and Operational Terms and Concepts**

The Company uses a variety of financial and operational terms and concepts when analyzing its performance.

These include revenue recognition, deferred revenue, allowance for doubtful accounts, vessels and depreciation and long-lived assets impairment considerations, as defined above as well as the following:

**Voyage Expenses.** The Company incurs expenses for voyage charters, including bunkers (fuel), port charges, canal tolls, brokerage commissions and cargo handling operations, which are expensed as incurred.

**Charter Expenses.** The Company charters in vessels to supplement its owned fleet to support its voyage charter operations. The Company hires vessels under time charters with third party vessel owners, and recognizes the charter hire payments as an expense on a straight-line basis over the term of the charter. Charter hire payments are typically made in advance, and the unrecognized portion is reflected as advance hire in the accompanying consolidated balance sheets. Under the time charters, the vessel owner is responsible for the vessel operating costs such as crews, maintenance and repairs, insurance, and stores.

**Vessel Operating Expenses.** Vessel operating expenses represent the cost to operate the Company’s owned vessels. Vessel operating expenses include crew hire and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes, other miscellaneous expenses, and technical management fees. These expenses are recognized as incurred. Technical management services include day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, arranging the hire of crew, and purchasing stores, supplies, and spare parts.

**Net Revenue.** Net revenue represents total revenue less the total direct costs of transportation and services, which includes charter hire, voyage and vessel operating expenses.

**Fleet Data.** The Company believes that the measures for analyzing future trends in its results of operations consist of the following:

- **Shipping days.** The Company defines shipping days as the aggregate number of days in a period during which its owned or chartered-in vessels are performing either a voyage charter (voyage days) or a time charter (time charter days).

- **Daily vessel operating expenses.** The Company defines daily vessel operating expenses as vessel operating expenses divided by ownership days for the period. Vessel operating expenses include crew hire and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes, other miscellaneous expenses, and technical management fees.

- **Chartered in days.** The Company defines chartered in days as the aggregate number of days in a period during which it chartered in vessels from third party vessel owners.

- **Time Charter Equivalent “TCE” rates.** The Company defines TCE rates as total revenues less voyage expenses divided by the length of the voyage, which is consistent with industry standards. TCE rate 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 rates for vessels on voyage charters are generally not expressed in per-day amounts while rates for vessels on time charters generally are expressed in per-day amounts.

## Overview

The seaborne drybulk transportation industry is cyclical and volatile. Demand for drybulk tonnage has increased across the board, lead by iron ore and coal volume driven by China. However, oversupply continued to be a challenge in 2017. Economic growth in Asia, Europe and the Americas has accelerated since the middle of 2016, when drybulk rates were at all time lows, but fleet growth was higher than anticipated, which limited the impact of improvements in market rates.

## 2017 Highlights

- Net income of \$7.8 million as the drybulk market sees improvement and market rates gradually climb up from 2016 historic lows as demand exceeds growth in available tonnage.
- Income from operations of \$15.2 million includes losses on the sale and leaseback of two vessels during the year.
- Cash flow from operations of \$29.2 million representing a significant increase over the prior year.
- Cash and cash equivalents totaling \$34.5 million at December 31, 2017.

## Results of Operations

### Fiscal Year Ended December 31, 2017 Compared to Fiscal Year Ended December 31, 2016

#### Revenues

Pangaea’s revenues are derived predominantly from voyage charters and time charters. Total revenue for the fiscal year ended December 31, 2017, was \$385.1 million compared to \$238.0 million, for the same period in 2016. The number of shipping days increased 39% to 19,346 in the fiscal year ended December 31, 2017, from 13,945 for the same period in 2016. The revenue increase was due to the improvement in market rates stemming from increased demand resulting in an increase in rates and shipping days, while worldwide dry bulk fleet growth increased at a lower rate. The Baltic Dry Index (“BDI”), a measure of dry bulk market performance, reached its lowest recorded level in history in February 2016, then made some improvement in the following months. In 2017, the BDI average increased approximately 64% over the average in 2016. Overcapacity of tonnage continued to put some pressure on TCE rates, but growth in supply was less than the growth in demand.

The Company's average TCE rate was up 20% to \$11,605 per day in 2017 compared to \$9,636 per day for the year ended December 31, 2016. This is due to the improvement in market rates.

Components of revenue are as follows:

Voyage revenues for the fiscal year ended December 31, 2017, increased 52% to \$337.7 million from \$222.1 million for the same period in 2016. The increase in voyage revenues was driven by the improving market for drybulk transportation and a gradual decrease in tonnage available. The BDI finished the year up 269 points from December 2016 and up 913 points over the all-time low set in the first quarter of 2016. The increase in demand drove voyage days up 29% to 15,422 from 11,912 in 2016.

Charter revenues increased 198%, to \$47.4 million for the year ended December 31, 2017 up from \$15.9 million for the year ended December 31, 2016. The increase in charter revenues was driven by the 93% increase in time charter days and to the improvement in market rates. The number of time charter days increased to 3,924 for the year ended December 31, 2017 from 2,033 days for the same period in 2016. The Company effectively orchestrated its strategy with respect to chartering in tonnage and capitalize on the increasing rate environment. This is done by chartering in some excess capacity which is then available to charter out at higher rates. In 2016, the Company stayed focused on limiting its exposure to decreasing rates by chartering in vessels only to meet the demands of specific COAs and voyage contracts, which reduced the days available to produce time-charter revenue but also reduced the risk that this additional capacity would result in operating losses in the more turbulent market.

### ***Voyage Expenses***

Voyage expenses for the fiscal year ended December 31, 2017 were \$160.6 million compared to \$103.6 million for the year ended 2016, an increase of approximately 55%. The increase in voyage expenses was due to the \$32.0 million (69%) increase in bunker fuel expenses that resulted from the 29% increase in voyage days and an increase in oil prices. The bunker cost per voyage day increased approximately 31% following a 15% increase in the average price per ton of IFO and an 18% increase in the average price per ton of MDO. Port expenses increased \$11.7 million due to the increase in the number of voyages and port calls. In addition, there was a \$10.0 million increase in cargo relet expense which is incurred when the Company employs another operator to conduct a voyage instead of using a vessel in its own operating fleet.

### ***Charter Expenses***

The Company charters in vessels from other shipowners to supplement its owned fleet. Charter expenses paid to third party shipowners increased to \$132.9 million for the fiscal year ended December 31, 2017 from \$63.7 million for the year ended December 31, 2016. The 109% increase in charter expenses was due to the improvement in market rates, as discussed above, and to a 51% increase in the number of chartered-in days. As demand increases, the Company will extend these charters to take advantage of opportunities in a rising rate market.

### ***Vessel Operating Expenses***

Vessel operating expenses increased 18%, from \$30.9 million in the year ended December 31, 2016 to \$36.4 million for the year ended December 31, 2017. The increase is due to the acquisition of two vessels in January, one in June and another in December. The total number of ownership days was 6,767 in 2017 versus 5,464 in 2016, including vessels hired under bareboat charters for which the Company pays the operating expenses. Vessel operating expenses expressed on a per day basis decreased 5%, to \$5,384, down from \$5,656 in the prior year. These operating expenses include costs to operate and maintain specialized tonnage, including additional equipment required to transport certain cargoes and increased maintenance costs that result from carriage of these cargoes under difficult circumstances.

### ***General and Administrative Expenses***

General and administrative expenses increased \$2.4 million from \$12.8 million for the year ended December 31, 2016, to \$15.2 million for the year ended December 31, 2017. This is predominantly due to an increase in compensation expense, primarily for additional staff, and to an increase in bonus compensation.

### ***Depreciation and Amortization***

Depreciation and amortization expense increased \$1.4 million (10.8%) due to the 24% increase in ownership days to 6,767 up from 5,464 in 2016. These additional days are for new vessels, as noted above, which were acquired for fleet operations.

### ***Loss on sale and charter-back of vessels***

The Company sold the m/v Bulk Destiny, one of two ultramax newbuildings delivered on January 7, 2017, and simultaneously chartered-back the vessel under a capital lease financing arrangement with the buyer. At inception of the lease, the Company recognized a loss of \$4.3 million representing the difference between the delivered cost and the fair value of the vessel, as determined by independent shipbrokers. The Company's joint venture partner absorbed 50% of this loss, which is allocated to non-controlling interests to arrive at net income attributable to Pangaea.

The Company also sold the m/v Bulk Beothuk on June 6, 2017 and simultaneously chartered-back the vessel under a capital lease. At inception of the lease, the Company recognized a loss of \$4.9 million representing the difference between the selling price and the carrying amount of the vessel.

### ***Interest expense***

Interest expense increased 47% for the year ended December 31, 2017 compared to the same period in 2016. The increase is due to the two sale and leaseback arrangements accounted for as capital leases, and to the acquisition of three other vessels under traditional financing arrangements. The Company has fixed interest rates on 67% of its outstanding debt.

### ***Income from Operations***

Income from operations was up 18% for the year ended December 31, 2017, to \$15.2 million from \$12.9 million for the year ended December 31, 2016. The increase came even after the Company recorded losses on the sale and leaseback of two vessels totaling \$9.3 million. Total revenue was up approximately 62% due to the market improvement discussed previously and to the increase in total shipping days. The operating margin was down slightly due to the fact that chartered-in days were higher, which is consistent with the Company's strategy to charter in on a more speculative basis in an improving market.

### ***Unrealized Gain on Derivative Instruments***

For the year ended December 31, 2016, unrealized gain on derivative instruments represented the increase in value of fuel swaps resulting from the increase in fuel prices after the contracts were executed. In 2017, bunker prices remained relatively stable throughout the year, minimizing the impact of using swaps, and there was minimal change in the fair value of these instruments at December 31, 2017 compared to December 31, 2016.

### ***Other income***

Other income includes the \$0.5 million settlement related to the litigation action that was reserved at the time the action was initiated. In addition, other income includes the \$1.0 million settlement of a non-performance claim relating to the cancellation of a contract and \$0.3 million of income from an unconsolidated subsidiary.

### ***Liquidity and Capital Resources***

#### ***Liquidity and Cash Needs***

The Company has historically financed its capital requirements with cash flow from operations, the issuance of preferred and common stock, proceeds from related party debt, and proceeds from long-term debt and capital lease financing arrangements. The Company has used its funds primarily to fund its operations, vessel acquisitions, and the repayment of debt and the associated interest expense. In 2017, the Company took advantage of sale-leaseback financing arrangements to generate \$28.0 million of cash for operating and investment activities. The Company may consider debt or additional equity financing alternatives from time to time. However, if market conditions are negative, the Company may be unable to raise additional debt or equity financing on acceptable terms or at all. As a result, the Company may be unable to pursue opportunities to expand its business.

At December 31, 2017 and 2016, the Company has working capital of \$13.0 million and a working capital deficit of \$9.3 million, respectively. Current liabilities include dividends payable to the Founders and their affiliated entities of \$7.2 million and \$12.6 million, respectively, at December 31, 2017 and 2016. In 2017, the Company issued approximately 1.9 million shares of its common stock as in-kind payment of accrued dividends totaling \$4.4 million. Cash payment of accrued dividends is subject to approval by the independent members of our board of directors, and will only be paid when cash flow is sufficiently in excess of normal operating requirements.

Considerations made by management in assessing the Company's ability to continue as a going concern are its ability to consistently generate positive cash flows from operations, which were approximately \$29.2 million in 2017, \$19.2 million in 2016 and \$26.0 million in 2015; its excess of cash and cash restricted by facility agents over the current portion of secured long-term debt and capital lease obligations, and its focus on contract employment (COAs). In addition, the Company has demonstrated its ability to adapt to changing market conditions by changing the chartered-in profile to meet its cargo commitments. For more information on the results of operations, see *Part II. ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Results of Operations*.

### **Capital Expenditures**

The Company's capital expenditures relate to the purchase of vessels and interests in vessels, and to capital improvements to its vessels which are expected to enhance the revenue earning capabilities and safety of these vessels. The Company's owned and controlled fleet includes: eight Panamax drybulk carriers (six of which are Ice-Class 1A); six Supramax drybulk carriers, two Handymax drybulk carriers (both of which are Ice-Class 1A); and two Ultramax drybulk carriers (both of which are Ice-Class IC), which were delivered by the shipbuilder in January 2017.

In addition to vessel acquisitions that the Company may undertake in future periods, its other major capital expenditures include funding its program of regularly scheduled drydockings necessary to make improvements to its vessels, as well as to comply with international shipping standards and environmental laws and regulations. This includes installation of ballast water treatment systems required under new regulations, the cost of which is expected to be approximately \$0.5 million per vessel. The Company has some flexibility regarding the timing of drydocking, but the total cost is unpredictable. Funding of these requirements is anticipated to be met with cash from operations. The Company anticipates that this process of recertification will require it to reposition these vessels from a discharge port to shipyard facilities, which will reduce the Company's available days and operating days during that period.

The following table summarizes Pangaea's net cash flows from operating, investing and financing activities for the fiscal years ended December 31, 2017 and 2016:

<b>(In millions of U.S. dollars)</b>	<b>2017</b>	<b>2016</b>
Net cash provided by operating activities	\$ 29.2	\$ 19.2
Net cash used in investing activities	\$ (64.6)	\$ (10.3)
Net cash provided by (used in) financing activities	\$ 47.5	\$ (24.2)

**Net Cash Provided by Operating Activities.** Net cash provided by operating activities during the year ended December 31, 2017 was \$29.2 million, compared to net cash provided by operating activities of \$19.2 million during the year ended December 31, 2016. The increase is due to changes in operating assets and liabilities, predominantly a decrease in advance hire, prepaid expenses and other current assets, which was offset by an increase in accounts payable, accrued expenses and other current liabilities. Fluctuations in these accounts stem from changes in market rates and to the timing of voyages that are in progress at the balance sheet date.

**Net Cash Used in Investing Activities.** Net cash used in investing activities during the year ended December 31, 2017 was \$64.6 million compared to \$10.3 million for the year ended December 31, 2016. In 2017, the Company invested \$64.0 million to acquire vessels, including \$37.1 million on newbuildings delivered in January 2017. In 2016, the Company invested \$9.6 million in deposits on newbuildings.

**Net Cash (Used in) Provided by Financing Activities.** Net cash provided by financing activities during the year ended December 31, 2017 was \$47.5 million, compared to net cash used for financing activities of \$24.2 million for the year ended December 31, 2016. In 2017, cash provided through long-term debt was approximately \$34.0 million, net of financing fees. During the years ended December 31, 2017 and 2016, net cash used to repay long-term debt was \$25.3 million and \$23.7 million, respectively. Cash provided by capital lease financing arrangements totaled \$28.0 million in 2017 and the Company raised \$9.6 million through the private placement of 6,533,443 common shares in June 2017.



## Borrowing Activities

Long-term debt consists of the following:

	December 31,	
	2017	2016
Bulk Pangaea Secured Note	\$ —	\$ 1,040,625
Bulk Patriot Secured Note	—	1,087,500
Bulk Trident Secured Note (1)	3,452,500	5,737,500
Bulk Juliana Secured Note (1)	1,521,095	3,042,186
Bulk Phoenix Secured Note (1)	4,473,805	6,816,685
Bulk Atlantic Secured Note	—	5,350,000
Bulk Nordic Odin Ltd., Bulk Nordic Olympic Ltd. Bulk Nordic Odyssey Ltd., Bulk Nordic Orion Ltd. and Bulk Nordic Oshima Ltd. Amended and Restated Loan Agreement (2)	69,825,000	77,325,001
Term Loan Facility of USD 13,000,000 (Nordic Bulk Barents Ltd. and Nordic Bulk Bothnia Ltd.)	5,793,460	7,097,820
Bulk Nordic Oasis Ltd. Loan Agreement (2)	18,500,000	20,000,000
The Amended Senior Facility - Dated December 21, 2017 <sup>(3)</sup>	28,803,333	—
Bulk Freedom Loan Agreement	5,150,000	—
109 Long Wharf Commercial Term Loan	922,466	1,032,067
Phoenix Bulk Carriers (US) LLC Automobile Loan	23,090	28,582
Phoenix Bulk Carriers (US) LLC Master Loan	—	236,242
Total	138,464,749	128,794,208
Less: unamortized bank fees	(1,869,780)	(1,528,511)
	136,594,969	127,265,697
Less: current portion	(18,979,335)	(19,627,846)
Secured long-term debt, net	\$ 117,615,634	\$ 107,637,851

- (1) The Bulk Trident Secured Note, the Bulk Juliana Secured Note and the Bulk Phoenix Secured Note are cross-collateralized by the vessels m/v Bulk Trident, m/v Bulk Juliana, and m/v Bulk Newport, and are guaranteed by the Company.
- (2) The borrower under this facility is NBHC, of which the Company and its joint venture partners, STST and ASO2020, each own one-third. NBHC is consolidated in accordance with ASC 810-10 and as such, amounts pertaining to the non-controlling ownership held by these third parties in the financial position of NBHC are reported as non-controlling interest in the accompanying balance sheets.
- (3) Bulk Nordic Six Ltd. Loan Agreement was amended to support the financing of the m/v Bulk Pride. The facility is cross-collateralized by the vessels m/v Bulk Endurance and m/v Bulk Pride, and is guaranteed by the Company.

### The Senior Secured Post-Delivery Term Loan Facility

On April 14, 2017, the Company, through its wholly owned subsidiaries, Bulk Pangaea, Bulk Patriot, Bulk Juliana, Bulk Trident and Bulk Phoenix, entered into the Fourth Amending Agreement, (the "Fourth Amendment"), amending and supplementing the Loan Agreement dated April 15, 2013, as amended by a First Amending Agreement dated May 16, 2013, the Second Amending Agreement dated August 28, 2013 and the Third Amending Agreement dated July 14, 2016. The Fourth Amendment advanced the final repayment dates for Bulk Pangaea and Bulk Patriot and extended the final maturity date and modified the repayment schedules, as follows:

#### Bulk Pangaea Secured Note

Initial amount of \$12,250,000, entered into in December 2009, for the acquisition of m/v Bulk Pangaea. The Fourth Amendment advanced the final installment to April 18, 2017, thereby increasing the amount to \$1,040,625, which was paid on the maturity date.

#### *Bulk Patriot Secured Note*

Initial amount of \$12,000,000, entered into in September 2011, for the acquisition of the m/v Bulk Patriot. The Fourth Amendment advanced the final installment to April 18, 2017, thereby increasing the amount to \$1,087,500, which was paid on the maturity date.

#### *Bulk Trident Secured Note*

Initial amount of \$10,200,000, entered into in April 2012, for the acquisition of the m/v Bulk Trident. The Fourth Amendment extends the final maturity date and modifies the repayment schedule. The first and second quarterly installments following the amendment were increased to \$650,000 and the third and fourth installments were increased to \$435,000. These are followed by two installments of \$327,500 and three of \$300,000. A balloon payment of \$1,462,500 is payable on July 19, 2019. The interest rate was fixed at 4.29% through April 19, 2017 and is floating at LIBOR plus 3.50% (5.19% at December 31, 2017), since April 19, 2017.

#### *Bulk Juliana Secured Note*

Initial amount of \$8,112,500, entered into in April 2012, for the acquisition of the m/v Bulk Juliana. The Fourth Amendment did not change this tranche, the balance of which is payable in six quarterly installments of \$507,031. The final payment is due on July 19, 2018. The interest rate is fixed at 4.38%.

#### *Bulk Phoenix Secured Note*

Initial amount of \$10,000,000, entered into in May 2013, for the acquisition of m/v Bulk Newport. The Fourth Amendment did not change this tranche, the balance of which is payable in two installments of \$700,000 and seven installments of \$442,858. A balloon payment of \$1,816,659 is payable on July 19, 2019. The interest rate is fixed at 5.09%.

The agreement contains financial covenants that require the Company to maintain a minimum net worth and minimum liquidity, on a consolidated basis. The facility also contains a consolidated leverage ratio and a consolidated debt service coverage ratio. In addition, the facility contains other Company and vessel related covenants that, among other things, restrict changes in management and ownership of the vessel, declaration of dividends, further indebtedness and mortgaging of a vessel without the bank's prior consent. It also requires minimum collateral maintenance, which is tested at the discretion of the lender. As of December 31, 2017 and December 31, 2016, the Company was in compliance with these covenants.

#### *Bulk Atlantic Secured Note*

Initial amount of \$8,520,000, entered into on February 18, 2013, for the acquisition of m/v Bulk Beothuk. The loan required repayment in 8 equal quarterly installments of \$90,000 beginning in May 2013, 12 equal quarterly installments of \$295,000 and a balloon payment of \$4,170,000 due in February 2018. The loan was repaid in conjunction with the sale of the vessel on June 6, 2017.

#### *Bulk Nordic Odin Ltd., Bulk Nordic Olympic Ltd. Bulk Nordic Odyssey Ltd., Bulk Nordic Orion Ltd. And Bulk Nordic Oshima Ltd. – Dated September 28, 2015 - Amended and Restated Loan Agreement*

The amended agreement advanced \$21,750,000 in respect of each the m/v Nordic Odin and the m/v Nordic Olympic; \$13,500,000 in respect of each the m/v Nordic Odyssey and the m/v Nordic Orion, and \$21,000,000 in respect of the m/v Nordic Oshima.

The agreement requires repayment of the advances as follows:

In respect of the Odin and Olympic advances, repayment to be made in 28 equal quarterly installments of \$375,000 per borrower (one of which was paid prior to the amendment by each borrower) and balloon payments of \$11,233,150 due with each of the final installments in January 2022.

In respect of the Odyssey and Orion advances, repayment to be made in 20 quarterly installments of \$375,000 per borrower and balloon payments of \$5,677,203 due with each of the final installments in September 2020.

In respect of the Oshima advance, repayment to be made in 28 equal quarterly installments of \$375,000 and a balloon payment of \$11,254,295 due with the final installment in September 2021.

Interest on 50% of the advances to Odyssey and Orion was fixed at 4.24% in March 2017. Interest on the remaining advances to Odyssey and Orion is floating at LIBOR plus 2.40% (4.09% at December 31, 2017). Interest on 50% of the advances to Odin and Olympic was fixed at 3.95% in January 2017. Interest on the remaining advances to Odin and Olympic was floating at LIBOR plus 2.0% and was fixed at 4.07% on April 27, 2017. Interest on 50% of the advance to Oshima was fixed at 4.16% in January 2017. Interest on the remaining advance to Oshima is floating at LIBOR plus 2.25% (3.94% at December 31, 2017).

The amended loan is secured by first preferred mortgages on the m/v Nordic Odin, m/v Nordic Olympic, m/v Nordic Odyssey, m/v Nordic Orion and m/v Nordic Oshima, the assignment of earnings, insurances and requisite compensation of the five entities, and by guarantees of their shareholders.

The amended agreement contains one financial covenant that requires the Company to maintain minimum liquidity and a collateral maintenance ratio clause, which requires the aggregate fair market value of the vessels plus the net realizable value of any additional collateral provided, to remain above defined ratios. At December 31, 2017 and December 31, 2016, the Company was in compliance with this clause.

*Term Loan Facility of USD 13,000,000 (Nordic Bulk Barents Ltd. and Nordic Bulk Bothnia Ltd.)*

Barents and Bothnia entered into a secured Term Loan Facility of \$13,000,000 in two tranches of \$6,500,000 which were drawn in conjunction with the delivery of the m/v Bulk Bothnia on January 23, 2014 and the m/v Bulk Barents on March 7, 2014. The loan is secured by mortgages on the m/v Nordic Bulk Barents and m/v Nordic Bulk Bothnia and is guaranteed by the Company.

The facility bears interest at LIBOR plus 2.50% (4.19% at December 31, 2017). The loan requires repayment in 22 equal quarterly installments of \$163,045 (per borrower) beginning in June 2014, one installment of \$163,010 (per borrower) and a balloon payment of \$1,755,415 (per borrower) due in December 2019. In addition, any cash in excess of \$750,000 per borrower on any repayment date shall be applied toward prepayment of the relevant loan in inverse order, so the balloon payment is prepaid first. The agreement also contains a profit split in respect of the proceeds from the sale of either vessel and a minimum value clause ("MVC"). The Company was in compliance with this covenant at December 31, 2017 and December 31, 2016.

*The Bulk Nordic Oasis Ltd. - Loan Agreement - Dated December 11, 2015*

The agreement advanced \$21,500,000 in respect of the m/v Nordic Oasis. The agreement requires repayment of the advance in 24 equal quarterly installments of \$375,000 beginning on March 28, 2016 and a balloon payment of \$12,500,000 due with the final installment in March 2022. Interest on this advance is fixed at 4.30%.

The loan is secured by a first preferred mortgage on the m/v Nordic Oasis, the assignment of earnings, insurances and requisite compensation of the entity, and by guarantees of its shareholders. Additionally, the agreement contains a collateral maintenance ratio clause which requires the fair market value of the vessel plus the net realizable value of any additional collateral previously provided, to remain above defined ratios. As of December 31, 2017 and December 31, 2016, the Company was in compliance with this covenant.

*The Amended Senior Facility - Dated December 21, 2017 (previously identified as Bulk Nordic Six Ltd. - Loan Agreement - Dated December 21, 2016)*

The agreement advanced \$19,500,000 in respect of the m/v Bulk Endurance on January 7, 2017, in two tranches. The agreement requires repayment of Tranche A, totaling \$16,000,000, in 3 equal quarterly installments of \$100,000 beginning on April 7, 2017 and, thereafter, 17 equal quarterly installments of \$266,667 and a balloon payment of \$11,667,667 due with the final installment in March 2022. Interest on this advance was fixed at 4.74% on March 27, 2017. The agreement also advanced \$3,500,000 under Tranche B, which is payable in 18 equal quarterly installments of \$65,000 beginning on October 7, 2017, and a balloon payment of \$2,330,000 due with the final installment in March 2022. Interest on this advance is floating at LIBOR plus 6.00% (7.69% at December 31, 2017).

The amended agreement advanced \$10,000,000 in respect of the m/v Bulk Pride on December 21, 2017, in two tranches. The agreement requires repayment of Tranche C, totaling \$8,500,000, in 16 equal quarterly installments of \$275,000 beginning in March 2018 and a balloon payment of \$4,100,000 due with the final installment in December 2021. Interest on this advance is floating at LIBOR plus 2.75% (4.44% at December 31, 2017). The agreement also advanced \$1,500,000 under Tranche D, which is payable in 4 equal quarterly installments of \$375,000 beginning on August 21, 2018. Interest on this advance is floating at LIBOR plus 6.00% (7.69% at December 31, 2017).

The loan is secured by first preferred mortgages on the m/v Bulk Endurance and the m/v Bulk Pride, the assignment of earnings, insurances and requisite compensation of the entity, and by guarantees of its shareholders. Additionally, the agreement contains a minimum liquidity requirement, positive working capital of the borrower and a collateral maintenance ratio clause which requires the fair market value of the vessel plus the net realizable value of any additional collateral previously provided, to remain above defined ratios. At December 31, 2017, the Company was in compliance with these covenants. At September 30, 2017, the lender provided a waiver for non-compliance with the minimum liquidity requirement.

*The Bulk Freedom Corp. Loan Agreement -- Dated June 14, 2017*

The agreement advanced \$5,500,000 in respect of the m/v Bulk Freedom on June 14, 2017. The agreement requires repayment of the loan in 8 quarterly installments of \$175,000 and 12 quarterly installments of \$150,000 beginning on September 14, 2017. A balloon payment of \$2,300,000 is due with the final installment. Interest is floating at LIBOR plus 3.75% (5.44% at December 31, 2017).

The loan is secured by a first preferred mortgage on the m/v Bulk Freedom, the assignment of earnings, insurances and requisite compensation of the entity, and by guarantees of its shareholders. Additionally, the agreement contains a collateral maintenance ratio clause which requires the fair market value of the vessel plus the net realizable value of any additional collateral previously provided, to remain above defined ratios. At December 31, 2017, the Company was in compliance with these covenants.

*109 Long Wharf Commercial Term Loan*

Initial amount of \$1,096,000 entered into on May 27, 2016. The *Long Wharf Construction to Term Loan* was repaid from the proceeds of this new facility. The loan is payable in 120 equal monthly installments of \$9,133. Interest is floating at the 30 day LIBOR plus 2.00% (3.69% at December 31, 2017). The loan is collateralized by all real estate located at 109 Long Wharf, Newport, RI, and a corporate guarantee of the Company. The loan contains a maximum loan to value covenant and a debt service coverage ratio. At December 31, 2017 and December 31, 2016, the Company was in compliance with these covenants.

*Phoenix Bulk Carriers (US) LLC Automobile Loan*

The Company purchased a commercial vehicle for use at the site of a port on the United States' East Coast. The total loan amount of \$29,435 is payable in 60 equal monthly installments of \$539. Interest is fixed at 3.74%.

*Phoenix Bulk Carriers (US) LLC Master Equipment Loan*

The Company purchased commercial equipment for use at the site of a port on the United States' East Coast. The total loan amount of \$250,536 is payable in 48 equal monthly installments of \$5,741. Interest is fixed at 4.75%.

The future minimum annual payments under the debt agreements are as follows:

	Years ending December 31,
2018	18,979,335
2019	22,196,164
2020	21,996,837
2021	37,242,047
2022	37,675,900
Thereafter	374,466
	<u>\$ 138,464,749</u>

**Covenants**

With the exception of the Company's related party loans, certain debt agreements contain financial covenants, which require it, among other things, to maintain:

- a consolidated leverage ratio of at least 200%;

- a consolidated debt service ratio of at least 120%;
- a minimum consolidated net worth of \$45 million; plus 25% of the purchase price or (finance) lease amount of such vessels; and
- a consolidated minimum liquidity of not less than \$15.0 million plus \$1 million for each additional vessel the Company acquires.

Certain debt agreements also contain restrictive covenants, which may limit it and its subsidiaries' ability to, among other things:

- effect changes in management of the Company's vessels;
- sell or dispose of any of the Company's assets, including its vessels;
- declare and pay dividends;
- incur additional indebtedness;
- mortgage the Company's vessels; and
- incur and pay management fees or commissions.

A violation of any of the Company's financial covenants or operating restrictions contained in its credit facilities may constitute an event of default under its credit facilities, which, unless cured within the grace period set forth under the applicable credit facility, if applicable, or waived or modified by the Company's lenders, provides its lenders with the right to, among other things, require the Company to post additional collateral, enhance its equity and liquidity, increase its interest payments, pay down its indebtedness to a level where it is in compliance with its loan covenants, sell vessels in its fleet, reclassify its indebtedness as current liabilities and accelerate its indebtedness and foreclose their liens on its vessels and the other assets securing the credit facilities, which would impair the Company's ability to continue to conduct its business.

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

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

## Related Party Transactions

Amounts and notes payable to related parties consist of the following:

	December 31, 2016	Activity	December 31, 2017
<i>Included in accounts payable and accrued expenses on the consolidated balance sheets:</i>			
Trade payables due to Seamar <sup>(iii)</sup>	\$ 1,254,985	\$ 166,935	\$ 1,421,920
<i>Included in current related party debt on the consolidated balance sheets:</i>			
Loan payable – 2011 Founders Note	\$ 4,325,000	\$ —	\$ 4,325,000
Interest payable – 2011 Founders Note <sup>(i)</sup>	368,347	316,250	684,597
Promissory Note	2,000,000	—	2,000,000
Loan payable – BVH shareholder (STST) <sup>(ii)</sup>	9,278,800	(9,278,800)	—
Total current related party debt	\$ 15,972,147	\$ (8,962,550)	\$ 7,009,597

- i. Net of cash paid
- ii. ST Shipping and Transport Pte. Ltd. ("STST")
- iii. Seamar Management S.A. ("Seamar")

In November 2014, the Company entered into a \$5 million Promissory Note (the "Note") with Bulk Invest Ltd., a company controlled by the Founders. The Note was amended in 2015 and is payable on demand. Interest on the Note is 5%. The balance of the Note at December 31, 2016 and 2015 was \$2.0 million and \$4.0 million, respectively.

BVH entered into an agreement for the construction of two new ultramax newbuildings in 2013. STST provided loans totaling \$9,278,800 used to make deposits on the contracts. The loans were extinguished in conjunction with the acquisition of the 50% noncontrolling interest in BVH on January 27, 2017. BVH is a wholly-owned subsidiary of the Company after the acquisition.

On October 1, 2011, the Company entered into a \$10,000,000 loan agreement with the Founders, which was payable on demand at the request of the lenders (the 2011 Founders Note). The note bears interest at a rate of 5%. The outstanding balance of the note was \$4,325,000 at December 31, 2017 and 2016.

Under the terms of a technical management agreement between the Company and Seamar Management S.A. (Seamar), an equity method investee, Seamar is responsible for the day-to-day operation of some of the Company's owned vessels. During the years ended December 31, 2017 and 2016, the Company incurred technical management fees of \$2,746,200 and \$1,963,200 under this arrangement, which is included in vessel operating expenses in the consolidated statements of income. The total amounts payable to Seamar at December 31, 2017 and 2016, (including amounts due for vessel operating expenses), were \$1,421,920 and \$1,254,985, respectively.

Accrued dividends payable are all currently payable to related parties. Accrued dividends consist of the following:

	2008 common stock dividend	2012 common stock special dividend	2013 common stock dividend	2013 Odyssey and Orion dividend	Total
Balance at December 31, 2015	2,474,125	2,934,357	6,411,540	904,803	12,724,825
Paid in cash	(100,000)	—	—	—	(100,000)
Balance at December 31, 2016	2,374,125	2,934,357	6,411,540	904,803	12,624,825
Converted to common shares	(2,374,125)	(2,010,875)	—	—	(4,385,000)
Paid in cash	—	(1,001,424)	—	—	(1,001,424)
Balance at December 31, 2017	\$ —	\$ (77,942)	\$ 6,411,540	\$ 904,803	\$ 7,238,401

## Contractual Obligations

The following sets forth the Company's long-term contractual obligations as of December 31, 2017.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Secured long-term debt	138,464,749	18,979,335	81,435,048	37,785,500	264,866
Capital lease obligations	33,379,343	3,278,295	9,887,385	20,213,663	—
Operating lease obligation	1,509,845	585,717	924,128	—	—

## Effect of Inflation

We do not believe that inflation has had a material effect on our business, results of operations or financial condition in the past two years.

## Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as of December 31, 2017 or 2016.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES

### Quantitative and Qualitative Disclosures about Market Risks

#### Interest Rate Risk

The international shipping industry is capital intensive, requiring significant amounts of investment provided in the form of long-term debt and capital lease obligations. Certain of the Company's outstanding debt facilities are at floating interest rates that fluctuate with changes in the financial markets and in particular changes in LIBOR. Increasing interest rates could increase the Company's interest expense and adversely impact its future earnings. At December 31, 2017 and 2016, the Company had exposure to interest rate fluctuation on \$46.4 and \$46.8 million, respectively, of its outstanding debt. As an indication of the extent of the Company's sensitivity to interest rate changes, an increase in LIBOR of 1% would have decreased the Company's net income and cash flows during the years ended December 31, 2017 and 2016 by approximately \$0.4 million and \$1.2 million, respectively. The Company expects its sensitivity to interest rate changes to increase in the future if the Company enters into additional floating rate debt agreements in connection with any acquisition of additional vessels.

The Company may manage interest rate risk by entering into interest rate swap agreements or other fixed rate arrangements in which the Company exchanges fixed and variable interest rates based on agreed upon notional amounts. The Company has used such derivative financial instruments as risk management tools and not for speculative or trading purposes. The counterparties to the Company's derivative financial instruments are major financial institutions, which helps it manage its exposure to nonperformance of its counterparties under the Company's debt agreements. As of December 31, 2016, the Company was a party to one interest rate swap agreement which had an approximate fair value of \$(0.1) million. This swap was cancelled in conjunction with the repayment of the *Long Wharf Construction to Term Loan* in May 2016.

#### Forward Freight Agreements

The Company assesses risk associated with fluctuating future freight rates and, when appropriate, actively hedges identified economic risk related to long-term cargo contracts with forward freight agreements, or FFAs. The usage of such derivatives can lead to fluctuations in the Company's reported results from operations on a period-to-period basis. During the years ended December 31, 2017 and 2016, the Company entered into FFAs that were not designated for hedge accounting. The aggregate fair value of these FFAs at December 31, 2017 was an asset of approximately \$0.3 million. The aggregate fair value of these FFAs at December 31, 2016 was a liability of approximately \$21,000.

### ***Fuel Swap Contracts***

The Company monitors the market volatility associated with bunker prices and its impact on long-term contracts; and seeks to reduce the risk of such volatility through a bunker hedging program. During the years ended December 31, 2017 and 2016, the Company entered into various fuel swap contracts that were not designated for hedge accounting. The aggregate fair value of these fuel swaps at December 31, 2017 and 2016 were assets of approximately \$0.4 million and \$0.3 million, respectively.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

This information appears following [Item 15](#) of this Report and is included herein by reference.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES.**

### **Management's Evaluation of Disclosure Controls and Procedures**

As of December 31, 2017, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer; of the effectiveness of our disclosure controls and procedures as such term is defined in Rule 13a-15(e). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2017.

### **Changes in Internal Controls Over Financial Reporting**

There were no changes in our internal control over financial reporting during the fourth quarter of the fiscal year covered by this report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting for Pangaea Logistics Solutions Ltd. as such term is defined in the Securities Exchange Act of 1934. Our internal control structure is designed to provide reasonable assurance that assets are safeguarded and that transactions are properly executed and recorded. The internal control structure includes, among other things, established policies and procedures, the selection and training of qualified personnel as well as management oversight.

With the participation of our management, we performed an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on our evaluation under the 2013 Framework, we have concluded that Pangaea Logistics Solutions Ltd. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017.

This annual report does not include an attestation report of the Company's registered independent accounting firm due to reduced requirements for smaller reporting companies under the Securities Exchange Act.

### **Cybersecurity**

The Company utilizes information technology for internal and external communications with brokers, customers, banks, technical managers and its vessels. It also uses customized software as part of its management and reporting systems. Loss, disruption or compromise of these systems could significantly impact operations and results.

The Company is not aware of any material cybersecurity violation or occurrence. We believe our efforts toward prevention of such violation or occurrence, including system design, user training and monitoring of system access, limit, but may not prevent unauthorized access to our systems.



Other than temporary disruption to operations that may be caused by a cybersecurity breach, the Company considers cash transactions to be the primary risk for potential loss. The Company and its financial institutions take steps to minimize the risk by requiring multiple levels of authorization, encryption and other controls.

#### **Limitations on the Effectiveness of Controls**

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. 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. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives.

#### **ITEM 9B. OTHER INFORMATION.**

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

#### Directors and Executive Officers

Our current directors and executive officers are as follows:

Name	Age	Position
Edward Coll	61	Chairman of the Board and Chief Executive Officer
Mark L. Filanowski	63	Chief Operating Officer and Director
Gianni Del Signore	35	Chief Financial Officer
Carl Claus Boggild	61	President and Director
Anthony Laura	65	Director
Richard T. du Moulin	71	Director
Paul Hong	48	Director
Nam Trinh	36	Director
Eric S. Rosenfeld	60	Director
David D. Sgro	41	Director

#### *Class I Directors with Terms Expiring in 2018*

**Eric S. Rosenfeld.** Mr. Rosenfeld serves as a director of the Company. He has been the President and Chief Executive Officer of Crescendo Partners, L.P., a New York based investment firm, since its formation in November 1998. Prior to forming Crescendo Partners, he held the position of Managing Director at CIBC Oppenheimer and its predecessor company Oppenheimer & Co., Inc. for 14 years. Mr. Rosenfeld currently serves as a director for CPI Aerostructures Inc., a company engaged in the contract production of structural aircraft parts, for which he also serves as Chairman, Absolute Software Corp., a leader in firmware-embedded endpoint security and management for computers and ultraportable devices and Aecon Group Inc., a Toronto based construction company. Mr. Rosenfeld also is the lead independent director of the Cott Corporation, a manufacturer and distributor of beverages. Currently Mr. Rosenfeld serves as the Chairman and CEO of Harmony Merger Corp., a blank-check company. He was Chairman and CEO of Quartet Merger Corp., a blank-check company that merged with Pangaea. Mr. Rosenfeld has also served as a director for numerous companies, including Arpeggio Acquisition Corporation, Rhapsody Acquisition Corporation and Trio Merger Corp., all blank check companies that later merged with Hill International, Primoris Services Corporation and SAExploration Holdings Inc., respectively. He also served on the board of directors of Sierra Systems Group Inc., an information technology, management consulting and systems integration firm, SAExploration Holdings Inc., a seismic data services company, Emergis Inc., an electronic commerce company, Hill International, a construction management firm, Matrikon Inc., a company that provides industrial intelligence solutions, DALSA Corp., a digital imaging and semiconductor firm, GEAC Computer, a software company, and Computer Horizons Corp., an IT services company. Mr. Rosenfeld is a regular guest lecturer at Columbia Business School and has served on numerous panels at Queen's University Business Law School Symposia, McGill Law School, the World Presidents' Organization and the Value Investing Congress. He is a senior faculty member at the Director's College. He has also been a regular guest host on CNBC. Mr. Rosenfeld received an A.B. in economics from Brown University and an M.B.A. from the Harvard Business School. The board nominated Mr. Rosenfeld to be a director because he has extensive experience serving on the boards of multinational public companies and in capital markets and mergers and acquisitions transactions. Mr. Rosenfeld also has valuable experience in the operation of a worldwide business faced with a myriad of international business issues. Mr. Rosenfeld's leadership and consensus-building skills, together with his experience as senior independent director of all boards on which he currently serves, make him an effective board member.

**Richard T. du Moulin.** Mr. du Moulin is currently the President of Intrepid Shipping LLC, a position he has held since he founded Intrepid in 2002. From 1974, he spent 15 years with OMI Corporation, where he served as Executive Vice President, Chief Operating Officer, and as a member of the company's Board of Directors. From 1998 to 2002, Mr. du Moulin served as Chairman and Chief Executive Officer of Marine Transport Corporation. From 1989 to 1998, Mr. du Moulin served as Chairman and CEO of Marine Transport Lines. Mr. du Moulin is a member of the Board of Trustees and Chairman of the Seamens Church Institute of New York and New Jersey. He currently serves as a Director of Teekay Tankers and an advisor to Hudson Structured Capital Management. Mr. du Moulin served as Chairman of Intertanko, the leading trade organization for the tanker industry, from 1996 to 1999. Mr. du Moulin served in the US Navy and is a recipient of the US Coast Guard's Distinguished Service Medal. He received a BA from Dartmouth College and an MBA from Harvard University. Mr. du Moulin's qualifications to sit on our board include his operational experience and deep knowledge of the shipping industry.

**Mark L. Filanowski.** Mr. Filanowski was appointed to the position of Chief Operating Officer of the Company in January 2017, prior to which time he served as a consultant to the Company from 2014 to 2016. He has been a board member of the Company since 2014. Mr. Filanowski formed Intrepid Shipping LLC with another board member, Richard du Moulin, in 2002; Intrepid Shipping operates a small fleet of chemical tankers and handy bulkers. Mr. Filanowski started his career at Ernst & Young, and worked as a Certified Public Accountant at EY from 1976 to 1984. Mr. Filanowski spent 4 years at Armtek Corporation, where he served as Vice President and Controller. From 1989 to 2002, he served as Chief Financial Officer and Senior Vice President at Marine Transport Corporation, and he is a member of the American Bureau of Shipping. He has served as the Chairman of the Board at Arvak and at Shoreline Mutual (Bermuda) Ltd., both marine insurance companies. He earned a BS from University of Connecticut and an MBA from New York University. Mr. Filanowski's experience in many aspects of the shipping industry, his participation as a director on other independent company boards, and his financial background, qualifications, and experience, make him a valuable part of the Company's board.

**Anthony Laura.** Mr. Laura is a founder of Pangaea and served as its Chief Financial Officer from the Company's inception until his retirement in April 2017. Prior to co-founding Bulk Partners Ltd., the predecessor to Pangaea, in 1996, Mr. Laura spent 10 years as CFO of Commodity Ocean Transport Corporation (COTCO). Mr. Laura also served as Chief Financial Officer at Navinvest Marine Services from 1986 to 2002. Mr. Laura is a graduate of Fordham University.

#### ***Class II Directors with Terms Expiring in 2019***

**Paul Hong.** Mr. Hong serves as a director of the Company. Mr. Hong is a Senior Managing Director at Cartesian Capital Group. Prior to joining Cartesian, Paul served as Senior Vice President and General Counsel of AIG Capital Partners. Paul was previously an attorney in the corporate and tax departments of Kirkland & Ellis where he specialized in private equity transactions. Paul holds an AB in Economics from Columbia College, a JD from Columbia Law School, and an LLM in Taxation from New York University Law School. Mr. Hong's qualifications to sit on our board include his substantial experience in the areas of business management and financial and investment expertise.

**Carl Claus Boggild.** Mr. Boggild is a founder of Pangaea and served as its President (Brazil) from the Company's inception until his retirement in 2016. Prior to co-founding Bulk Partners Ltd., the predecessor company to Pangaea, in 1996, Mr. Boggild was Director of Chartering and Operations at the Korf Group of Germany. He also was a partner at Trasafrá Ltd., a Brazilian agent for the largest independent grain parcel operator from Argentina and Brazil to Europe. He worked for Hudson Trading and Chartering where he was responsible for Brazilian related transportation services. As President of COTCO, he was responsible for the operations of its affiliate Handy Bulk Carriers Corporation. Prior to becoming President of COTCO, Mr. Boggild was an Executive Vice President and was responsible for its Latin American operations. Mr. Boggild holds a diploma in International Maritime Law. Mr. Boggild's qualifications to sit on our board include his operational experience and deep knowledge of the shipping industry.

**David D. Sgro.** David D. Sgro serves as a director of the Company. Mr. Sgro served as Quartet's chief financial officer, secretary and a member of its Board of Directors. He has been the Head of Research of Jamarant Capital Mgmt. since its inception in 2015. Mr. Sgro has been a Senior Managing Director of Crescendo from December 2013 to the present and has held various positions with Crescendo since May 2005. Mr. Sgro presently serves or has served on the board of directors of NextDecade Corporation, Trio, Primoris, Bridgewater Systems, Inc., SAExploration Holdings, Harmony Merger Corp., Imvescor Restaurant Group, Hill Intl., BSM Technologies and COM DEV International Ltd. Mr. Sgro attended Columbia Business School and prior to that, Mr. Sgro worked as an analyst and then senior analyst at Management Planning, Inc., a firm engaged in the valuation of privately held companies. Simultaneously, Mr. Sgro worked as an associate with MPI Securities, Management Planning, Inc.'s boutique investment banking affiliate. From June 2004 to August 2004, Mr. Sgro worked as an analyst intern at Brandes Investment Partners. Mr. Sgro received a B.S. in Finance from The College of New Jersey and an M.B.A. from Columbia Business School. In 2001, he became a Chartered Financial Analyst (CFA®) Charterholder. Mr. Sgro is a regular guest lecturer at the College of New Jersey and Columbia Business School.

#### ***Class III Directors with Terms Expiring in 2020***

**Edward Coll.** Mr. Coll is the Chairman of the Board and Chief Executive Officer. Mr. Coll is a founder of Pangaea and has served as its Chief Executive Officer since its inception. Prior to co-founding Bulk Partners Ltd., the predecessor company to Pangaea, in 1996, Mr. Coll spent 10 years at Continental Grain Company with assignments in New York, New Orleans, Rome and Rotterdam. He joined Commodity Ocean Transport Corp (COTCO) in 1989 and became president of the company in 1993. In this position, Mr. Coll was responsible for the overall activities and businesses of three U.S public shipping companies. Mr. Coll is an elected member of the American Bureau of Shipping and has considerable expertise in the worldwide shipping and commodities markets and lectures regularly on these topics. He holds a B.S. in nautical science from the United States Merchant Marine Academy at

Kings Point and a master's degree in international business from Pace University. Mr. Coll's qualifications to sit on our board include his operational experience and deep knowledge of the shipping industry.

**Nam H. Trinh.** Mr. Nam H. Trinh is a Director at Cartesian Capital Group. Prior to joining Cartesian, Mr. Trinh worked at a Wall Street investment bank as an associate providing mergers and acquisitions advisory services. Previously, Nam served in the assurance and advisory practice at Deloitte. Nam graduated cum laude from the University of Pennsylvania, where he received a BS in economics with concentrations in finance, accounting and statistics from The Wharton School and a BSE in computer science and engineering from The School of Engineering and Applied Science. Mr. Trinh is a CFA® charterholder. Mr. Trinh's qualifications to serve on the board include his substantial experience in the areas of business management and financial and investment expertise.

Messrs. Rosenfeld, Trinh and Sgro serve on the Registrant's audit committee. Messrs. du Moulin, Rosenfeld and Hong serve on the Registrant's compensation committee and nominating committee.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and ten percent stockholders are required by regulation to furnish us with copies of all Section 16(a) reports they file. Based solely on a review of such reports received by us and written representations from certain reporting persons that no Form 5s were required for those persons, we believe that, during the fiscal year ended December 31, 2017, all reports required to be filed by our officers, directors and persons who own more than ten percent of a registered class of our equity securities were filed on a timely basis.

## **Code of Ethics**

In October 2014, our board of directors adopted a code of ethics that applies to directors, officers, and employees of ours and of any subsidiaries we may have in the future (including our principal executive officer, our principal financial officer, our principal accounting officer or controller, and persons performing similar functions). We will provide, without charge, upon request, copies of our code of ethics. Requests for copies of our code of ethics should be sent in writing to Phoenix Bulk Carriers (US) LLC, 109 Long Wharf, Newport, RI 02840.

## **Corporate Governance**

### ***Audit Committee***

Effective October 2014, we established an audit committee of the board of directors, which is comprised of Eric Rosenfeld, David Sgro and, effective August 14, 2017, Nam Trinh who replaced Paul Hong. Each member of the audit committee is an independent director. The audit committee's duties, which are specified in our Audit Committee Charter, include, but are not limited to:

- appoint and retain the independent auditor and approve the independent auditor's compensation. The Committee shall have the sole authority to terminate the independent auditor;
- pre-approve all audit services and permitted non-audit services to be performed for the Company by the independent auditor. The Committee may delegate authority to pre-approve audit services, other than the audit of the Company's annual financial statements, and permitted non-audit services to one or more members, provided that decisions made pursuant to such delegated authority shall be presented to the full Committee at its next scheduled meeting;
- evaluate the independent auditor's qualification, performance and independence on an annual basis;
- review with management and the independent auditor the audited financial statements to be included in the Company's Annual Report on Form 10-K to be filed with the Securities and Exchange Commission;
- review with the independent auditor any difficulties the auditor encountered in the course of the audit work, including any restrictions on the scope of the independent auditor's activities and any significant disagreements with management and management's response;
- recommend to the full Board, based on the Committee's review and discussion with management and the independent auditor, that the audited financial statements be included in the Company's Form 10-K;
- review the interim financial statements with management and the independent auditor prior to the filing of the Company's Quarterly Report on Form 10 Q;
- discuss with management the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations;"

- prior to the filing of each quarterly report, the Committee shall discuss with management and the independent auditor the quality and adequacy of the Company's (1) internal controls for financial reporting, including any audit steps adopted in light of internal control deficiencies and (2) disclosure controls and procedures;
- discuss with the independent auditor the auditor's judgment about the quality, not just the acceptability, of the Company's accounting principles, as applied in its financial statements and as selected by management;
- monitor the Company's assessment and plan to manage any key enterprise risks assigned to the Committee by the Board from time to time and discuss the Company's major financial risk exposures and the steps that management has taken to monitor and control such exposures;
- establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- review no less than annually management's programs governing codes of business conduct and ethics, conflicts of interest, legal, and environmental compliance and obtain reports from management regarding compliance with law and the Company's code of business conduct and ethics;
- discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- review analyses prepared by management setting forth significant financial reporting issues and judgments made in connection with the preparation of financial statements, including the effects of alternative GAAP measures and off-balance sheet structures, if any, on the Company's financial statements; and
- review and approve all changes in the selection or application of accounting principles other than those changes in accounting principles mandated by newly-adopted authoritative accounting pronouncements.
- review and evaluate cybersecurity risks, related systems and controls, and reporting any material breach.

### ***Financial Experts on Audit Committee***

The audit committee is composed exclusively of "independent directors" who are "financially literate" as defined under the Nasdaq listing standards. The Nasdaq listing standards define "financially literate" as being able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement.

In addition, we must certify to Nasdaq that the committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual's financial sophistication. The board of directors has determined that David Sgro and Nam Trinh qualify as "audit committee financial experts," as defined under rules and regulations of the SEC.

### ***Nominating Committee***

Effective October 2014, we established a nominating committee of the board of directors, which consists of Richard du Moulin, Eric Rosenfeld and effective August 14, 2017, Paul Hong, who replaced Peter Yu. Each member of the nominating committee is an independent director. The nominating committee is responsible for overseeing the selection of persons to be nominated to serve on our board of directors. The nominating committee considers persons identified by its members, management, stockholders, investment bankers and others.

### ***Guidelines for Selecting Director Nominees***

The guidelines for selecting nominees, which are specified in our Nominating Committee Charter, generally provide that persons to be nominated:

- should have demonstrated notable or significant achievements in business, education or public service;
- should possess the requisite intelligence, education and experience to make a significant contribution to the board of directors and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and
- should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of our stockholders.

The Nominating Committee will consider a number of qualifications relating to management and leadership experience, background, integrity and professionalism in evaluating a person's candidacy for membership on the board of directors. The nominating committee may require certain skills or attributes, such as financial or accounting experience, to meet specific board needs that arise from time to time and will also consider the overall experience and makeup of its members to obtain a broad and

diverse mix of board members. The nominating committee does not distinguish among nominees recommended by stockholders and other persons.

There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.

### **Compensation Committee**

Effective October 2014, we established a Compensation Committee which is comprised of independent directors Richard du Moulin, Eric Rosenfeld and Paul Hong, who replaced Peter Yu on August 14, 2017. The Compensation Committee reviews and approves compensation paid to the Company's officers and directors and administers the Company's incentive compensation plans, including authority to make and modify awards under such plans. The Compensation Committee Charter is available on the Company's website at [www.pangaeals.com](http://www.pangaeals.com).

### **Compensation Committee Interlocks and Insider Participations**

As of December 31, 2017, none of the members of our compensation committee will be, or will have at any time during the past year been, one of our officers or employees. None of our executive officers currently serves or in the past year has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

## **ITEM 11. EXECUTIVE COMPENSATION**

The Company's senior executives are generally awarded merit increases and annual incentive compensation in December of each year, following completion of annual performance review cycle.

The Company does not have employment agreements with any of its senior executives, including its executive officers, with the exception of the Managing Director of NBC.

### **Summary Compensation Table of the Company's Named Executive Officers**

Smaller reporting companies meet the Regulation S-K Item 402 disclosure requirements by providing the shorter disclosures required under the Securities Act of 1934, specifically, the total compensation of the Company's named executive officer's which consists of (i) the Company's Chief Executive Officer, (ii) each of the Company's next two most highly compensated executive officers, other than its Chief Executive Officer, who served as an executive officer at December 31, 2017 and whose total compensation exceeded \$100,000, and (iii) two individuals for whom disclosure would have been required but who were not serving as executive officers of the Company at December 31, 2017. The following table sets forth the total compensation for the fiscal years ended December 31, 2017 and 2016:

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary and Compensation</b>	<b>Bonus</b>	<b>All Other Compensation<sup>(1)</sup></b>	<b>Total</b>
Edward Coll	2017	\$ 250,000	\$ 700,000	\$ 6,000	\$ 956,000
Chief Executive Officer	2016	\$ 250,000	\$ 450,000	\$ 6,000	\$ 706,000
(Principal Executive Officer)					
Mark L. Filanowski	2017	\$ 200,000	\$ 250,000	\$ 6,000	\$ 456,000
Chief Operating Officer					
Gianni Del Signore	2017	\$ 166,667	\$ 150,000	\$ 4,500	\$ 321,167
Chief Financial Officer					
(Principal Financial Officer)					
Anthony Laura	2017	\$ 133,338	\$ 120,000	\$ 6,000	\$ 259,338
Former Chief Financial Officer	2016	\$ 200,000	\$ 150,000	\$ 6,000	\$ 356,000

<sup>(1)</sup> All other compensation includes employer matching contribution to the 401(k) plan.

#### ***Narrative Disclosure to Summary Compensation Table***

The Company does not have employment agreements with any of its named executive officers. Bonuses paid to our named executive officers are purely discretionary, as determined by our Compensation Committee, and may be paid in the year following the calendar year to which they relate.

The Company maintains, and the named executive officers participate in, a 401(k) retirement savings plan. Each participant who is a United States employee may contribute to the 401(k) plan, through payroll deductions, up to 90% of his or her salary limited to the maximum allowed by the Internal Revenue Service regulations. All amounts contributed by employee participants and earnings on these contributions are fully vested at all times and are not taxable to participants until withdrawn. Employee participants may elect to invest their contributions in various established funds. The Company also makes matching contributions to the accounts of all plan participants.

Except as set forth above, the Company's named executive officers generally participate in the same programs as its other employees.

#### ***Outstanding Equity Awards at Fiscal Year-End***

As of December 31, 2017, the Company's named executive officers held the following outstanding equity or equity-based awards, all of which are earned:

	<b>Stock Award Grant Date</b>	<b>Number of Shares or Units of Stock That Have Not Vested</b>	<b>Market Value of Shares or Units of Stock That Have Not Vested</b>
Mark Filanowski Chief Operating Officer	01/06/17	22,523	\$ 82,885
Gianni DelSignore Chief Financial Officer	01/06/17	17,000	\$ 62,560
	12/31/15	15,000	\$ 55,200
	05/01/15	20,833	\$ 76,665

#### ***Retirement Benefits, Termination, Severance and Change in Control Payments***

As of December 31, 2017, none of the Company's officers, including its named executive officers, have any retirement benefits (other than their right to participate in the Company's 401(k) retirement plan, as described above) or have any rights to severance payments.

#### ***Compensation of Non-Employee Directors.***

During the fiscal year ending December 31, 2014, our board of directors established a compensation program for our non-employee directors. Under this program, non-employee directors received a combination of cash compensation and restricted shares of our common stock, pursuant to the 2014 Long-Term Incentive Plan (the "2014 Plan"), as payment for services rendered as such members. See ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS - *Equity Compensation Plan Information* for additional information on the 2014 Plan.

The following table sets forth compensation paid to or earned by our non-employee directors during 2017:

<b>Name <sup>(1)</sup></b>	<b>Fees Earned or Paid in Cash</b>	<b>Stock Awards<sup>(2)</sup></b>	<b>Total</b>
Richard DuMoulin	\$ 25,000	\$ 75,000	\$ 100,000
Peter Yu	\$ 25,000	\$ —	\$ 25,000
Paul Hong	\$ 25,000	\$ —	\$ 25,000
Eric Rosenfeld	\$ 25,000	\$ 75,000	\$ 100,000
David Sgro	\$ 25,000	\$ 75,000	\$ 100,000

<sup>(1)</sup> Information for Messrs. Coll, Boggild, Filanowski and Laura, who served as members of our board of directors in 2017, is not included in this table because they did not receive additional compensation for services rendered as members of our board of directors.

<sup>(2)</sup> This column represents the grant date fair value of 22,866 shares of our common stock granted to each of our non-employee directors on January 10, 2017. The grant date fair value was determined under FASB ASC Topic 718 utilizing the assumptions contained in Note 10 of our financial statements contained herein, excluding the effect of service-based forfeitures. As of December 31, 2017, Messrs. Du Moulin, Rosenfeld and Sgro each held a total of 74,956 shares of our common stock of which 40,393 were vested and 22,866 were unrestricted. Messrs. Yu and Hong, who declined share grants in 2017, entered into transfer agreements through which shares issued to them in prior years were transferred to Pangaea One Acquisition Holdings XIV, LLC ("POAH"). As of December 31, 2017, POAH held a total of 104,180 shares granted under the Plan, of which 80,786 were vested. Mr. Filanowski, who was not eligible to receive shares in 2017, holds 52,090 shares issued in prior years under the Plan of which 40,393 were vested.

We also reimburse our directors for reasonable and necessary out-of-pocket expenses incurred in attending Board and committee meetings or performing other services for us in their capacities as directors.



## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND RELATED STOCKHOLDER MATTERS

### Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	—	—	835,241
Equity compensation plans not approved by shareholders	—	—	—
Total	—	—	835,241

During 2014, the Company adopted, and our shareholders approved, the 2014 Share Incentive Plan (the “2014 Plan”). The purpose of the 2014 Plan is to assist in attracting, retaining, motivating, and rewarding certain key employees, officers, directors, and consultants of the Company and its affiliates and promoting the creation of long-term value for our shareholders by closely aligning the interests of such individuals with those of such shareholders. The 2014 Plan authorizes the award of share-based incentives to encourage eligible employees, officers, directors, and consultants, as described below, to expend maximum effort in the creation of shareholder value.

On September 22, 2015, the Company's shareholders approved an amendment and restatement of the 2014 Plan that was adopted by the Board on August 7, 2015. The PANGAEA LOGISTICS SOLUTIONS LTD. 2014 SHARE INCENTIVE PLAN (as amended and restated by the Board of Directors on August 7, 2015), (the "Amended Plan"), limits the value of awards that may be granted to non-employee directors in any calendar year to \$150,000 (calculating the value of any award based in shares to be determined based on the grant date fair value of such awards for financial reporting purposes), which limitation under the 2014 Plan was 10,000 shares.

On August 9, 2016, the Company's shareholders approved an amendment and restatement of the 2014 Plan that was adopted by the Board on May 9, 2016. The PANGAEA LOGISTICS SOLUTIONS LTD. 2014 SHARE INCENTIVE PLAN (as amended and restated by the Board of Directors on May 9, 2016), (the "Amended Plan"), increased the aggregate number of common shares with respect to which awards may be granted under the Amended Plan, such that the total number of shares made available for grant is 3,000,000. This is a net increase of 1,500,000 new shares.

### Security Ownership of Certain Beneficial Owners

The following table sets forth information regarding the beneficial ownership of our common stock as of March 21, 2018 by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock;
- each of our officers and directors; and
- all of our officers and directors as a group.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

<i><b>Name and Address of Beneficial Owner (1)</b></i>	<i><b>Amount and Nature of Beneficial Ownership</b></i>	<i><b>Approximate Percentage of Beneficial Ownership (2)</b></i>
<i>Directors and Executive Officers:</i>		
Edward Coll (3) 41 Sigourney Road Portsmouth, RI 02871	8,349,971	19.00%
Lagoa Investments (4) c/o Phoenix Bulk Carriers (US) LLC 109 Long Wharf Newport, RI 02840	8,259,999	18.80%
Gianni DelSignore* 257 Wickham Rd. North Kingstown, RI 02852	84,555	—%
Richard T. du Moulin* 52 Elm Avenue Larchmont, NY 10538	104,573	—%
Mark L. Filanowski* 71 Arrowhead Way Darien, CT 06820-5507	140,382	—%
Paul Hong c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	—	—%
Eric S. Rosenfeld (5) 777 Third Ave, 37th Floor New York, NY 10017	816,705	1.86%
David D. Sgro* (6) 777 Third Ave, 37th Floor New York, NY 10017	252,782	—%
Nam Trinh* c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	29,617	—%
<i>All Directors and Officers as a Group</i>	18,038,584	40.91%
<i>Five Percent Holders:</i>		
Edward Coll	8,349,971	19.00%
Lagoa Investments	8,259,999	18.80%
Peter Yu (7) c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	14,075,014	31.92%
Pangaea One (Cayman), L.P. c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	3,297,254	7.48%
Pangaea One Parallel Fund, L.P. c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	3,081,156	6.99%

\*Less than 1%.

- (1) Unless otherwise indicated, the business address of each of the individuals is c/o Phoenix Bulk Carriers (US) LLC, 109 Long Wharf, Newport, Rhode Island 02840.
- (2) The beneficial ownership of the common shares by the shareholders set forth in the table is determined in accordance with Rule 13d-3 under the Exchange Act, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rule, beneficial ownership includes any common shares as to which the shareholder has sole or shared voting power or investment power and

also any common shares that the shareholder has the right to acquire within 60 days. The percentage of beneficial ownership is calculated based on 44,096,911 outstanding common shares. Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all common shares beneficially owned by them.

- (3) Shares owned by Edward Coll include 5,120,000 common shares held by three irrevocable trusts for the benefit of his children, all as to which Mr. Coll has sole or shared voting power or investment power. Accordingly, solely for purposes of reporting beneficial ownership of such shares pursuant to Section 13(d) of the Exchange Act, Mr. Coll may be deemed to be the beneficial owner of these shares.
- (4) Shares owned by Lagoa Investments. Mr. Boggild is the Managing Director of Lagoa Investments and solely for purposes of reporting beneficial ownership of such shares pursuant to Section 13(d) of the Exchange Act, Mr. Boggild may be deemed to be the beneficial owner of the shares held by Lagoa Investments.
- (5) Shares owned by Eric Rosenfeld include 355,556 shares owned by Crescendo Partners III, L.P. Mr. Rosenfeld is the Managing Member of Crescendo Investments III, LLC which is the General Partner of Crescendo Partners III, L.P. Accordingly, solely for purposes of reporting beneficial ownership of such shares pursuant to Section 13(d) of the Exchange Act, Mr. Rosenfeld may be deemed to be the beneficial owner of the shares held by Crescendo Partners III, L.P.
- (6) Shares owned by David Sgro include 66,667 shares owned by Jamarant Capital L.P. of which Mr. Sgro is the Managing Member. Accordingly, solely for purposes of reporting beneficial ownership of such shares pursuant to Section 13(d) of the Exchange Act, Mr. Sgro may be deemed to be the beneficial owner of the shares held by Jamarant Capital L.P.
- (7) Mr. Yu is a principal officer or director of the entity directly or indirectly controlling the general partner of each of Pangaea One Acquisition Holdings XIV, LLC., Pangaea One (Cayman), L.P., Pangaea One Parallel Fund, L.P., Pangaea One Parallel Fund (B), L.P., Leggonly, L.P., Malemod, L.P., Imfinno, L.P., and Nypsun, L.P. (collectively, the "Pangaea One Entities"). Accordingly, solely for purposes of reporting beneficial ownership of such shares pursuant to Section 13(d) of the Exchange Act, Mr. Yu may be deemed to be the beneficial owner of the shares held by the Pangaea One Entities.

### **ITEM 13. CERTAIN RELATIONSHIPS, RELATED PARTY TRANSACTIONS AND DIRECTOR INDEPENDENCE**

All ongoing and future transactions between us and any of our officers and directors or their respective affiliates will be on terms believed by us to be no less favorable to us than are available from unaffiliated third parties. Such transactions will require prior approval by our audit committee and a majority of our disinterested independent directors, in either case who had access, at our expense, to our attorneys or independent legal counsel. We will not enter into any such transaction unless our audit committee and a majority of our disinterested independent directors determine that the terms of such transaction are no less favorable to us than those that would be available to us with respect to such a transaction with unaffiliated third parties.

#### **Related Party Policy**

Our Code of Ethics requires us to avoid, wherever possible, all related party transactions that could result in actual or potential conflicts of interests, except under guidelines approved by the board of directors (or the audit committee). Related-party transactions are defined as transactions in which (1) the aggregate amount involved will or may be expected to exceed \$120,000 in any calendar year, (2) we or any of our subsidiaries is a participant, and (3) any (a) executive officer, director or nominee for election as a director, (b) greater than 5% beneficial owner of our shares of common stock, or (c) immediate family member, of the persons referred to in clauses (a) and (b), has or will have a direct or indirect material interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity). A conflict of interest situation can arise when a person takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest may also arise if a person, or a member of his or her family, receives improper personal benefits as a result of his or her position.

We also require each of our directors and executive officers to complete a directors' and officers' questionnaire that elicits information about related party transactions.

These procedures are intended to determine whether any such related party transaction impairs the independence of a director or presents a conflict of interest on the part of a director, employee or officer.

#### **Related Party Transactions**

For more information, please read "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Related Party Transactions.*"

### ***Director Independence***

We have determined that Nam Trinh, Paul Hong, Richard du Moulin, Eric Rosenfeld and David Sgro are “independent directors” under the Nasdaq listing rules, which is defined generally as a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship, which, in the opinion of the Company’s board of directors would interfere with the director’s exercise of independent judgment in carrying out the responsibilities of a director.

## **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The firm of Grant Thornton LLP acts as our independent registered public accounting firm. The following is a summary of fees paid to Grant Thornton LLP for services rendered.

### **Audit Fees**

Audit fees consist of the fees and expenses for professional services rendered in connection with the audit of the Company’s consolidated financial statements, reviews of the consolidated financial statements included in each of the Company’s Quarterly Reports on Form 10-Q and fees for services related to the Company’s registration statements, consents, and assistance with and review of documents filed with the SEC. During the years ended December 31, 2017 and 2016, the Company incurred an aggregate of \$672,367 and \$602,721 in audit fees, respectively.

### **Audit-related fees**

During each of the years ended December 31, 2017 and 2016, the Company incurred audit-related fees of \$46,800, consisting of the fees and expenses for the audit of Nordic Bulk Holding Company Ltd., a subsidiary of the Company.

### **Tax Fees**

During the years ended December 31, 2017 and 2016, our independent registered public accounting firm did not render any tax services to us.

### **All Other Fees**

During the years ended December 31, 2017 and 2016, there were no fees billed for services provided by our independent registered public accounting firm other than those set forth above.

### **Pre-Approval of Audit and Non-Audit Services**

Our Audit Committee charter provides that all audit services and non-audit services must be pre-approved by the Audit Committee. The Audit Committee may delegate authority to grant pre-approvals of audit and permitted non-audit services to a subcommittee consisting of one or more members of the Audit Committee, provided that any pre-approvals granted by any such subcommittee must be presented to the full Audit Committee at its next scheduled meeting. From time to time, the Audit Committee has delegated to the Chairman of the committee the authority to pre-approve audit, audit-related and permitted non-audit services.

All non-audit services were reviewed with the Audit Committee or the Chairman, which concluded that the provision of such services by Grant Thornton LLP were compatible with the maintenance of such firm's independence in the conduct of their respective auditing functions.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Contents

	Page
<a href="#">Report of Independent Registered Public Accounting Firm</a>	<a href="#">F-2</a>
Consolidated Financial Statements:	
<a href="#">Consolidated Balance Sheets</a>	<a href="#">F-3</a>
<a href="#">Consolidated Statements of Income</a>	<a href="#">F-3</a>
<a href="#">Consolidated Statements of Changes in Stockholders' Equity</a>	<a href="#">F-4</a>
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">F-5</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">F-7</a>

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Pangaea Logistics Solutions Ltd.

### Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Pangaea Logistics Solutions Ltd. and subsidiaries (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of income, changes in stockholders’ equity, and cash flows for each of the two years in the period ended December 31, 2017, and the related notes. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

### Basis for opinion

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

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

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

/s/ GRANT THORNTON LLP

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

Hartford, Connecticut  
March 21, 2018

**Pangaea Logistics Solutions Ltd.**  
**Consolidated Balance Sheets**

	December 31, 2017	December 31, 2016
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 34,531,812	\$ 22,322,949
Accounts receivable (net of allowance of \$2,135,877 and \$4,752,265 at December 31, 2017 and 2016, respectively)	21,089,425	15,990,219
Bunker inventory	15,356,712	13,202,937
Advance hire, prepaid expenses and other current assets	12,032,272	10,928,161
Total current assets	83,010,221	62,444,266
Restricted cash	4,000,000	6,100,000
Fixed assets, net	306,292,655	275,265,672
Investment in newbuildings in-process	—	18,383,964
Vessels under capital lease	29,994,212	—
<b>Total assets</b>	<b>\$ 423,297,088</b>	<b>\$ 362,193,902</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities		
Accounts payable, accrued expenses and other current liabilities	\$ 29,181,276	\$ 23,231,179
Related party debt	7,009,597	15,972,147
Deferred revenue	5,815,924	6,422,982
Current portion of long-term debt	18,979,335	19,627,846
Current portion of capital lease obligation	1,785,620	—
Dividends payable	7,238,401	12,624,825
Total current liabilities	70,010,153	77,878,979
Secured long-term debt, net	117,615,634	107,637,851
Obligations under capital lease	25,015,659	—
Commitments and contingencies - Note 10		
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 1,000,000 shares authorized and no share issued or outstanding	—	—
Common stock, \$0.0001 par value, 100,000,000 shares authorized, 43,794,526 and 36,590,417 shares issued and outstanding at December 31, 2017 and 2016, respectively	4,379	3,659
Additional paid-in capital	154,943,728	133,677,321
Accumulated deficit	(9,596,785)	(17,409,579)
<b>Total Pangaea Logistics Solutions Ltd. equity</b>	<b>145,351,322</b>	<b>116,271,401</b>
Non-controlling interests	65,304,320	60,405,671
Total stockholders' equity	210,655,642	176,677,072
<b>Total liabilities and stockholders' equity</b>	<b>\$ 423,297,088</b>	<b>\$ 362,193,902</b>

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

	Years ended December 31,	
	2017	2016
Revenues:		
Voyage revenue	\$ 337,683,383	\$ 222,116,152
Charter revenue	47,404,826	15,900,346
Total revenue	385,088,209	238,016,498
Expenses:		
Voyage expense	160,577,816	103,647,127
Charter hire expense	132,852,712	63,691,892
Vessel operating expenses	36,435,959	30,904,039

General and administrative	15,163,352	12,773,781
Depreciation and amortization	15,614,571	14,107,822
Loss on sale and leaseback of vessels	9,275,042	—
Total expenses	369,919,452	225,124,661
Income from operations	15,168,757	12,891,837
Other (expense) income:		
Interest expense, net	(7,954,126)	(5,423,057)
Interest expense, related party	(316,250)	(314,925)
Unrealized gain on derivative instruments	360,316	2,163,484
Other income (expense)	1,841,958	(158,528)
Total other expense, net	(6,068,102)	(3,733,026)
Net income	9,100,655	9,158,811
Income attributable to noncontrolling interests	(1,287,861)	(1,701,856)
Net income attributable to Pangaea Logistics Solutions Ltd.	\$ 7,812,794	\$ 7,456,955
Earnings per common share:		
Basic	\$ 0.20	\$ 0.21
Diluted	\$ 0.20	\$ 0.21
Weighted average shares used to compute earnings per common share		
Basic	38,414,383	35,158,917
Diluted	38,925,745	35,376,950

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



**Pangaea Logistics Solutions Ltd. Consolidated Statements of Changes in Stockholders' Equity**

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Pangaea Logistics Solutions Ltd. Equity	Non- Controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2015	—	\$ —	36,503,837	\$ 3,650	\$ 133,075,409	\$ (24,866,534)	\$ 108,212,525	\$ 57,103,815	\$ 165,316,340
Recognized cost for restricted stock issued as compensation	—	—	—	—	601,921	—	601,921	—	601,921
Contribution from noncontrolling interest	—	—	—	—	—	—	—	1,600,000	1,600,000
Issuance of restricted shares, net of forfeitures	—	—	86,580	9	(9)	—	—	—	—
Net income	—	—	—	—	—	7,456,955	7,456,955	1,701,856	9,158,811
Balance at December 31, 2016	—	\$ —	36,590,417	\$ 3,659	\$ 133,677,321	\$ (17,409,579)	\$ 116,271,401	\$ 60,405,671	\$ 176,677,072
Recognized cost for restricted stock issued as compensation	—	—	—	—	1,074,038	—	1,074,038	—	1,074,038
Issuance of restricted shares, net of forfeitures	—	—	670,666	66	(66)	—	—	—	—
Acquisition of noncontrolling interest	—	—	—	—	6,197,096	—	6,197,096	(7,028,002)	(830,906)
Contribution from noncontrolling interest	—	—	—	—	—	—	—	1,359,990	1,359,990
Conversion of related party debt to noncontrolling interest	—	—	—	—	—	—	—	9,278,800	9,278,800
Issuance of common shares, net of fees	—	—	6,533,443	654	13,995,339	—	13,995,993	—	13,995,993
Net income	—	—	—	—	—	7,812,794	7,812,794	1,287,861	9,100,655
Balance at December 31, 2017	—	\$ —	43,794,526	\$ 4,379	\$ 154,943,728	\$ (9,596,785)	\$ 145,351,322	\$ 65,304,320	\$ 210,655,642

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

**Pangaea Logistics Solutions, Ltd.**  
**Consolidated Statements of Cash Flows**

	Years ended December 31,	
	2017	2016
<b>Operating activities</b>		
Net income	\$ 9,100,655	\$ 9,158,811
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization expense	15,614,571	14,107,822
Amortization of deferred financing costs	681,279	662,724
Amortization of prepaid rent	121,938	—
Unrealized gain on derivative instruments	(360,316)	(2,163,484)
Income from equity method investee	(256,478)	—
Provision for doubtful accounts	543,621	922,414
Loss on sales of vessels	9,275,042	—
Drydocking costs	(3,775,393)	(42,478)
Recognized cost for restricted stock issued as compensation	1,074,038	601,921
Change in operating assets and liabilities:		
Restricted cash	—	1,503,341
Accounts receivable	(5,642,755)	(1,781,268)
Bunker inventory	(2,153,775)	(5,712,347)
Advance hire, prepaid expenses and other current assets	(1,368,584)	(3,708,549)
Accounts payable, accrued expenses and other current liabilities	6,976,446	3,690,569
Deferred revenue	(607,058)	1,974,187
Net cash provided by operating activities	29,223,231	19,213,663
<b>Investing activities</b>		
Purchase of vessels	(64,029,798)	(319,433)
Deposits on newbuildings in-process	—	(9,618,964)
Purchase of building and equipment	—	(315,918)
Proceeds from sale of building and equipment	306,968	—
Acquisition of noncontrolling interest in consolidated subsidiary	(830,906)	—
Net cash used in investing activities	(64,553,736)	(10,254,315)
<b>Financing activities</b>		
Proceeds of related party debt	—	4,836,300
Payments on related party debt	—	(2,500,497)
Proceeds from long-term debt	35,000,000	1,375,971
Payments of financing and issuance costs	(1,022,549)	(45,755)
Payments on long-term debt	(25,329,458)	(23,722,658)
Proceeds from sale and leaseback of vessels	28,000,000	—
Payments on capital lease obligation	(1,198,721)	—
Common stock accrued dividends paid	(1,001,424)	(100,000)
Decrease (increase) in restricted cash	2,100,000	(5,600,000)
Contributions from noncontrolling interests	1,359,990	1,600,000
Proceeds from private placement of common stock	9,631,530	—
Net cash provided by (used in) financing activities	47,539,368	(24,156,639)
Net increase (decrease) in cash and cash equivalents	12,208,863	(15,197,291)
Cash and cash equivalents at beginning of period	22,322,949	37,520,240
Cash and cash equivalents at end of period	\$ 34,531,812	\$ 22,322,949

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

**Pangaea Logistics Solutions, Ltd.**  
**Consolidated Statements of Cash Flows (continued)**

	Years ended December 31,	
	2017	2016
<b>Disclosure of noncash items</b>		
Conversion of related party debt to noncontrolling interest	\$ 9,278,800	\$ —
Conversion of dividend into common stock	\$ 4,285,000	\$ —
Cash paid for interest	\$ 6,978,754	\$ 4,659,015

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

## NOTE 1 - GENERAL INFORMATION

Pangaea Logistics Solutions Ltd. and its subsidiaries (collectively, the “Company” or “Pangaea”) provides seaborne drybulk logistics and transportation services. Pangaea utilizes its logistics expertise to service a broad base of industrial customers who require the transportation of a wide variety of drybulk cargoes, including grains, pig iron, hot briquetted iron, bauxite, alumina, cement clinker, dolomite and limestone. The Company addresses the logistics needs of its customers by undertaking a comprehensive set of services and activities, including cargo loading, cargo discharge, vessel chartering, voyage planning, and technical vessel management.

The Company owns two Panamax, two Ultramax Ice Class 1C, six Supramax, and two Handymax Ice Class 1A drybulk vessels, which includes two vessels financed under capital lease obligations. The Company also owns one-third of Nordic Bulk Holding Company Ltd. (“NBHC”), a consolidated joint venture with a fleet of six Panamax Ice Class 1A drybulk vessels which are time-chartered to the Company for operations. The Company acquired a 50% interest in a deck barge in November 2017. The Company operates two Supramax drybulk vessels under five-year bareboat charters that commenced on July 13, 2016.

On January 27, 2017, the Company acquired its consolidated joint venture partner's interest in Nordic Bulk Ventures Holding Company Ltd. (“BVH”). BVH owns m/v Bulk Destiny and m/v Bulk Endurance through wholly-owned subsidiaries. BVH is wholly-owned by the Company after the acquisition.

On March 21, 2017, the Company's Board of Directors (the “Board”) approved, and on June 27, 2017 the shareholders holding a majority of the issued and outstanding shares of our Common Stock approved, by unanimous written consent, the issuance of shares of our Common Stock in connection with two stock purchase agreements, both dated as of June 15, 2017, (the “Agreements”).

Shares of common stock sold under the Agreements totaled 6,533,443. These shares were issued on June 29, 2017 and August 9, 2017 for aggregate net proceeds of \$14.1 million of which approximately \$4.3 million was issued as in-kind payment of accrued dividends.

## NOTE 2 – NATURE OF ORGANIZATION

The consolidated financial statements include the operations of Pangaea Logistics Solutions Ltd. and its wholly-owned subsidiaries (collectively referred to as “the Company”), as well as other entities consolidated pursuant to Accounting Standards Codification (“ASC”) 810, *Consolidation*. A summary of the Company's consolidation policy is provided in Note 3. A summary of the Company's variable interest entities is provided at Note 4. At December 31, 2017 and 2016, entities that are consolidated pursuant to ASC 810-10 include the following wholly-owned subsidiaries:

- Bulk Partners (Bermuda) Ltd. (“Bulk Partners”) – a corporation that was duly organized under the laws of Bermuda. The primary purpose of this corporation is a holding company.
- Phoenix Bulk Carriers (BVI) Limited (“PBC”) – a corporation that was duly organized under the laws of the British Virgin Islands. The primary purpose of this corporation is to manage and operate ocean-going vessels.
- Phoenix Bulk Management Bermuda Limited (“PBM”) – a corporation that was duly organized under the laws of Bermuda. Certain of the administrative management functions of PBC have been assigned to PBM.
- Americas Bulk Transport (BVI) Limited – a corporation that was duly organized under the laws of the British Virgin Islands. The primary purpose of this corporation is to charter ships.
- Bulk Ocean Shipping (Bermuda) Ltd. – a corporation that was duly organized under the laws of Bermuda. The primary purpose of this corporation is to manage the fuel procurement of the chartered vessels.
- Phoenix Bulk Carriers (US) LLC – a corporation that duly organized under the laws of Delaware. The primary purpose of this corporation is to act as the U.S. administrative agent for the Company.
- Allseas Logistics Bermuda Ltd. – a corporation that was duly organized under the laws of Bermuda. The primary purpose of this corporation is the Treasury Agent for the group of Companies.
- Bulk Pangaea Limited (“Bulk Pangaea”) – a corporation that was duly organized under the laws of Bermuda. Bulk Pangaea was established in September 2009 for the purpose of acquiring the m/v Bulk Pangaea.

- Bulk Patriot Ltd. (“Bulk Patriot”) – a corporation that was duly organized under the laws of Bermuda. Bulk Patriot was established in September 2011 for the purpose of acquiring the m/v Bulk Patriot.
- Bulk Juliana Ltd. (“Bulk Juliana”) – a corporation that was duly organized under the laws of Bermuda. Bulk Juliana was established in March 2012 for the purpose of acquiring the m/v Bulk Juliana.
- Bulk Trident Ltd. (“Bulk Trident”) – a corporation that was duly organized under the laws of Bermuda. Bulk Trident was established in August 2012 for the purpose of acquiring the m/v Bulk Trident.
- Bulk Atlantic Ltd. (“Bulk Beothuk”) – a corporation that was duly organized under the laws of Bermuda. Bulk Atlantic was established in February 2013 for the purpose of acquiring the m/v Bulk Beothuk.
- Bulk Phoenix Ltd. (“Bulk Phoenix”) – a corporation that was duly organized under the laws of Bermuda. Bulk Phoenix was established in July 2013 for the purpose of acquiring the m/v Bulk Newport.
- Nordic Bulk Barents Ltd. (“Bulk Barents”) – a corporation that was duly organized under the laws of Bermuda. Bulk Barents was established in November 2013 for the purpose of acquiring the m/v Nordic Barents.
- Nordic Bulk Bothnia Ltd. (“Bulk Bothnia”) – a corporation that was duly organized under the laws of Bermuda. Bulk Bothnia was established in November 2013 for the purpose of acquiring the m/v Nordic Bothnia.
- 109 Long Wharf LLC (“Long Wharf”) – a limited liability company that was duly organized under the laws of Delaware for the objective and purpose of holding real estate located in Newport, Rhode Island.
- Nordic Bulk Holding ApS (“NBH”) – a corporation that was duly organized in March 2009 under the laws of Denmark. The primary purpose of this corporation is to manage and operate vessels through its wholly owned subsidiary Nordic Bulk Carriers AS (“NBC”). NBC specializes in ice trading, as well as the carriage of a wide range of commodities, including cement clinker, steel scrap, fertilizers, and grains.
- Nordic Bulk Ventures Holding Company Ltd. (“BVH”) – a corporation that was duly organized under the laws of Bermuda. BVH was established in August 2013 for the purpose of owning Bulk Nordic Five Ltd. (“Five”) and Bulk Nordic Six Ltd. (“Six”). Five and Six are corporations that were duly organized under the laws of Bermuda in November 2013 for the purpose of owning m/v Bulk Destiny and m/v Bulk Endurance, new ultramax newbuildings delivered in January 2017. The Company acquired its joint venture partner’s 50% interest in January 2017 for \$0.8 million after which BVH is a wholly-owned subsidiary of the Company.
- Bulk Freedom Corp. (“Bulk Freedom”) – a corporation that was duly organized under the laws of the Marshall Islands. Bulk Freedom was established in May 2017 for the purpose of acquiring the m/v Bulk Freedom.
- Bulk Pride Corp. (“Bulk Pride”) – a corporation that was duly organized under the laws of the Marshall Islands. Bulk Pride was established in October 2017 for the purpose of acquiring the m/v Bulk Pride.
- Flintstone Ventures Limited (“FVL”) - a corporation that was duly organized under the laws of the Province of Nova Scotia on March 17, 2017. FVL specializes in carriage of specialized cargo.

At December 31, 2017 and 2016, entities that are consolidated pursuant to ASC 810-10, but which are not wholly-owned, include the following:

- Nordic Bulk Holding Company Ltd. (“NBHC”) - a corporation that was duly organized under the laws of Bermuda. NBHC was established in October 2012, for the purpose of owning Bulk Nordic Odyssey Ltd. (“Bulk Odyssey”) and Bulk Nordic Orion Ltd. (“Bulk Orion”) and to invest in additional vessels through its wholly-owned subsidiaries. At December 31, 2017 and 2016 the Company had one-third ownership interest in NBHC, the remainder of which is owned by third-parties. The Company determined that NBHC is a VIE and that it is the primary beneficiary of NBHC, as it has the power to direct its activities as a result of these time charter arrangements. Accordingly, the Company has consolidated NBHC for the years ended December 31, 2017 and 2016. Bulk Bulk Odyssey, Bulk Orion, Bulk Nordic Oshima Ltd. (“Bulk Oshima”), Bulk Nordic Olympic Ltd. (“Bulk Olympic”), Bulk Nordic Odin Ltd. (“Bulk Odin”) and Bulk Nordic Oasis Ltd. (“Bulk Oasis”), corporations duly organized under the laws of Bermuda between March 2012 and February 2015, are owned by NBHC. These entities were established for the purpose of owning m/v Nordic

Odyssey, m/v Nordic Orion, m/v Nordic Oshima, m/v Nordic Olympic, m/v Nordic Odin and m/v Nordic Oasis, respectively.

- Venture Barge (US) Corp. ("VBC") - a corporation that was duly organized in the State of Delaware, USA on October 26, 2017. VBC was established for the purpose of owning and operating a deck barge.

### **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Company and its subsidiaries is presented to assist in understanding the Company's consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States, and have been applied in the preparation of the consolidated financial statements.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the establishment of the allowance for doubtful accounts and the estimate of salvage value used in determining vessel depreciation expense.

#### **Consolidation**

The purpose of consolidated financial statements is to present the financial position and results of operations of a company and its subsidiaries as if the group were a single company. The first step in the Company's consolidation policy is to determine whether an entity is to be evaluated for potential consolidation based on its outstanding voting interests or its variable interests. Accordingly, the Company first determines whether the entity is a Variable Interest Entity ("VIE") pursuant to the provisions of ASC 810-10. If the entity is a VIE, consolidation is based on the entity's variable interests and not its outstanding voting shares. If the entity is not determined to be a VIE, the Company evaluates the entity based on its outstanding voting interests.

Amounts pertaining to the non-controlling ownership interest held by third parties in the financial position and operating results of the Company's subsidiaries and/or consolidated VIEs are reported as non-controlling interest in the accompanying consolidated balance sheets.

As part of the Company's consolidation process, intercompany transactions are eliminated in the consolidated financial statements.

#### **Revenue Recognition**

Voyage revenues represent revenues earned by the Company, principally from providing transportation services under voyage charters. A voyage charter involves the carriage of a specific amount and type of cargo on a load port to discharge port basis, subject to various cargo handling terms. Under a voyage charter, the service revenues are earned and recognized ratably over the duration of the voyage. Estimated losses under a voyage charter are provided for in full at the time such losses become probable. Demurrage, which is included in voyage revenues, represents payments by the charterer to the vessel owner when loading and discharging time exceed the stipulated time in the voyage charter. Demurrage is measured in accordance with the provisions of the respective charter agreements and the circumstances under which demurrage revenues arise. At the time demurrage revenue can be estimated, it is included in the calculation of voyage revenue and recognized ratably over the duration of the voyage to which it pertains. Voyage revenue recognized is presented net of address commissions.

Charter revenues relate to a time charter arrangement under which the Company is paid to provide transportation services on a per day basis for a specified period of time. Revenues from time charters are earned and recognized on a straight-line basis over the term of the charter, as the vessel operates under the charter. Revenue is not earned when vessels are offhire.

Costs incurred in fulfillment of a contract that meet certain criteria are deferred and recognized when or as the related performance obligations are satisfied.

### **Deferred Revenue**

Billings for services for which revenue is not recognized in the current period are recorded as deferred revenue. Deferred revenue recognized in the accompanying consolidated balance sheets is expected to be realized within twelve months of the balance sheet date.

### **Voyage Expenses**

The Company incurs expenses for voyage charters that include bunkers (fuel), port charges, canal tolls, broker commissions and cargo handling operations, which are expensed as incurred.

### **Charter Expenses**

The Company charters in vessels to supplement its owned fleet to support its voyage charter operations. The Company hires vessels under time charters with third party vessel owners, and recognizes the charter hire payments as an expense on a straight-line basis over the term of the charter. Charter hire payments are typically made in advance, and the unrecognized portion is reflected as advance hire in the accompanying consolidated balance sheets. Under time charters, the vessel owner is responsible for the vessel operating costs such as crews, maintenance and repairs, insurance, and stores.

### **Vessel Operating Expenses**

Vessel operating expenses ("VOE") represent the cost to operate the Company's owned vessels. VOE include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumables, other miscellaneous expenses, and technical management fees. Technical management services include day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, arranging the hire of crew and purchasing stores, supplies and spare parts. These expenses are recognized as incurred.

### **Concentrations of Credit Risk**

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents, trade receivables and derivative instruments. The Company maintains its cash accounts with various high-quality financial institutions in the United States, Germany, and Bermuda. The Company performs periodic evaluations of the relative credit standing of these financial institutions. The Company does not believe that significant concentration of credit risk exists with respect to these cash equivalents. Trade accounts receivable are recorded at the invoiced amount, and do not bear interest. The Company performs ongoing credit evaluations of its customers' financial condition, but does not require collateral. Historically, credit risk with respect to trade accounts receivable has been considered minimal due to the long-standing relationships with significant customers, and their relative financial stability. However, current economic conditions could impact the collectibility of certain customers' trade receivables, which could have a material effect on the Company's results of operations. Derivative instruments are recorded at fair value. The Company does not have any off-balance sheet credit exposure related to its customers.

At December 31, 2017, two customers accounted for 32% of the Company's trade accounts receivable. At December 31, 2016, there were two customers that accounted for 29% of the Company's trade accounts receivable.

At December 31, 2017, fourteen customers in the United States and five customers in Canada accounted for 26% of accounts receivable. At December 31, 2016, customers in each of the following countries accounted for at least 10% of the Company's accounts receivable; the United States (eleven representing 30%), Canada (four representing 20%) and Switzerland (seven representing 11%).

For the year ended December 31, 2017, revenue from customers in each of the following countries accounted for at least 10% of total revenue; the United States (eighteen representing 20%) and Canada (four representing 20%). For the year ended December 31, 2016, revenue from customers in each of the following countries accounted for at least 10% of total revenue; the United States (sixteen representing 21%) and Canada (four representing 21%).

For the year ended December 31, 2017 one customer accounted for 12% of total revenue. For the year ended December 31, 2016, two customers accounted for 22% of total revenue.

### **Cash and Cash Equivalents**

Cash and cash equivalents include short-term deposits with an original maturity of less than three months. Cash and cash equivalents by type were as follows:

	December 31,	
	2017	2016
Money market accounts – cash equivalents	\$ 21,009,821	\$ 6,540,489
Cash <sup>(1)</sup>	13,521,991	15,782,460
Total	<u>\$ 34,531,812</u>	<u>\$ 22,322,949</u>

<sup>(1)</sup> Consists of cash deposits at various major banks.

### **Restricted Cash**

Restricted cash at December 31, 2017 consists of \$1.5 million held by the facility agent as required by the The Senior Secured Post-Delivery Term Loan Facility and \$2.5 million held by the facility agent as required by the Bulk Nordic Odin Ltd., Bulk Nordic Olympic Ltd. Bulk Nordic Odyssey Ltd., Bulk Nordic Orion Ltd. and Bulk Nordic Oshima Ltd. – Dated September 28, 2015 - Amended and Restated Loan Agreement (See Note 8).

Restricted cash at December 31, 2016 consists of \$1.1 million held by a facility agent as required by the Bulk Atlantic Secured Note, \$2.5 million held by the facility agent as required by the The Senior Secured Post-Delivery Term Loan Facility and \$2.5 million held by the facility agent as required by the Bulk Nordic Odin Ltd., Bulk Nordic Olympic Ltd. Bulk Nordic Odyssey Ltd., Bulk Nordic Orion Ltd. And Bulk Nordic Oshima Ltd. – Dated September 28, 2015 - Amended and Restated Loan Agreement (See Note 8).

### **Allowance for Doubtful Accounts**

The Company provides a specific reserve for significant outstanding accounts that are considered potentially uncollectible in whole or in part. In addition, the Company's policy based on experience is to establish a reserve equal to approximately 25% of accounts receivable balances that are 30-180 days past due and approximately 50% of accounts receivable balances that are 180 or more days past due, and which are not otherwise reserved. The reserve estimates are adjusted as additional information becomes available, or as payments are made. At December 31, 2017 and 2016, the Company has provided an allowance for doubtful accounts of \$2,135,877 and \$4,752,265 respectively, for amounts that are not expected to be fully collected. The provision for doubtful accounts was approximately \$544,000 in 2017 and \$922,000 in 2016. The Company wrote off approximately \$3,160,000 and \$1,237,000 during 2017 and 2016, respectively, which amounts were previously included in the allowance, because these amounts were determined to be uncollectible.

### **Bunker Inventory**

Inventory is primarily comprised of fuel oil purchased and stored onboard a vessel. Inventory is measured at the lower of cost under the first-in, first-out method or net realizable value.

### **Advanced Hire, Prepaid Expenses and Other Current Assets**

Advance hire represents payment to ship owners under time-charters for days subsequent to the balance sheet date. Hire is typically paid in advance for the following fifteen days, but intervals vary by time-charter contract. Prepaid expenses include advance funding to the technical manager for vessel operating expenses, lubricating oils and stores kept on board owned vessels, certain voyage expenses paid in advance and direct costs incurred to fulfill a COA. These specifically identified costs are used to satisfy the contract and are expected to be recovered over the term of the COA. Such costs are amortized on a straight-line basis and charged equally to each of the voyages under the contract. Other assets include deposits held by counterparties to various derivative instruments and the fair value of derivative instruments when it exceeds the settlement price of the instrument.



At December 31, advance hire, prepaid expenses and other current assets were comprised of the following:

	2017	2016
Advance hire	\$ 3,628,417	\$ 2,232,444
Prepaid expenses	460,445	1,844,522
Accrued receivables	6,153,212	5,805,798
Other current assets	1,790,198	1,045,397
Total	\$ 12,032,272	\$ 10,928,161

### **Vessels and Depreciation**

Vessels are stated at cost, which includes contract price and acquisition costs. Significant improvements to vessels are capitalized; maintenance and repairs that do not improve or extend the lives of the vessels are expensed as incurred. Depreciation is provided using the straight-line method over the remaining estimated useful lives of the vessels (excluding the time a vessel is in dry dock), based on cost less salvage value. Each vessel's salvage value is equal to the product of its lightweight tonnage and an estimated scrap rate of \$300 per ton, which was determined by reference to quoted rates and is reviewed annually. The Company estimates the useful life of its vessels to be 25 years to 30 years from the date of initial delivery from the shipyard. The remaining estimated useful lives of the current fleet are 3 - 24 years. The Company does not incur depreciation expense when vessels are taken out of service for dry docking.

Vessels held for sale are carried at estimated fair value less cost to sell. No additional depreciation expense is recorded for vessels categorized as held for sale.

### **Dry Docking Expenses and Amortization**

Significant upgrades made to the vessels during dry docking are capitalized when incurred and amortized on a straight-line basis over the five year period until the next dry docking. Costs capitalized as part of the dry docking include direct costs incurred to meet regulatory requirements that add economic life to the vessel, that increase the vessel's earnings capacity or which improve the vessel's efficiency. Direct costs include the shipyard costs, parts, inspection fees, steel, blasting and painting. Expenditures for normal maintenance and repairs, whether incurred as part of the dry docking or not, are expensed as incurred. Unamortized dry-docking costs of vessels that are sold are written off and included in the calculation of the resulting gain or loss on sale.

### **Long-lived Assets Impairment Considerations**

The carrying values of the Company's vessels may not represent their fair market value or the amount that could be obtained by selling the vessel at any point in time, since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of new vessels. Historically, both charter rates and vessel values tend to be cyclical. The carrying amounts of vessels held and used by the Company are reviewed for potential impairment when events or changes in circumstances indicate that the carrying amount of a particular vessel may not be fully recoverable. In such instances, an impairment charge would be recognized if the estimate of the undiscounted future cash flows expected to result from the use of the vessel and its eventual disposition is less than the vessel's carrying amount. This assessment is made at the asset group level which represents the lowest level for which identifiable cash flows are largely independent of other groups of assets. The asset groups established by the Company are defined by vessel size, age and classification. At December 31, 2017, the Company did not identify any potential impairment indicator. At June 30, 2017, March 31, 2017 and December 31, 2016, the Company identified a potential impairment indicator based on the estimated market value of its vessels. As a result, the Company evaluated each asset group for impairment by estimating the total undiscounted cash flows expected to result from the use of the asset group and its eventual disposal.

The significant factors and assumptions used in the undiscounted projected net operating cash flow analysis include: the Company's estimate of future time charter equivalent ("TCE") rates based on current rates under existing charters and contracts. The Company applies a multiple to account for expected growth or decline in TCE rates due to market conditions for periods beyond those for which rates are available. Projected net operating cash flows are net of brokerage and address commissions and exclude revenue on scheduled off-hire days. The Company uses current vessel operating expense amounts, estimated costs of drydocking and historical general and administrative expenses as the basis for its expected outflows, and applies an inflation factor it considers appropriate. The net of these inflows and outflows, plus an estimated salvage value, constitutes the projected undiscounted future cash flows.

At June 30, 2017, March 31, 2017 and December 31, 2016, the estimated undiscounted future cash flows were higher than the carrying amount of the vessels in the Company's fleet and as such, no loss on impairment was recognized.

### **Debt Issuance Costs, Bank Fees and Amortization**

Qualifying expenses associated with commercial financing and fees paid to financial institutions to obtain financing are carried as a reduction of the outstanding debt and amortized over the term of the arrangement using the effective interest method. The unamortized portion is included as a reduction of secured long-term debt on the consolidated balance sheets.

In connection with the Company's new and amended secured term loans executed in 2017, the Company incurred financing costs of approximately \$1,022,500. In connection with the Company's new and amended secured term loans executed in 2016, the Company incurred financing costs of approximately \$46,000.

Amortization of the debt issuance costs is included as a component of interest expense in the consolidated statements of income. Unamortized debt issuance costs of approximately \$274,000 were written off in conjunction with the the repayment of the loan by Bulk Beothuk in June 2017, when the ship was sold and leased back from the buyer.

The components of net debt issuance costs and bank fees, which are included in secured long-term debt on the consolidated balance sheets are as follows:

	December 31,	
	2017	2016
Debt issuance costs and bank fees paid to financial institutions	\$ 6,068,806	\$ 5,321,206
Less: accumulated amortization	(4,199,026)	(3,792,695)
Unamortized debt issuance costs and bank fees	<u>\$ 1,869,780</u>	<u>\$ 1,528,511</u>
Amortization included in interest expense	\$ 681,279	\$ 662,724

### **Accounts Payable and Accrued Expenses**

The components of accounts payable and accrued expenses are as follows:

	December 31,	
	2017	2016
Accounts payable	\$ 15,686,235	\$ 15,435,179
Accrued expenses	11,923,445	6,955,389
Accrued interest	611,406	412,984
Other accrued liabilities	960,190	427,627
Total	<u>\$ 29,181,276</u>	<u>\$ 23,231,179</u>

### **Taxation**

The Company is not subject to corporate income taxes on its profits in Bermuda because Bermuda does not impose an income tax.

NBC, a wholly-owned subsidiary of the Company, is subject to a Danish tonnage tax. NBC is not taxed on the basis of their actual income derived from their business but on an alternative income determination based on the net tons carrying capability of their fleet. As the tax is not determined based on taxable income, NBC's tax expense of approximately \$428,000 and \$198,000 is included within voyage expenses in the accompanying consolidated statements of operations as of December 31, 2017 and 2016, respectively.

Shipping income derived from sources outside the United States is not subject to any United States federal income tax. U.S. sourced income from the international operation of ships that is considered qualified income and earned by a qualified foreign corporation can also be considered exempt from U.S. federal income taxation. The exemption requires a number of tests be met including qualifying income earned subject to an equivalent exemption in a qualified country and a qualified foreign corporation meeting the qualified foreign country, qualified income, stock ownership tests and substantiation requirements. The Company believes it meets all of the tests to qualified for an exemption from income under Internal Revenue Code section 883. To the extent

the Company is unable to qualify for the exemption, the Company would be subject to U.S. federal income taxation of 4% of its U.S. shipping income on a gross basis without deductions. If certain other conditions are present, as defined in the Code, U.S. source shipping income, net of applicable deductions, may be subject to federal income tax of up to 35% and a 30% branch profits tax. The company believes that none of its U.S. source shipping income is effectively connected with the conduct of a U.S. trade or business.

Since earnings from shipping operations of the Company are not subject to U.S. or foreign income taxation, the Company has not recorded income tax expense, deferred tax assets or liabilities for the years ending December 31, 2017 and 2016.

On December 22, 2017, the Tax Cuts and Jobs Act was passed which, among other things, reduces the federal corporate tax rate to 21.0% effective January 1, 2018. Recent guidance allows for a measurement period approach for the income tax effects of tax reform for which the accounting is incomplete, but the Company is able to provide a provisional estimate for various changes in the law. As a result of the Company's income qualifying for exemption from US taxation under Internal Revenue Code section 883, there was no federal income tax impact to the year ended December 31, 2017. As long as the Company continues to meet the exemption for its qualifying income and the U.S. and foreign laws do not change regarding the application of this exemption, the Company does not believe the impact for tax reform to have a material impact on the company. The Company will continue to monitor guidance regarding these changes for how it may impact the financial statements in later periods.

Where required, the Company complies with income tax filings in its various jurisdictions of operations. As of December 31, 2017 and 2016, the Company is not subject to U.S. federal or foreign examinations by tax authorities for years before 2013.

#### **Restricted Common Share Awards**

Compensation cost of restricted share awards is measured using the grant date fair value of the Company's common shares, as quoted on the Nasdaq Capital Market, multiplied by the total number of shares granted. Compensation cost is amortized according to the vesting period indicated in the grant agreement. Total compensation cost recognized during the years ended December 31, 2017 and 2016 is approximately \$1,074,038 and \$601,921, respectively, which is included in general and administrative expenses in the consolidated statements of operations.

#### **Dividends**

Dividends on common stock are recorded when declared by the Board of Directors. Refer to Note 9 for a discussion regarding common stock dividends.

#### **Earnings per Common Share**

Basic earnings per share ("EPS") is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding during the period.

Diluted EPS is computed using the treasury stock method. Under this method, the amount of unrecognized compensation cost related to future services by employees who were awarded restricted shares is assumed to be used to repurchase common stock at the average market price during the period. The incremental shares (nonvested less repurchased) are considered to be outstanding for diluted EPS.

#### **Foreign Exchange**

The Company conducts all of its business in U.S. dollars; accordingly, there are no foreign exchange transaction gains or losses reflected in the consolidated statements of income.

#### **Derivatives and Hedging Activities**

The Company accounts for derivatives in accordance with the provisions of ASC 815, Derivatives and Hedging. The Company uses interest rate swaps to reduce market risks associated with its operations, principally changes in variable interest rates on its bank debt. Additionally, the Company uses forward freight agreements to protect against changes in charter rates and bunker (fuel) swaps to protect against changes in fuel prices. Derivative instruments are measured at fair value and are recorded as assets or liabilities.

The Company is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swaps, forward freight agreements and bunker hedges.

### **Segment Reporting**

Operating segments are components of a business that are evaluated regularly by the chief operating decision maker ("CODM") for the purpose of assessing performance and allocating resources. Based on the information that the CODM uses, including consideration of whether discrete financial information is available for the business activities, the Company has identified multiple operating segments which have been aggregated based on considerations such as the nature of its services, customers, operations and economic characteristics. The Company has determined that it operates under one reportable segment.

### **Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximate fair value due to the short-term maturities of these instruments. The carrying amount of the Company's floating rate long-term debt approximates its fair value due to the variable interest rates associated with these related credit facilities.

At December 31, 2017, the Company has seven fully fixed rate debt facilities and three facilities of which fifty percent are fixed. At December 31, 2016, the Company had nine fully fixed rate debt facilities and one facility of which fifty percent is fixed. The aggregate carrying amounts and fair values of the long-term debt associated with the fixed rate borrowing arrangements are as follows:

	December 31,	
	2017	2016
Carrying amount of fixed rate long-term debt	\$ 92,096,979	\$ 82,001,821
Fair value of fixed rate long-term debt	\$ 93,417,008	\$ 82,224,170

Fair values of these debt obligations were estimated based on quoted market prices for the same or similar issues of debt with the same remaining maturities, which is considered Level 2 in the fair value hierarchy established by ASC 820.

### **Reclassifications**

Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the Company's previously reported consolidated operations or shareholders' equity.

### **Recent Accounting Pronouncements**

In February 2016, the FASB issued an ASU 2016-02, Accounting Standards Update for Leases. The update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The Company does not typically enter into charters for terms exceeding six months. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The Company does not expect adoption of this guidance to have a material impact on its financial statements.

In May 2014, the FASB issued an ASU 2014-09, Accounting Standards Update for Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2017. The Company analyzed its contracts with customers covering each significant revenue stream, applying the provisions of the new standard. The Company determined that revenue from vessels operating on time charter will continue to be recognized under current revenue recognition policy because the services being provided to its customers currently reflect the consideration to which the entity expects to be entitled in exchange for those services, and because these arrangements qualify as single performance obligations that meet the criteria to recognize revenue over time, as the customer is simultaneously receiving and consuming the benefits of these services. The performance obligation in a voyage charter is also the transportation service provided and also meets the criteria to recognize revenue over time. Under the new standard, revenue for these voyages will be recognized over the

period between load port and discharge port in contrast to the current recognition policy to recognize revenue from discharge port to discharge port. The Company will also recognize an asset representing certain costs to fulfill contracts that have not begun to load, if they meet the criteria outlined in this update. Such assets will be amortized pro rata over the period of the contract. The Company will expense costs to obtain a contract as incurred, as provided by the practical expedient, since all such costs are expected to be amortized over less than one year. The Company will apply the new revenue standard on a modified retrospective basis with a cumulative effect adjustment reducing retained earnings by approximately \$2.6 million on January 1, 2018. Prior periods will not be adjusted. The Company has modified its accounting information system, financial close process and internal controls in order to make the adjustments necessary to report under the new standard.

In November 2016, the FASB issued an ASU 2016-18 Accounting Standards Update for Statement of Cash Flows. The amendments in this Update provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows, thereby reducing the diversity in practice. Specifically, this Update addresses how to classify and present changes in restricted cash or restricted cash equivalents that occur when there are transfers between cash, cash equivalents, and restricted cash or restricted cash equivalents and when there are direct cash receipts into restricted cash or restricted cash equivalents or direct cash payments made from restricted cash or restricted cash equivalents. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments in this Update should be applied using a retrospective transition method to each period presented. The Company does not expect adoption of this guidance to have a material impact on its financial statements.

In August 2017, the FASB issued an ASU 2017-12 Accounting Standards Update for Derivatives and Hedging. The amendments in this Update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted in any interim period after issuance of the Update. All transition requirements and elections should be applied to hedging relationships existing on the date of adoption. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. For cash flow and net investment hedges existing at the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the amendments in this Update. The amended presentation and disclosure guidance is required only prospectively. The Company does not expect adoption of this guidance to have a material impact on its financial statements.

#### **NOTE 4 - VARIABLE INTEREST ENTITIES**

The Company has evaluated all of its wholly and partially-owned entities, as well as entities with common ownership or other relationships, pursuant to ASC 810. A summary of the Company's consolidation policy is provided in Note 3. The Company has concluded that Bulk Pangaea, Bulk Patriot, Bulk Juliana, Bulk Atlantic, Bulk Trident, Bulk Phoenix, Bulk Barents, Bulk Bothnia, Bulk Freedom, Bulk Pride, NBH, Long Wharf, NBHC, BVH, FVL and VBC should be consolidated as VIEs at December 31, 2017 and 2016.

Bulk Pangaea, Bulk Patriot, Bulk Juliana, Bulk Atlantic, Bulk Trident, Bulk Phoenix, Bulk Barents, Bulk Bothnia, BVH, Bulk Freedom and Bulk Pride are wholly-owned subsidiaries that were established for the purpose of acquiring bulk carriers. The Company has concluded that these entities are VIEs due to the existence of corporate guarantees and to the cross-collateralization on outstanding debt, which is indicative of an inability to finance the entities' activities without additional subordinated financial support. Accordingly, the Company has consolidated these subsidiaries for the years ended December 31, 2017 and 2016. The consolidation of all of these entities increased total assets by approximately \$50.4 million and increased total liabilities by approximately \$47.7 million at December 31, 2017. Total shareholders' equity increased by approximately \$2.7 million. The consolidation of all of these entities increased total assets by approximately \$46.2 million and increased total liabilities by approximately \$46.0 million at December 31, 2016. Total shareholders' equity increased by approximately \$0.2 million.

NBH is a wholly-owned subsidiary of the Company. The Company determined that NBH is a VIE due to the fact that NBH's total equity investment at risk is not sufficient to permit it to finance its activities without additional subordinated financial support. Furthermore, the Company determined that it is NBH's primary beneficiary, as it has the power to direct the activities of the entity. Accordingly, the Company has consolidated NBH for the years ended December 31, 2017 and 2016. The consolidation of NBH

increased total assets by approximately \$22.6 million and \$5.5 million and increased total liabilities by approximately \$21.3 million and \$5.1 million at December 31, 2017 and 2016, respectively. Total shareholders' equity increased by approximately \$1.3 million and \$0.4 million at December 31, 2017 and 2016, respectively.

Long Wharf was established in 2009 for the purpose of buying a new office building. Ownership of Long Wharf was transferred to the Company on October 1, 2014. The Company determined that Long Wharf is a VIE as Long Wharf's total equity investment at risk is not sufficient to permit it to finance its activities without additional subordinated financial support. The Company determined that the entities/individuals that had a variable interest in Long Wharf prior to the transfer were also related parties, and that none of those entities individually met the criteria to be the primary beneficiary, as none had the obligation to absorb the entity's losses; therefore, since the Company represented the party within the related party group that was most closely associated with the VIE, the Company concluded it was the primary beneficiary. Accordingly, the Company has consolidated Long Wharf for the years ended December 31, 2017 and 2016. The consolidation of Long Wharf increased total assets by approximately \$2.2 million and \$0.7 million and increased total liabilities by approximately \$2.4 million and \$1.0 million at December 31, 2017 and 2016, respectively. Total shareholders' equity decreased by approximately \$0.2 million and \$0.3 million at December 31, 2017 and 2016, respectively.

NBHC was established in March 2012, for the purpose of acquiring the m/v Nordic Odyssey, the m/v Nordic Orion and to invest in additional vessels, all through wholly-owned subsidiaries. Each of the ship owning companies owned by NBHC is chartered to NBC under fixed price, time charter arrangements. The Company determined that NBHC is a VIE and that it is the primary beneficiary of NBHC, as it has the power to direct its activities as a result of these time charter arrangements. Accordingly, the Company has consolidated NBHC for the years ended December 31, 2017 and 2016. The consolidation of NBHC increased total assets by approximately \$154.6 million and \$161.3 million and increased total liabilities by approximately \$86.2 million and \$98.1 million at December 31, 2017 and 2016, respectively. Total shareholders' equity increased by approximately \$4.5 million and \$2.8 million at December 31, 2017 and 2016. Amounts pertaining to the non-controlling ownership interest held by third parties in the financial position and operating results of NBHC are reported as non-controlling interest in the accompanying consolidated balance sheets. The non-controlling ownership interest attributable to NBHC amounts to approximately \$63.9 million and \$60.4 million at December 31, 2017 and 2016.

BVH was established in August 2013, together with a third-party, for the purpose of owning Five and Six. Five and Six were established for the purpose of owning new ultramax newbuildings that were delivered in January 2017 at which time the Company acquired its joint venture partner's 50% interest in BVH. The Company determined that BVH is a VIE and is the primary beneficiary of BVH, as it has the power to direct its activities. Accordingly, the Company has consolidated BVH and its wholly-owned subsidiaries for the years ended December 31, 2017 and 2016. The consolidation of BVH increased total assets by approximately \$42.6 million and \$9.5 million and increased total liabilities by approximately \$38.0 million and \$9.6 million at December 31, 2017 and 2016, respectively. Total shareholders' equity increased by approximately \$4.6 million at December 31, 2017 and decreased by approximately \$47,000 at December 31, 2016. The Company acquired the remaining 50% of BVH from its joint venture partner in January 2017. Prior to the acquisition, amounts pertaining to the non-controlling ownership interest held by third parties in the financial position and operating results of BVH were reported as non-controlling interest in the accompanying consolidated balance sheets. The non-controlling ownership interest attributable to BVH was an accumulated deficit of approximately \$42,000 at December 31, 2016.

FVL and VBC are VIEs due to the fact that the Company has the power to direct the activities of these entities, neither of which had any revenue in 2017. The consolidation of these entities increased assets by approximately \$1.4 million, increased shareholders' equity by \$1.3 million and increased non-controlling interest by approximately \$1.4 million at December 31, 2017.

## NOTE 5 - FIXED ASSETS

At December 31, fixed assets consisted of the following:

	2017	2016
Vessels and vessel upgrades	\$ 352,874,660	\$ 313,102,479
Capitalized dry docking	10,230,173	7,142,445
	363,104,833	320,244,924
Accumulated depreciation and amortization	(59,893,556)	(47,862,126)
Vessels, vessel upgrades and capitalized dry docking, net	303,211,277	272,382,798
Land and building	2,541,085	2,541,085
Internal use software	1,922,140	1,518,409
Other fixed assets	4,463,225	4,059,494
Accumulated depreciation	(1,381,847)	(1,176,620)
Other fixed assets, net	3,081,378	2,882,874
Total fixed assets, net	\$ 306,292,655	\$ 275,265,672

The net carrying value of the Company's fleet consists of the following:

	December 31,	
	2017	2016
<b><u>Owned vessels</u></b>		
m/v BULK PANGAEA	\$ 16,398,650	\$17,879,380
m/v BULK PATRIOT	11,111,437	12,391,724
m/v BULK JULIANA	11,411,052	12,252,733
m/v NORDIC ODYSSEY	25,634,743	27,021,211
m/v NORDIC ORION	26,467,928	27,874,584
m/v BULK TRIDENT	14,195,098	14,962,163
m/v BULK BEOTHUK <sup>(1)</sup>	—	12,006,270
m/v BULK NEWPORT	13,139,242	13,473,429
m/v NORDIC BARENTS	4,846,522	3,517,151
m/v NORDIC BOTHNIA	4,787,388	3,520,616
m/v NORDIC OSHIMA	30,122,172	31,346,414
m/v NORDIC OLYMPIC	30,371,285	31,560,965
m/v NORDIC ODIN	30,548,435	31,741,658
m/v NORDIC OASIS	31,608,785	32,834,500
m/v BULK ENDURANCE <sup>(2)</sup>	27,030,918	—
m/v BULK FREEDOM <sup>(3)</sup>	8,834,746	—
m/v BULK PRIDE <sup>(4)</sup>	14,007,731	—
MISS NORA G. PEARL <sup>(5)</sup>	2,695,145	—
	303,211,277	272,382,798
Other fixed assets, net	3,081,378	2,882,874
Total fixed assets, net	\$ 306,292,655	\$ 275,265,672
<b><u>Vessels under capital lease</u></b>		
m/v BULK DESTINY <sup>(6)</sup>	\$ 23,153,850	\$ —
m/v BULK BEOTHUK <sup>(1)</sup>	\$ 6,840,362	\$ —
	\$ 29,994,212	\$ —

- (1) The m/v Bulk Beothuk was sold on June 15, 2017 and simultaneously chartered back under a bareboat charter accounted for as a capital lease, the terms of which are discussed in Note 10.
  - (2) The m/v Bulk Endurance was delivered to the Company on January 7, 2017.
  - (3) The Company acquired the m/v Bulk Freedom on June 14, 2017.
  - (4) The Company acquired the m/v Bulk Pride on December 21, 2017.
  - (5) The Company acquired the deck barge Miss Nora G. Pearl on November 3, 2017 through its 50% owned joint venture VBC.
  - (6) The Company took delivery of the m/v Bulk Destiny on January 7, 2017 and simultaneously entered into a sale and leaseback financing agreement, the terms of which are discussed in Note 10.
- 

At December 31, 2016, BVH had deposits on the Ultramax Ice Class 1C newbuildings of approximately \$18,400,000 which was included in investment in newbuildings in process on the consolidated balance sheets. These vessels were delivered to the Company in January 2017.

On July 5, 2016, the Company entered into five-year bareboat charter agreements with the owner of two vessels (which were then renamed the m/v Bulk Power and the m/v Bulk Progress). Under a bareboat charter, the charterer is responsible for all of the vessel operating expenses in addition to the charter hire. The agreement also contains a profit sharing arrangement. Scheduled increases in charter hire are included in minimum rental payments and recognized on a straight-line basis over the lease term. Profit sharing will be excluded from minimum lease payments and recognized as incurred. The minimum rent expense under these bareboat charters (which are classified as operating leases) totals approximately \$365,000 per annum.

The Company capitalized dry-docking costs on three vessels in 2017. The 5 year amortization period of the capitalized dry docking costs is within the remaining useful life of these vessels. The Company did not capitalize any dry-docking costs in 2016.

## **NOTE 6 - MARGIN ACCOUNTS, DERIVATIVES AND FAIR VALUE MEASURES**

### *Margin Accounts*

During December 31, 2017 and 2016, the Company was party to forward freight agreements and fuel swap contracts in order to mitigate the risk associated with volatile freight rates and fuel prices. Under the terms of these contracts, the Company is required to deposit funds in margin accounts if the market value of the hedged item declines. See Note 7 for a complete discussion of these and other derivatives. The Company had approximately \$913,000 on deposit in one margin account at December 31, 2017 due to the decline in market value of its FFAs. The Company had \$488,000 on deposit in one margin account at December 31, 2016, due to the decline in market value of its fuel swaps. The funds are required to remain in margin accounts as collateral until the market value of the items being hedged return to preset limits. The margin accounts are included in advance hire, prepaid expenses and other current assets in the consolidated balance sheets at December 31, 2017 and 2016.

### *Fuel Swap Contracts*

The Company continuously monitors the market volatility associated with bunker prices and seeks to reduce the risk of such volatility through a bunker hedging program. In 2017 and 2016, the Company entered into various fuel swap contracts that were not designated for hedge accounting. The aggregate fair value of these fuel swaps at December 31, 2017 and 2016 are assets of approximately \$377,000 and \$304,000, respectively, which are included in other current assets on the consolidated balance sheets. The change in the aggregate fair value of the fuel swaps during the years ended December 31, 2017 and 2016 resulted in gains of approximately \$74,000 and \$2,081,000, which are included in unrealized gain on derivative instruments in the accompanying consolidated statements of income.

### *Forward Freight Agreements*

The Company assesses risk associated with fluctuating future freight rates and, when appropriate, actively hedges identified economic risk related to long-term cargo contracts with forward freight agreements, or FFAs. The usage of such derivatives can lead to fluctuations in the Company's reported results from operations on a period-to-period basis. During the years ended December 31, 2017 and 2016, the Company entered into FFAs that were not designated for hedge accounting. The aggregate fair value of these FFAs at December 31, 2017 were assets of approximately \$266,000. The aggregate fair value of these FFAs at December 31, 2016 were liabilities of approximately \$21,000. The change in the aggregate fair value of the FFAs during the years ended December 31, 2017 and 2016 resulted in a gain of approximately \$287,000 and a loss of approximately \$21,000, respectively, which are included in unrealized gain on derivative instruments in the accompanying consolidated statements of income.



## *Fair Value Hierarchy*

The three levels of the fair value hierarchy established by ASC 820, in order of priority, are as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 – unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions

	Balance at December 31, 2017	Level 1	Level 2	Level 3
Margin accounts	\$ 912,981	\$ 912,981	\$ —	\$ —
Fuel swap contracts	\$ 377,273	\$ —	\$ 377,273	\$ —
Forward freight agreements	\$ 265,768	\$ —	\$ 265,768	\$ —

	Balance at December 31, 2016	Level 1	Level 2	Level 3
Margin accounts	\$ 488,084	\$ 488,084	\$ —	\$ —
Fuel swap contracts	\$ 303,675	\$ —	\$ 303,675	\$ —
Forward freight agreements	\$ (20,950)	\$ —	\$ (20,950)	\$ —

The estimated fair values of the Company's interest rate swap instruments and fuel swap contracts are based on market prices obtained from an independent third-party valuation specialist. Such quotes represent the estimated amounts the Company would receive to terminate the contracts.

## NOTE 7 - RELATED PARTY TRANSACTIONS

Amounts and notes payable to related parties consist of the following:

	December 31, 2016	Activity	December 31, 2017
<i>Included in accounts payable and accrued expenses on the consolidated balance sheets:</i>			
Trade payables due to Seamar <sup>(iii)</sup>	\$ 1,254,985	\$ 166,935	\$ 1,421,920
<i>Included in current related party debt on the consolidated balance sheets:</i>			
Loan payable – 2011 Founders Note	\$ 4,325,000	\$ —	\$ 4,325,000
Interest payable – 2011 Founders Note <sup>(i)</sup>	368,347	316,250	684,597
Promissory Note	2,000,000	—	2,000,000
Loan payable – BVH shareholder (STST) <sup>(ii)</sup>	9,278,800	(9,278,800)	—
Total current related party debt	\$ 15,972,147	\$ (8,962,550)	\$ 7,009,597

- i. Paid in cash
- ii. ST Shipping and Transport Pte. Ltd. ("STST")
- iii. Seamar Management S.A. ("Seamar")

In November 2014, the Company entered into a \$5 million Promissory Note (the "Note") with Bulk Invest Ltd., a company controlled by shareholders collectively referred to as the Founders. The Note was amended in 2015 and is payable on demand. Interest on the Note is 5%. The balance of the Note at December 31, 2017 and 2016 was \$2 million.

BVH entered into an agreement for the construction of two new Ultramax newbuildings in 2013. STST has provided loans totaling \$9,278,800 used to make deposits on the contracts. The loans were extinguished in conjunction with the acquisition of the noncontrolling interest in BVH on January 27, 2017. BVH is a wholly-owned subsidiary of the Company after the acquisition.

On October 1, 2011, the Company entered into a \$10,000,000 loan agreement with the Founders, which was payable on demand at the request of the lenders (the 2011 Founders Note). The note bears interest at a rate of 5%. The outstanding balance of the note was \$4,325,000 at December 31, 2017 and 2016.

Dividends payable, all of which are currently payable to related parties, are shown in Note 9.

Under the terms of a technical management agreement between the Company and Seamar Management S.A. (Seamar), an equity method investee, Seamar is responsible for the day-to-day operation of some of the Company's owned vessels. During the years ended December 31, 2017 and 2016, the Company incurred technical management fees of \$2,746,200 and \$1,963,200 under this arrangement, which is included in vessel operating expenses in the consolidated statements of income. The total amounts payable to Seamar at December 31, 2017 and 2016, (including amounts due for vessel operating expenses), were \$1,421,920 and \$1,254,985, respectively.

## NOTE 8 - SECURED LONG-TERM DEBT

Long-term debt consists of the following:

	December 31,	
	2017	2016
Bulk Pangaea Secured Note	\$ —	\$ 1,040,625
Bulk Patriot Secured Note	—	1,087,500
Bulk Trident Secured Note (1)	3,452,500	5,737,500
Bulk Juliana Secured Note (1)	1,521,095	3,042,186
Bulk Phoenix Secured Note (1)	4,473,805	6,816,685
Bulk Atlantic Secured Note	—	5,350,000
Bulk Nordic Odin Ltd., Bulk Nordic Olympic Ltd. Bulk Nordic Odyssey Ltd., Bulk Nordic Orion Ltd. and Bulk Nordic Oshima Ltd. Amended and Restated Loan Agreement (2)	69,825,000	77,325,001
Term Loan Facility of USD 13,000,000 (Nordic Bulk Barents Ltd. and Nordic Bulk Bothnia Ltd.)	5,793,460	7,097,820
Bulk Nordic Oasis Ltd. Loan Agreement (2)	18,500,000	20,000,000
The Amended Senior Facility - Dated December 21, 2017 (3)	28,803,333	—
Bulk Freedom Loan Agreement	5,150,000	—
109 Long Wharf Commercial Term Loan	922,466	1,032,067
Phoenix Bulk Carriers (US) LLC Automobile Loan	23,090	28,582
Phoenix Bulk Carriers (US) LLC Master Loan	—	236,242
Total	138,464,749	128,794,208
Less: unamortized bank fees	(1,869,780)	(1,528,511)
	136,594,969	127,265,697
Less: current portion	(18,979,335)	(19,627,846)
Secured long-term debt, net	\$ 117,615,634	\$ 107,637,851

- (1) The Bulk Trident Secured Note, the Bulk Juliana Secured Note and the Bulk Phoenix Secured Note are cross-collateralized by the vessels m/v Bulk Trident, m/v Bulk Juliana, and m/v Bulk Newport, and are guaranteed by the Company.
- (2) The borrower under this facility is NBHC, of which the Company and its joint venture partners, STST and ASO2020, each own one-third. NBHC is consolidated in accordance with ASC 810-10 and as such, amounts pertaining to the non-controlling ownership held by these third parties in the financial position of NBHC are reported as non-controlling interest in the accompanying balance sheets.
- (3) Bulk Nordic Six Ltd. Loan Agreement was amended to support the financing of the m/v Bulk Pride. The facility is cross-collateralized by the vessels m/v Bulk Endurance and m/v Bulk Pride, and is guaranteed by the Company.

### *The Senior Secured Post-Delivery Term Loan Facility*

On April 14, 2017, the Company, through its wholly owned subsidiaries, Bulk Pangaea, Bulk Patriot, Bulk Juliana, Bulk Trident and Bulk Phoenix, entered into the Fourth Amendatory Agreement, (the "Fourth Amendment"), amending and supplementing the Loan Agreement dated April 15, 2013, as amended by a First Amendatory Agreement dated May 16, 2013, the Second Amendatory Agreement dated August 28, 2013 and the Third Amendatory Agreement dated July 14, 2016. The Fourth Amendment advanced the final repayment dates for Bulk Pangaea and Bulk Patriot and extended the final maturity date and modified the repayment schedules, as follows:

#### *Bulk Pangaea Secured Note*

Initial amount of \$12,250,000, entered into in December 2009, for the acquisition of m/v Bulk Pangaea. The Fourth Amendment advanced the final installment to April 18, 2017, thereby increasing the amount to \$1,040,625, which was paid on the maturity date.

#### *Bulk Patriot Secured Note*

Initial amount of \$12,000,000, entered into in September 2011, for the acquisition of the m/v Bulk Patriot. The Fourth Amendment advanced the final installment to April 18, 2017, thereby increasing the amount to \$1,087,500, which was paid on the maturity date.

#### *Bulk Trident Secured Note*

Initial amount of \$10,200,000, entered into in April 2012, for the acquisition of the m/v Bulk Trident. The Fourth Amendment extends the final maturity date and modifies the repayment schedule. The first and second quarterly installments following the amendment were increased to \$650,000 and the third and fourth installments were increased to \$435,000. These are followed by two installments of \$327,500 and three of \$300,000. A balloon payment of \$1,462,500 is payable on July 19, 2019. The interest rate was fixed at 4.29% through April 19, 2017 and is floating at LIBOR plus 3.50% (5.19% at December 31, 2017), since April 19, 2017.

#### *Bulk Juliana Secured Note*

Initial amount of \$8,112,500, entered into in April 2012, for the acquisition of the m/v Bulk Juliana. The Fourth Amendment did not change this tranche, the balance of which is payable in six quarterly installments of \$507,031. The final payment is due on July 19, 2018. The interest rate is fixed at 4.38%.

#### *Bulk Phoenix Secured Note*

Initial amount of \$10,000,000, entered into in May 2013, for the acquisition of m/v Bulk Newport. The Fourth Amendment did not change this tranche, the balance of which is payable in two installments of \$700,000 and seven installments of \$442,858. A balloon payment of \$1,816,659 is payable on July 19, 2019. The interest rate is fixed at 5.09%.

The agreement contains financial covenants that require the Company to maintain a minimum net worth and minimum liquidity, on a consolidated basis. The facility also contains a consolidated leverage ratio and a consolidated debt service coverage ratio. In addition, the facility contains other Company and vessel related covenants that, among other things, restrict changes in management and ownership of the vessel, declaration of dividends, further indebtedness and mortgaging of a vessel without the bank's prior consent. It also requires minimum collateral maintenance, which is tested at the discretion of the lender. As of December 31, 2017 and December 31, 2016, the Company was in compliance with these covenants.

#### *Bulk Atlantic Secured Note*

Initial amount of \$8,520,000, entered into on February 18, 2013, for the acquisition of m/v Bulk Beothuk. The loan required repayment in 8 equal quarterly installments of \$90,000 beginning in May 2013, 12 equal quarterly installments of \$295,000 and a balloon payment of \$4,170,000 due in February 2018. The loan was repaid in conjunction with the sale of the vessel on June 6, 2017.

#### *Bulk Nordic Odin Ltd., Bulk Nordic Olympic Ltd. Bulk Nordic Odyssey Ltd., Bulk Nordic Orion Ltd. And Bulk Nordic Oshima Ltd. – Dated September 28, 2015 - Amended and Restated Loan Agreement*

The amended agreement advanced \$21,750,000 in respect of each the m/v Nordic Odin and the m/v Nordic Olympic; \$13,500,000 in respect of each the m/v Nordic Odyssey and the m/v Nordic Orion, and \$21,000,000 in respect of the m/v Nordic Oshima.

The agreement requires repayment of the advances as follows:

In respect of the Odin and Olympic advances, repayment to be made in 28 equal quarterly installments of \$375,000 per borrower (one of which was paid prior to the amendment by each borrower) and balloon payments of \$11,233,150 due with each of the final installments in January 2022.

In respect of the Odyssey and Orion advances, repayment to be made in 20 quarterly installments of \$375,000 per borrower and balloon payments of \$5,677,203 due with each of the final installments in September 2020.

In respect of the Oshima advance, repayment to be made in 28 equal quarterly installments of \$375,000 and a balloon payment of \$11,254,295 due with the final installment in September 2021.

Interest on 50% of the advances to Odyssey and Orion was fixed at 4.24% in March 2017. Interest on the remaining advances to Odyssey and Orion is floating at LIBOR plus 2.40% (4.09% at December 31, 2017). Interest on 50% of the advances to Odin and Olympic was fixed at 3.95% in January 2017. Interest on the remaining advances to Odin and Olympic was floating at LIBOR plus 2.0% and was fixed at 4.07% on April 27, 2017. Interest on 50% of the advance to Oshima was fixed at 4.16% in January 2017. Interest on the remaining advance to Oshima is floating at LIBOR plus 2.25% (3.94% at December 31, 2017).

The amended loan is secured by first preferred mortgages on the m/v Nordic Odin, m/v Nordic Olympic, m/v Nordic Odyssey, m/v Nordic Orion and m/v Nordic Oshima, the assignment of earnings, insurances and requisite compensation of the five entities, and by guarantees of their shareholders.

The amended agreement contains one financial covenant that requires the Company to maintain minimum liquidity and a collateral maintenance ratio clause, which requires the aggregate fair market value of the vessels plus the net realizable value of any additional collateral provided, to remain above defined ratios. At December 31, 2017 and December 31, 2016, the Company was in compliance with this clause.

*Term Loan Facility of USD 13,000,000 (Nordic Bulk Barents Ltd. and Nordic Bulk Bothnia Ltd.)*

Barents and Bothnia entered into a secured Term Loan Facility of \$13,000,000 in two tranches of \$6,500,000 which were drawn in conjunction with the delivery of the m/v Bulk Bothnia on January 23, 2014 and the m/v Bulk Barents on March 7, 2014. The loan is secured by mortgages on the m/v Nordic Bulk Barents and m/v Nordic Bulk Bothnia and is guaranteed by the Company.

The facility bears interest at LIBOR plus 2.50% (4.19% at December 31, 2017). The loan requires repayment in 22 equal quarterly installments of \$163,045 (per borrower) beginning in June 2014, one installment of \$163,010 (per borrower) and a balloon payment of \$1,755,415 (per borrower) due in December 2019. In addition, any cash in excess of \$750,000 per borrower on any repayment date shall be applied toward prepayment of the relevant loan in inverse order, so the balloon payment is prepaid first. The agreement also contains a profit split in respect of the proceeds from the sale of either vessel and a minimum value clause ("MVC"). The Company was in compliance with this covenant at December 31, 2017 and December 31, 2016.

*The Bulk Nordic Oasis Ltd. - Loan Agreement - Dated December 11, 2015*

The agreement advanced \$21,500,000 in respect of the m/v Nordic Oasis. The agreement requires repayment of the advance in 24 equal quarterly installments of \$375,000 beginning on March 28, 2016 and a balloon payment of \$12,500,000 due with the final installment in March 2022. Interest on this advance is fixed at 4.30%.

The loan is secured by a first preferred mortgage on the m/v Nordic Oasis, the assignment of earnings, insurances and requisite compensation of the entity, and by guarantees of its shareholders. Additionally, the agreement contains a collateral maintenance ratio clause which requires the fair market value of the vessel plus the net realizable value of any additional collateral previously provided, to remain above defined ratios. As of December 31, 2017 and December 31, 2016, the Company was in compliance with this covenant.

*The Amended Senior Facility - Dated December 21, 2017 (previously identified as Bulk Nordic Six Ltd. - Loan Agreement - Dated December 21, 2016)*

The agreement advanced \$19,500,000 in respect of the m/v Bulk Endurance on January 7, 2017, divided into two tranches. The agreement requires repayment of Tranche A, totaling \$16,000,000, in three equal quarterly installments of \$100,000 beginning on April 7, 2017 and, thereafter, 17 equal quarterly installments of \$266,667 and a balloon payment of \$11,667,667 due with the final installment in March 2022. Interest on this advance was fixed at 4.74% on March 27, 2017. The agreement also advanced \$3,500,000 under Tranche B, which is payable in 18 equal quarterly installments of \$65,000 beginning on October 7, 2017, and a balloon payment of \$2,330,000 due with the final installment in March 2022. Interest on this advance is floating at LIBOR plus 6.00% (7.69% at December 31, 2017).

The amended agreement advanced \$10,000,000 in respect of the m/v Bulk Pride on December 21, 2017, which was divided into two additional tranches. The agreement requires repayment of Tranche C, totaling \$8,500,000, in 16 equal quarterly installments of \$275,000 beginning in March 2018 and a balloon payment of \$4,100,000 due with the final installment in

December 2021. Interest on this advance is floating at LIBOR plus 2.75% (4.44% at December 31, 2017). The agreement also advanced \$1,500,000 under Tranche D, which is payable in 4 equal quarterly installments of \$375,000 beginning on August 21, 2018. Interest on this advance is floating at LIBOR plus 6.00% (7.69% at December 31, 2017).

The loan is secured by a first preferred mortgages on the m/v Bulk Endurance and the m/v Bulk Pride, the assignment of earnings, insurances and requisite compensation of the entity, and by guarantees of its shareholders. Additionally, the agreement contains a minimum liquidity requirement, positive working capital of the borrower and a collateral maintenance ratio clause which requires the fair market value of the vessel plus the net realizable value of any additional collateral previously provided, to remain above defined ratios. At December 31, 2017, the Company was in compliance with these covenants. At September 30, 2017, the lender provided a waiver for non-compliance with the minimum liquidity requirement.

*The Bulk Freedom Corp. Loan Agreement -- Dated June 14, 2017*

The agreement advanced \$5,500,000 in respect of the m/v Bulk Freedom on June 14, 2017. The agreement requires repayment of the loan in 8 quarterly installments of \$175,000 and 12 quarterly installments of \$150,000 beginning on September 14, 2017. A balloon payment of \$2,300,000 is due with the final installment. Interest is floating at LIBOR plus 3.75% (5.44% at December 31, 2017).

The loan is secured by a first preferred mortgage on the m/v Bulk Freedom, the assignment of earnings, insurances and requisite compensation of the entity, and by guarantees of its shareholders. Additionally, the agreement contains a collateral maintenance ratio clause which requires the fair market value of the vessel plus the net realizable value of any additional collateral previously provided, to remain above defined ratios. At December 31, 2017, the Company was in compliance with these covenants.

*109 Long Wharf Commercial Term Loan*

Initial amount of \$1,096,000 entered into on May 27, 2016. The *Long Wharf Construction to Term Loan* was repaid from the proceeds of this new facility. The loan is payable in 120 equal monthly installments of \$9,133. Interest is floating at the 30 day LIBOR plus 2.00% (3.69% at December 31, 2017). The loan is collateralized by all real estate located at 109 Long Wharf, Newport, RI, and a corporate guarantee of the Company. The loan contains a maximum loan to value covenant and a debt service coverage ratio. At December 31, 2017 and December 31, 2016, the Company was in compliance with these covenants.

*Phoenix Bulk Carriers (US) LLC Automobile Loan*

In September 2016, the Company purchased a commercial vehicle for use at the site of a port on the United States' East Coast. The total loan amount of \$29,435 is payable in 60 equal monthly installments of \$539. Interest is fixed at 3.74%. The vehicle was sold in the first quarter of 2018 after the project was completed.

*Phoenix Bulk Carriers (US) LLC Master Equipment Loan*

In September 2016, the Company purchased commercial equipment for use at the site of a port on the United States' East Coast. The total loan amount of \$250,536 is payable in 48 equal monthly installments of \$5,741. Interest is fixed at 4.75%. This equipment was sold in the fourth quarter of 2017 after the project was completed.

The future minimum annual payments under the debt agreements are as follows:

	<u>Years ending December 31,</u>
2018	18,979,335
2019	22,196,164
2020	21,996,837
2021	37,242,047
2022	37,675,900
Thereafter	374,466
	<u><u>\$ 138,464,749</u></u>

## NOTE 9 - COMMON STOCK AND NON-CONTROLLING INTEREST

### Common stock

The Company has 100,000,000 shares of common stock (\$0.0001 par value) authorized, of which 43,794,526 were issued as of December 31, 2017.

On August 9, 2016, the Company's shareholders approved an amendment and restatement of the 2014 Plan that was adopted by the Board on May 9, 2016. The PANGAEA LOGISTICS SOLUTIONS LTD. 2014 SHARE INCENTIVE PLAN (as amended and restated by the Board of Directors on May 9, 2016), (the "Amended Plan"), increased the aggregate number of common shares with respect to which awards may be granted under the Amended Plan, such that the total number of shares made available for grant is 3,000,000. This was a net increase of 1,500,000 new shares.

At December 31, 2017, shares issued to members of our board of directors who are not our employees totaled 312,540 restricted and 68,598 unrestricted shares of our common stock pursuant to the Amended Plan. The restricted shares vest at the rate of 50% after one year and the remaining 50% after two years. Vested shares at December 31, 2017 total 242,358. There were 86,088 shares vested at December 31, 2016.

At December 31, 2017, shares issued to employees under the Amended Plan totaled 1,782,965 after forfeitures. These restricted shares vest at the rate of one-third of the total granted on each of the third, fourth and fifth anniversaries of the vesting commencement date. Vested shares at December 31, 2017 and 2016 totaled 16,000.

Total non-cash compensation cost recognized during the years ended December 31, 2017 and 2016 is approximately \$1,074,038 and \$601,921, respectively, which is included in general and administrative expenses in the consolidated statements of operations.

	Shares awarded pursuant to the Amended Plan	
	Shares	Weighted-Average Grant-Date Fair Value Per Share
Nonvested shares at December 31, 2016	1,361,349	\$ 2.46
<b>Granted</b>	<b>693,489</b>	3.33
<b>Vested</b>	<b>(194,868)</b>	2.93
<b>Forfeited</b>	<b>(22,823)</b>	2.39
Nonvested at December 31, 2017	<u>1,837,147</u>	<u>\$ 2.74</u>

	Fiscal Years Ended December 31,	
	2017	2016
Fair value of restricted shares vested	\$ 570,011	\$ 336,364
Unrecognized compensation cost for restricted shares	\$ 3,909,212	\$ 2,768,484
Weighted average remaining period to expense for restricted shares (years)	3.03	3.30

## Dividends

Dividends on common stock are recorded when declared by the Board of Directors.

Dividends payable consist of the following, all of which are payable to related parties:

	2008 common stock dividend	2012 common stock special dividend	2013 common stock dividend	2013 Odyssey and Orion dividend	Total
Balance at December 31, 2015	\$ 2,474,125	\$ 2,934,357	\$ 6,411,540	\$ 904,803	\$ 12,724,825
Paid in cash	(100,000)	—	—	—	(100,000)
Balance at December 31, 2016	2,374,125	2,934,357	6,411,540	904,803	12,624,825
Converted to common shares	(1,372,701)	(2,834,357)	(77,942)	—	(4,285,000)
Paid in cash	(1,001,424)	(100,000)	—	—	(1,101,424)
<b>Balance at December 31, 2017</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 6,333,598</b>	<b>\$ 904,803</b>	<b>\$ 7,238,401</b>

## Non-controlling interest

Amounts pertaining to the non-controlling ownership interest held by third parties in the financial position and operating results of the Company's subsidiaries and/or consolidated VIEs are reported as non-controlling interest in the accompanying consolidated balance sheets. The non-controlling ownership interest attributable to NBHC and its wholly-owned shipowning subsidiaries amounts to approximately \$63,953,000 and \$60,449,000 at December 31, 2017 and 2016, respectively. Non-controlling interest attributable to BVH was approximately \$(42,000) at December 31, 2016. The Company acquired the 50% non-controlling interest in BVH in January 2017. The transaction resulted in a \$6,197,096 increase in additional paid-in capital and a \$7,028,002 reduction in non-controlling interest.

Non-controlling interest attributable to VBC was approximately \$1,352,000 at December 31, 2017.

## NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Company is subject to certain asserted claims arising in the ordinary course of business. The Company intends to vigorously assert its rights and defend itself in any litigation that may arise from such claims. While the ultimate outcome of these matters could affect the results of operations of any one year, and while there can be no assurance with respect thereto, management believes that after final disposition, any financial impact to the Company would not be material to its consolidated financial position, results of operations, or cash flows.

### Vessel Sales and Leasebacks Accounted for as Capital Leases

The Company's fleet includes one vessel financed under a sale and leaseback financing arrangement accounted for as a capital lease. The selling price of the vessel to the new owner (lessor) was \$21.0 million and the fair value of the vessel at the inception of the lease was \$24.0 million. The difference between the selling price and the fair value of the vessel was recorded as prepaid rent and is being amortized over the 25 year estimated useful life of the vessel. Prepaid rent is included in vessel under capital lease on the consolidated balance sheet at December 31, 2017. The difference between the carrying amount of the deposit on newbuildings in process and the fair value of the vessel of \$4.3 million was recorded as loss on sale and leaseback of vessel in the consolidated statements of income at December 31, 2017. Minimum lease payments fluctuate based on three-month LIBOR and are payable quarterly over the seven year lease term, with a balloon payment of \$11,200,000 due with the final lease payment in January 2024. Interest is floating at LIBOR plus 2.75% (4.44% including the margin, at December 31, 2017). The Company will own this vessel at the end of the lease term.

The Company's fleet also includes one vessel financed under a sale and leaseback (bareboat charter) accounted for as a capital lease. The selling price was \$7,000,000 and the fair value is estimated to be the same. The difference between the selling price and the vessels carrying amount of \$4.9 million was recorded as loss on sale and leaseback of vessels in the consolidated statements of income at December 31, 2017. The lease is payable at \$3,500 per day every fifteen days over the five year lease term, and a



balloon payment of \$4,000,000 is due with the final lease payment in June 2022. Interest is fixed at 11.83%. The Company will own this vessel at the end of the lease term.

*Long-term Contracts Accounted for as Operating Leases*

On July 5, 2016, the Company entered into five-year bareboat charter agreements with the owner of two vessels (which were then renamed the m/v Bulk Power and the m/v Bulk Progress). Under a bareboat charter, the charterer is responsible for all of the vessel operating expenses in addition to the charter hire. The agreement also contains a profit sharing arrangement. Scheduled increases in charter hire are included in minimum rental payments and recognized on a straight-line basis over the lease term. Profit sharing is excluded from minimum lease payments and recognized as incurred. The rent expense under these bareboat charters (which are classified as operating leases) totals approximately \$365,000 per annum.

The Company leases office space for its Copenhagen operations. The lease can be terminated with six months prior notice after June 30, 2018.

Future minimum lease payments under capital leases and operating leases with initial or remaining terms in excess of one year at December 31, 2017 were:

	<b>Capital Lease</b>	<b>Operating Leases</b>
2018	\$ 3,278,295	\$ 585,717
2019	3,278,295	365,446
2020	3,278,295	365,446
2021	3,330,795	193,236
2022	6,490,795	—
Thereafter	13,722,868	—
Total minimum lease payments	\$ 33,379,343	\$ 1,509,845
Less amount representing interest	6,578,064	
Present value of minimum lease payments	26,801,279	
Less current portion	1,785,620	
Long-term portion	\$ 25,015,659	

## Quarterly Data

(Unaudited)	2017				2016			
(Dollars in millions, except per share amounts. Figures may not foot due to rounding)								
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues:								
Voyage revenue	\$ 77.7	\$ 80.2	\$ 93.7	\$ 86.1	\$ 42.0	\$ 53.5	\$ 66.0	\$ 60.6
Charter revenue	6.8	11.2	13.3	16.1	2.0	3.4	4.8	5.7
	84.5	91.4	107.0	102.2	43.9	57.0	70.8	66.3
Expenses:								
Voyage expense	41.3	38.6	44.3	39.2	18.5	26.8	29.2	29.2
Charter hire expense	23.2	33.2	34.8	38.9	8.5	15.0	19.7	20.5
Vessel operating expenses	8.6	9.1	9.1	9.6	6.9	7.9	7.5	8.6
General and administrative	3.5	3.1	4.8	3.7	3.0	2.9	3.2	3.6
Depreciation and amortization	3.9	3.7	3.9	4.0	3.5	3.5	3.5	3.5
Loss on sale and leaseback of vessels	4.3	4.9	0.1	—	—	—	—	—
Total expenses	84.8	92.6	97.0	95.4	40.4	56.2	63.0	65.5
Income from operations	(0.3)	(1.2)	10.0	6.8	3.5	0.8	7.8	0.8
Other income (expense):								
Interest expense, net	(1.6)	(2.2)	(2.1)	(2.0)	(1.4)	(1.5)	(1.3)	(1.3)
Interest expense related party debt	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Unrealized (loss) gain on derivative instruments	2.0	(1.5)	(0.1)	(0.1)	(0.3)	1.4	0.2	1.0
Other expense	0.1	0.8	1.0	—	(0.1)	0.1	—	(0.1)
Total other expense, net	0.4	(3.0)	(1.3)	(2.2)	(1.9)	(0.2)	(1.2)	(0.5)
Net income	0.1	(4.2)	8.7	4.6	1.6	0.6	6.6	0.3
(Income) loss attributable to noncontrolling interests	1.4	(0.6)	(1.6)	(0.5)	(0.4)	(0.5)	(0.5)	(0.3)
Net income attributable to Pangaea Logistics Solutions Ltd.	\$ 1.5	\$ (4.8)	\$ 7.1	\$ 4.1	\$ 1.2	\$ 0.1	\$ 6.1	\$ 0.1

**Quarterly Data (continued)**

(Unaudited)	2017				2016				
(Dollars in millions, except per share amounts)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Earnings (loss) per common share:									
Basic	\$ 0.04	\$ (0.13)	\$ 0.18	\$ 0.10	\$ 0.03	\$ —	\$ 0.17	\$ 0.002	
Diluted	\$ 0.04	\$ (0.13)	\$ 0.17	\$ 0.09	\$ 0.03	\$ —	\$ 0.17	\$ 0.002	
Weighted average shares used to compute earnings per common share									
Basic	35,280,806	35,539,186	40,796,867	41,941,300	35,130,211	35,150,453	35,165,532	35,189,068	
Diluted	35,805,205	35,539,186	41,074,592	42,619,933	35,201,307	35,337,290	35,347,403	35,581,897	

**SIGNATURES**

Pursuant to the requirements of the Section 13 or 15 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 21, 2018.

PANGAEA LOGISTICS SOLUTIONS LTD.

By: /s/ Edward Coll

Edward Coll

Chief Executive Officer

(Principal Executive Officer)

By: /s/ Gianni Del Signore

Gianni Del Signore

Chief Financial Officer

(Principal Financial and Accounting Officer)

## POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Edward Coll and Anthony Laura and each of them, as attorney-in-fact with full power of substitution and re-substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this annual report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this annual report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Edward Coll Edward Coll	Chairman of the Board and Chief Executive Officer	March 21, 2018
/s/ Carl Claus Boggild Carl Claus Boggild	President (Brazil) and Director	March 21, 2018
/s/ Gianni DelSignore Gianni DelSignore	Chief Financial Officer, Principal Accounting Officer and Director	March 21, 2018
/s/ Anthony Laura Anthony Laura	Director	March 21, 2018
/s/ Nam Trinh Nam Trinh	Director	March 21, 2018
/s/ Paul Hong Paul Hong	Director	March 21, 2018
/s/ Richard T. du Moulin Richard T. du Moulin	Director	March 21, 2018
/s/ Mark L. Filanowski Mark L. Filanowski	Chief Operating Officer and Director	March 21, 2018
/s/ Eric S. Rosenfeld Eric S. Rosenfeld	Director	March 21, 2018
/s/ David D. Sgro David D. Sgro	Director	March 21, 2018

Exhibit no.	Description	Incorporated By Reference		Filed herewith
		Form	Date	
2.1	Agreement and Plan of Reorganization, dated as of April 30, 2014, by and among Quartet Merger Corp., Quartet Holdco Ltd., Quartet Merger Sub Ltd., Pangaea Logistics Solutions, Ltd., and the securityholders of Pangaea Logistics Solutions, Ltd.	S-1	2/4/2015	
3.1	Certificate of Incorporation of the Company, as amended	S-1	2/4/2015	
3.2	Bye-laws of Company	S-1	2/4/2015	
10.1	Form of Escrow Agreement among Quartet Holdco Ltd., the Representative (as described in the Agreement and Plan of Reorganization), the securityholders of Pangaea Logistics Solutions, Ltd., and Continental Stock Transfer & Trust Company, as Escrow Agent.	S-1	2/4/2015	
10.2	Form of Lock-Up Agreement.	S-1	2/4/2015	
10.3	Form of Registration Rights Agreement between Quartet Holdco Ltd. and certain holders identified therein.	S-1	2/4/2015	
10.4	\$1.048 Million Secured Construction Loan Agreement	S-1	2/4/2015	
10.5	\$9.12 Million Secured Term Loan	S-1	2/4/2015	
10.6	\$4.55 Million Secured Term Loan	S-1	2/4/2015	
10.7	\$40.0 Million Secured Loan Facility	S-1	2/4/2015	
10.8	\$8.52 Million Term Loan	S-1	2/4/2015	
10.9	\$5.685 Million Secured Loan Facility	S-1	2/4/2015	
10.10	Post-Delivery Facility	S-1	2/4/2015	
10.11	\$10.0 Million Loan from Shareholder	S-1	2/4/2015	
10.12	January 10, 2013 Related Party Loan with ASO 2020 Maritime S.A.	S-1	2/4/2015	
10.13	March 18, 2013 Related Party Loan with ASO 2020 Maritime S.A.	S-1	2/4/2015	
10.14	June 18, 2013 Related Party Loan with ASO 2020 Maritime S.A.	S-1	2/4/2015	
10.15	Related Party Loan with ST Shipping and Transport Pte. Ltd.	S-1	2/4/2015	
10.16	\$5.0 million Loan Agreement from Bulk Partners (Bermuda) Ltd. to Nordic Bulk Carriers AS	S-1	2/4/2015	
10.17	Lease of 109 Long Wharf, Newport, RI 02840	S-1	2/4/2015	
10.18	\$13.0 Million Term Loan	S-1	2/4/2015	
10.19	Nordic Bulk Holding Company Ltd. Shareholders Agreement	S-1	2/4/2015	
10.20	Nordic Bulk Ventures Holding Company Shareholders Agreement	S-1	2/4/2015	
10.25	Loan Agreement (Revolving Line of Credit) by and between Phoenix Bulk Carriers (US) LLC and Rockland Trust Company	S-4	5/13/2014	
10.26	Pangaea Logistics Solutions Ltd. 2014 Share Incentive Plan (as amended and restated by the Board of Directors on August 7, 2015)	S-1/A	9/16/2015	
10.27	Bulk Nordic Odin Ltd., Bulk Nordic Olympic Ltd., Bulk Nordic Odyssey Ltd., Bulk Nordic Orion Ltd. and Bulk Nordic Oshima Ltd. Amended and Restated Loan Agreement	10-Q	11/13/2015	
10.28	Bulk Nordic Oasis Ltd. Loan Agreement	10-K	3/23/2016	
10.29	Amendment No. 2 to Shareholders Agreement dated January 10, 2013, as amended by Amendment No. 1 dated July 31, 2013 regarding Nordic Bulk Holding Company Ltd.	10-K	3/23/2016	
10.30	THIRD AMENDATORY AGREEMENT	10-Q	8/15/2016	
10.31	Purchase Agreement by and between Bulk Nordic Five Ltd. and Nicole Navigation S.A. dated October 27, 2016	10-K	3/22/2017	
10.32	Bareboat Charter Party by and between Nicole Navigation S.A and Bulk Nordic Five Ltd. dated October 27, 2016	10-K	3/22/2017	
10.33	Nordic Bulk Six Ltd. Loan Agreement	10-K	3/22/2017	

10.34	Stock Purchase Agreement Nordic Bulk Ventures Holding Company Ltd. by and between Bulk Fleet Bermuda Holding Company Ltd. and ST Shipping and Transport Pte. Ltd.	10-K	3/22/2017	
10.35	Purchase Agreement Addendum by and between Bulk Nordic Five Ltd. and Nicole Navigation S.A. dated October 27, 2016	10-K	3/22/2017	
10.36	Fourth Amendatory Agreement dated April 14, 2017	10-Q	5/10/2017	
10.37	Stock Purchase Agreement - Insiders dated June 15, 2017	10-Q	6/22/2017	
10.38	Stock Purchase Agreement - Insiders dated June 15, 2017	10-Q	6/22/2017	
10.39	Bulk Freedom Corp. Loan Agreement dated 14 June 2017	10-Q	8/14/2017	
10.40	Americas Bulk Transport (BVI) Limited Barecon dated 6 June 2017.	10-Q	8/14/2017	
10.41	Americas Bulk Transport (BVI) Limited Barecon Riders dated 6 June 2017	10-Q	8/14/2017	
10.42	<a href="#">The Amended Senior Facility - Dated December 21, 2017</a>			X
14.1	Code of Ethics	8-K	10/8/2014	
23.1	<a href="#">Consent of Independent Registered Public Accounting Firm</a>			X
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>			X
31.2	<a href="#">Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>			X
32.1	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>			X
32.2	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>			X
EX-101.INS	XBRL Instance Document			X
EX-101.SCH	XBRL Taxonomy Extension Schema			X
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase			X
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase			X
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase			X
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase			X

Date: as of December 15, 2017

**BULK NORDIC SIX LTD. and  
BULK PRIDE CORP.**  
as Joint and Several Borrowers

**THE BANKS AND FINANCIAL INSTITUTIONS  
listed in Schedule 1**  
as Lenders

**NIBC BANK N.V.**  
as Arranger

**NIBC BANK N.V.**  
as Swap Bank

– and –

**NIBC BANK N.V.**  
as Agent  
and as Security Trustee

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**AMENDED AND RESTATED LOAN AGREEMENT**

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in respect of the Loan Agreement dated as of December 21, 2016

**INDEX**

**Clause Page**

<a href="#"><u>1</u></a> <a href="#"><u>INTERPRETATION</u></a>	2
<a href="#"><u>2</u></a> <a href="#"><u>FACILITY</u></a>	25
<a href="#"><u>3</u></a> <a href="#"><u>POSITION OF THE LENDERS AND SWAP BANK</u></a>	26
<a href="#"><u>4</u></a> <a href="#"><u>DRAWDOWN</u></a>	27
<a href="#"><u>5</u></a> <a href="#"><u>INTEREST</u></a>	29
<a href="#"><u>6</u></a> <a href="#"><u>INTEREST PERIODS</u></a>	31
<a href="#"><u>7</u></a> <a href="#"><u>DEFAULT INTEREST</u></a>	32
<a href="#"><u>8</u></a> <a href="#"><u>REPAYMENT AND PREPAYMENT</u></a>	33

<a href="#"><u>9</u></a>	<a href="#"><u>CONDITIONS PRECEDENT</u></a>	36
<a href="#"><u>10</u></a>	<a href="#"><u>REPRESENTATIONS AND WARRANTIES</u></a>	38
<a href="#"><u>11</u></a>	<a href="#"><u>GENERAL AFFIRMATIVE AND NEGATIVE COVENANTS</u></a>	46
<a href="#"><u>12</u></a>	<a href="#"><u>FINANCIAL COVENANTS</u></a>	53
<a href="#"><u>13</u></a>	<a href="#"><u>MARINE INSURANCE COVENANTS</u></a>	54
<a href="#"><u>14</u></a>	<a href="#"><u>SHIP COVENANTS</u></a>	59
<a href="#"><u>15</u></a>	<a href="#"><u>COLLATERAL MAINTENANCE RATIO</u></a>	65
<a href="#"><u>16</u></a>	<a href="#"><u>INTENTIONALLY OMITTED</u></a>	66
<a href="#"><u>17</u></a>	<a href="#"><u>PAYMENTS AND CALCULATIONS</u></a>	66
<a href="#"><u>18</u></a>	<a href="#"><u>APPLICATION OF RECEIPTS</u></a>	68
<a href="#"><u>19</u></a>	<a href="#"><u>APPLICATION OF EARNINGS</u></a>	70
<a href="#"><u>20</u></a>	<a href="#"><u>EVENTS OF DEFAULT</u></a>	72
<a href="#"><u>21</u></a>	<a href="#"><u>FEES AND EXPENSES</u></a>	76
<a href="#"><u>22</u></a>	<a href="#"><u>INDEMNITIES</u></a>	77
<a href="#"><u>23</u></a>	<a href="#"><u>NO SET-OFF OR TAX DEDUCTION; TAX INDEMNITY</u></a>	79
<a href="#"><u>24</u></a>	<a href="#"><u>ILLEGALITY, ETC</u></a>	82
<a href="#"><u>25</u></a>	<a href="#"><u>INCREASED COSTS</u></a>	83
<a href="#"><u>26</u></a>	<a href="#"><u>SET-OFF</u></a>	84
<a href="#"><u>27</u></a>	<a href="#"><u>TRANSFERS AND CHANGES IN LENDING OFFICES</u></a>	85
<a href="#"><u>28</u></a>	<a href="#"><u>VARIATIONS AND WAIVERS</u></a>	89
<a href="#"><u>29</u></a>	<a href="#"><u>NOTICES</u></a>	90
<a href="#"><u>30</u></a>	<a href="#"><u>SUPPLEMENTAL</u></a>	93
<a href="#"><u>31</u></a>	<a href="#"><u>THE SERVICING BANKS</u></a>	94
<a href="#"><u>32</u></a>	<a href="#"><u>LAW AND JURISDICTION</u></a>	98
<a href="#"><u>33</u></a>	<a href="#"><u>WAIVER OF JURY TRIAL</u></a>	99
<a href="#"><u>34</u></a>	<a href="#"><u>PATRIOT ACT NOTICE</u></a>	99

THIS AMENDED AND RESTATED LOAN AGREEMENT (this “**Agreement**”) is made as of December 15, 2017

AMONG

- (1) BULK NORDIC SIX LTD. (“**Bulk Nordic**”), an exempted company organized and existing under the laws of Bermuda whose registered office is at 3<sup>rd</sup> Floor, Par la Ville Place, 14 Par la Ville Road, Hamilton HM08, Bermuda, and BULK PRIDE CORP. (“**Bulk Pride**”), a corporation incorporated under the laws of the Republic of The Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, each, as joint and several borrowers (the “**Borrowers**”, and each separately a “**Borrower**”, which expression includes its respective successors, transferees and assigns);
- (2) THE BANKS AND FINANCIAL INSTITUTIONS listed in Schedule 1, as lenders (the “**Lenders**”, which expression includes their respective successors, transferees and assigns);
- (3) NIBC BANK N.V., acting in such capacity through its office at Carnegieplein 4, 2517 KJ, The Hague, The Netherlands, as arranger (in such capacity, the “**Arranger**”, which expression includes its successors, transferees and assigns);
- (4) NIBC BANK N.V., acting in such capacity through its office at Carnegieplein 4, 2517 KJ, The Hague, The Netherlands, as swap bank



(in such capacity, the “**Swap Bank**”, which expression includes its successors, transferees and assigns)

- (5) NIBC BANK N.V., acting in such capacity through its office at Carnegieplein 4, 2517 KJ, The Hague, The Netherlands, as agent for the other Creditor Parties (in such capacity, the “**Agent**”, which expression includes its successors, transferees and assigns); and
- (6) NIBC BANK N.V., acting in such capacity through its office at Carnegieplein 4, 2517 KJ, The Hague, The Netherlands, as security agent and trustee for the other Creditor Parties (in such capacity, the “**Security Trustee**”, which expression includes its successors, transferees and assigns).

## BACKGROUND

- (A) Pursuant to a Loan Agreement dated as of December 21, 2016 (the “**Original Loan Agreement**”), the Lenders made available to Bulk Nordic a senior secured term loan facility upon the terms and conditions stated therein.
- (B) Upon the terms and conditions of this Agreement, the parties hereto have agreed to amend and restate the Original Loan Agreement to, among other things, provide for an additional tranche to finance BULK PRIDE.
- (C) Upon the request of the Borrowers, the Swap Bank may enter from time to time into interest rate swap transactions, interest rate options or a combination of both with the Borrowers to hedge the Borrowers’ exposure under this Agreement to interest rate fluctuations.
- (D) The Lenders and the Swap Bank have agreed to share *pari passu* in the Collateral to be granted to the Security Trustee pursuant to this Agreement.

IT IS AGREED as follows:

### 1 INTERPRETATION

#### 1.1 Definitions. Subject to Clause 1.5, in this Agreement:

“**Acceptable Accounting Firm**” means Ernst & Young LLP, KPMG, PricewaterhouseCoopers, Deloitte, Grant Thornton, or such other recognized accounting firm as the Agent may, with the consent of the Lenders, approve from time to time in writing, such approval not to be unreasonably withheld;

“**Advance**” means the principal amount of each borrowing by the Borrowers under this Agreement;

“**Affiliate**” means, as to any person, any other person that, directly or indirectly, controls, is controlled by or is under common control with such person or is a director or officer of such person, and for purposes of this definition, the term “**control**” (including the terms “**controlling**”, “**controlled by**” and “**under common control with**”) of a person means the possession, direct or indirect, of the power to vote 20% or more of the Voting Stock of such person or to direct or cause direction of the management and policies of such person, whether through the ownership of Voting Stock, by contract or otherwise;

“**Agreed Form**” means in relation to any document, that document in the form approved by the Agent with the consent of the Lenders (such consent not to be unreasonably withheld), or as otherwise approved in accordance with any other approval procedure specified in any relevant provision of any Finance Document;

“**Amended and Restated Guarantee**” means an amended and restated guarantee by the Guarantor of the obligations of the Borrowers under this Agreement, in Agreed Form, amending and restating the Guarantee dated January 6, 2017 made by the Guarantor in favor of the Security Trustee;

“**Amended and Restated Note**” means an amended and restated promissory note of the Borrowers payable to a Lender, evidencing the aggregate indebtedness of the Borrowers to such Lender in respect of the Advances made by such Lender to the Borrowers, in Agreed Form, amended and restating the Promissory Note dated December 27, 2016 made by Bulk Nordic in favor of NIBC Bank N.V. as lender;

“**Approved Broker**” means any of the companies listed on Schedule 7 or such other international shipbroker as proposed by the Borrowers which the Agent may, with the consent of the Lenders (such consent not to be unreasonably withheld), approve from time to time for the purpose of valuing the Ship, who shall act as an expert and not as arbitrator and whose valuation shall be conclusive and binding on all parties to this Agreement;

“**Approved Flag**” means the Marshall Islands, Malta, Panama or such other flag as the Agent may, with the consent of the Lenders, approve from time to time in writing as the flag on which a Ship shall be registered;

“**Approved Management Agreement**” means, in relation to a Ship in respect of its commercial and/or technical management, a management agreement between the relevant Borrower and an Approved Manager, in Agreed Form;

“**Approved Manager**” means Seamar Management S.A., SCF Management Services (Dubai) Ltd., Dubai, U.A.E., Phoenix Bulk Carriers (US) LLC or any other company proposed by the Borrowers which the Agent may, with the consent of the Lenders (such consent not to be unreasonably withheld), approve from time to time as the technical and/or commercial manager of a Ship;

“**Approved Manager’s Undertaking**” means, in relation to a Ship, the letter executed and delivered by an Approved Manager, in Agreed Form;

**“Availability Period”** means the period commencing on the Effective Date and ending on the the earlier of:

- (a) December 27, 2016, with respect to the Advance relating to BULK ENDURANCE;
- (b) March 31, 2018, with respect to the Advance relating to BULK PRIDE (or such later date as the Agent may, with the consent of the Lenders, agree with the Borrowers); or
- (c) the date on which the Total Commitments are fully borrowed, cancelled or terminated;

**“Bail-In Action”** means the exercise of any Write-down and Conversion Powers;

**“Bail-In Legislation”** means:

- (a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and
- (b) in relation to any other state, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

**“Bank Secrecy Act”** means the United States Bank Secrecy Act of 1970, as amended;

**Basel III”** means:

- (a) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement, standards and monitoring” and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;
- (b) the rules for global systemically important banks contained in “Global systemically important banks: assessment methodology and the additional loss absorbency requirement - Rules text” published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and
- (c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”.

**“Builder”** means Oshima Shipbuilding Co., Ltd., a corporation organized under the laws of Japan;

**“Builder’s Warranties Assignment”** means, in relation to BULK ENDURANCE, an assignment of the builder’s warranties in respect of the construction of the Ship pursuant to the Shipbuilding Contract for the Ship, in Agreed Form;

**“BULK ENDURANCE”** means the 2017-built Ice Class 1C Ultramax bulk motor vessel with IMO Number 9782003 named “Bulk Endurance”, registered in the name of Bulk Nordic on an Approved Flag;

**“BULK PRIDE”** means the 2008-built Ultramax bulk motor vessel with IMO Number 9440916 named “TENMYO MARU” which is to be purchased by Bulk Pride under the MOA and which, on delivery, is to be renamed “BULK PRIDE” and registered in the name of Bulk Pride under the Approved Flag;

**“Business Day”** means a day on which banks are open in London, England, New York, New York, Copenhagen, Denmark and Amsterdam, Netherlands;

**“Capitalized Lease”** means, as applied to any person, any lease of any property (whether real, personal or mixed) of which the discounted present value of the rental obligations of such person, as lessee, in conformity with GAAP as in effect on the Effective Date, is required to be capitalized on the balance sheet of such person; and **“Capitalized Lease Obligation”** is defined to mean the rental obligations, as aforesaid, under a Capitalized Lease;

**“Change of Control”** means:

- (a) in respect of each of the Borrowers, the occurrence of any act, event or circumstance that without prior written consent of the Lenders results in Nordic Bulk Ventures Holding owning directly less than 100% of the issued and outstanding Equity Interests in a Borrower, unless Pangaea acquires directly or indirectly 100% of the issued and outstanding Equity Interests in the Borrower;
- (b) in respect of Nordic Bulk Ventures Holding, the occurrence of any act, event or circumstance that without prior written consent of the Lenders results in Pangaea owning directly or indirectly, less than 100% of the issued and outstanding Equity Interests in Nordic Bulk Ventures Holding;
- (c) in respect of Pangaea, the occurrence of any act, event or circumstance that without prior written consent of the Lenders results in (i) Pangaea being de-listed; or (ii) any party acquiring a majority stake of more than 50% in the shares of Pangaea;

**“Charter”** means, in relation to a Ship, any demise, time or consecutive voyage charter in respect of the Ship for a term which exceeds, or which by virtue of any optional extensions may exceed, 13 months, in each case in Agreed Form, and for the avoidance of doubt, the term “Charter” includes but is not limited to the Time Charters;

**“Classification Society”** means, in relation to a Ship, Det Norske Veritas or such other first-class vessel classification society that is a member of IACS that the Agent may, with the consent of the Lenders (such consent not to be unreasonably withheld), approve from time to time;

**“Code”** means the United States Internal Revenue Code of 1986, as amended;

**“Collateral”** means all property (including, without limitation, any proceeds thereof) referred to in the Finance Documents that is or is intended to be subject to any Security Interest in favor of the Security Trustee, for the benefit of the Lenders, securing the Secured Liabilities;

**“Collateral Maintenance Ratio”** has the meaning given in Clause 15.2;

**“Commitment”** means, in relation to a Lender and each tranche of the loan facility, the amount set forth opposite its name in Schedule 1, or, as the case may require, the amount specified in the relevant Transfer Certificate, as that amount may be reduced, cancelled or terminated in accordance with this Agreement (and **“Total Commitments”** means the aggregate of the Commitments of all the Lenders);

**“Compliance Certificate”** means a certificate executed by an authorized person of the Borrowers, Nordic Bulk Ventures Holding or the Guarantor as applicable, in Agreed Form;

**“Confirmation”** and **“Early Termination Date”**, in relation to any continuing Designated Transaction, have the meanings given in the relevant Master Agreement;

**“Contractual Currency”** has the meaning given in Clause 22.4;

**“Contribution”** means, in relation to a Lender, the part of the Loan which is owing to that Lender;

**“CRD IV”** means:

(a) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending regulation (EU) No. 648/2012;

(b) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC; and

(c) any other law or regulation which implements Basel III.

**“Creditor Party”** means the Agent, the Security Trustee, the Arranger, a Lender or the Swap Bank, whether as at the date of this Agreement or at any later time;

**“Currency Agreement”** means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect a person or any of its subsidiaries against fluctuations in currency values to or under which such person or any of its subsidiaries is a party or a beneficiary on the date of this Agreement or becomes a party or a beneficiary thereafter;

**“Delivery Date”** means the date of the actual delivery of a Ship to the Borrower that will own that Ship;

**“Designated Transaction”** means a Transaction which fulfils the following requirements:

(a) it is entered into by a Borrower pursuant to a Master Agreement with the Swap Bank;

(b) its purpose is hedging of a Borrower’s exposure under this Agreement to fluctuations in LIBOR arising from the funding of the Loan (or any part thereof) for a period expiring no later than the Maturity Date; and

(c) it is designated by a Borrower, by delivery by such Borrower to the Agent of a notice of designation in the form set out in Schedule 6, as a Designated Transaction for the purposes of the Finance Documents;

**“Disbursement Authorization”** has the meaning given in Clause 9.2(b);

**“Dollars”** and **“\$”** means the lawful currency for the time being of the United States of America;

**“Drawdown Date”** means, in relation to an Advance, the date requested by the Borrowers for the Advance to be made, or (as the context requires) the date on which the Advance is actually made;

**“Drawdown Notice”** means a notice in the form set out in Schedule 3 (or in any other form which the Agent approves or reasonably requires);

**“Earnings”** means, in relation to a Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to a Borrower or the Security Trustee and which arise out of the use or operation of that Ship, including (but not limited to):

(a) except to the extent that they fall within paragraph (b):

- (i) all freight, hire and passage moneys;
  - (ii) compensation payable to the Borrower owning that Ship or the Security Trustee in the event of requisition of that Ship for hire;
  - (iii) remuneration for salvage and towage services;
  - (iv) demurrage and detention moneys;
  - (v) damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of that Ship; and
  - (vi) all moneys which are at any time payable under Insurances in respect of loss of hire; and
- (b) if and whenever that Ship is employed on terms whereby any moneys falling within paragraphs (a)(i) to (vi) are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to that Ship;

**“Earnings Account”** means, in relation to a Ship, an account in the name of the Borrower owning that Ship with the Earnings Account Bank designated as the Earnings Account for that Ship, or any other account (with the Earnings Account Bank or the Agent or with another bank or financial institution acceptable to the Lenders) which is designated by the Agent as the Earnings Account for the purposes of this Agreement;

**“Earnings Account Bank”** means HSBC Bank Bermuda Limited, 6 Front Street, Hamilton HM11, Bermuda, or other bank acceptable to the Lenders such consent not to be unreasonably withheld;

**“Earnings Account Pledge”** means a pledge of an Earnings Account, in Agreed Form;

**“Earnings Assignment”** means, in relation to a Ship, an assignment of the Earnings and any Requisition Compensation of that Ship, in Agreed Form;

**“EEA Member Country”** means any member state of the European Union, Iceland, Liechtenstein and Norway;

**“Effective Date”** means the date on which this Agreement is executed and delivered by the parties hereto;

**“Email”** has the meaning given in Clause 29.1;

**“Environmental Claim”** means:

- (a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or
- (b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and **“claim”** means a claim for damages, compensation, indemnification, contribution, fines, penalties or any other payment of any kind whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

**“Environmental Incident”** means:

- (a) any release of Environmentally Sensitive Material from a Ship; or
- (b) any incident in which Environmentally Sensitive Material is released and which involves a collision or allision between a Ship and another vessel or object, or some other incident of navigation or operation, in any case, in connection with which such Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or such Ship and/or a Borrower and/or any operator or manager of such Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or
- (c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which such Ship is actually or potentially liable to be arrested and/or where a Borrower and/or any operator or manager of such Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

**“Environmental Law”** means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

**“Environmental Permit”** means any permit, approval, identification number, license or other authorization required under any Environmental Law;

**“Environmentally Sensitive Material”** means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

**“Equity Interests”** of any person means:

- (a) any and all shares and other equity interests (including common stock, preferred stock, limited liability company interests and

partnership interests) in such person; and

(b) all rights to purchase, warrants or options or convertible debt (whether or not currently exercisable), participations or other equivalents of or interests in (however designated) such shares or other interests in such person;

“**ERISA**” means the United States Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated and rulings issued thereunder;

“**ERISA Affiliate**” means a trade or business (whether or not incorporated) that, together with Pangaea or any subsidiary thereof, would be deemed to be a single employer under Section 414 of the Code;

“**Estate**” has the meaning assigned such term in Clause 31.1(b)(ii);

“**EU Bail-In Legislation Schedule**” means the document described as such and published by the Loan Market Association (or any successor person) from time to time;

“**Event of Default**” means any of the events or circumstances described in Clause 20.1;

“**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended, and any successor act thereto, and (unless the context otherwise requires) includes the rules and regulations of the Commission promulgated thereunder;

“**Executive Order**” means an executive order issued by the President of the United States of America;

“**Fair Market Value**” means, in relation to a Ship, the market value of such Ship at any date that is shown by the average of two (2) valuations each prepared and addressed to the Agent:

- i. as at a date not more than 14 days prior to the date such valuation is delivered to the Agent;
- (a) by Approved Brokers selected by the Agent (which shall be Affinity (Shipping) LLP, Arrow Sale & Purchase (UK) Ltd, Braemar Seascope Ltd, Clarksons Platou, Fearnleys AS or Howe Robinson); **provided that**, if a range of market values is provided in a particular appraisal, then the market value in such appraisal shall be deemed to be the mid-point within such range and if there is a difference of or in excess of 10% between the two valuations, the Borrowers may, at their sole expense, obtain a third valuation prepared for and addressed to the Agent by an Approved Broker, in which case the market value of such Ship shall be the average of the two lowest valuations obtained;
- i. with or without physical inspection of that Ship (as the Agent may require);
- ii. on the basis of a sale for prompt delivery for cash on normal arm’s length commercial terms as between a willing seller and a willing buyer, free of any existing charter or other contract of employment (and with no value to be given to any pooling arrangements); and
- iii. after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale;

“**FATCA**” means:

- (a) Sections 1471 through 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction;

“**FATCA Deduction**” means a deduction or withholding from a payment under any Finance Document required by or under FATCA;

“**FATCA Exempt Party**” means a Creditor Party or a Security Party who is entitled under FATCA to receive payments free from any FATCA Deduction;

“**Finance Documents**” means:

- (a) this Agreement;
- (b) the Builder’s Warranties Assignment;
- (c) the Earnings Account Pledges;
- (d) the Earnings Assignments;
- (e) the Amended and Restated Guarantee;
- (f) the Insurance Assignments;

- (g) the Master Agreement Assignments;
- (h) the Mortgages;
- (i) the Mortgage Amendment;
- (j) the Amended and Restated Note;
- (k) the Retention Account Pledge;
- (l) the Shares Pledges;
- (m) the Time Charter Assignments; and
- (n) any other document (whether creating a Security Interest or not) which is executed at any time by any person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lenders and/or the Swap Bank under this Agreement or any of the other documents referred to in this definition;

**“Financial Indebtedness”** means, with respect to any person (the **“debtor”**) at any date of determination (without duplication):

- (a) all obligations of the debtor for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;
- (b) all obligations of the debtor evidenced by bonds, debentures, notes or other similar instruments;
- (c) all obligations of the debtor in respect of any acceptance credit, guarantee or letter of credit facility or equivalent made available to the debtor (including reimbursement obligations with respect thereto);
- (d) all obligations (except trade payables ) of the debtor 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 thereto or the completion of such services;
- (e) all Capitalized Lease Obligations of the debtor as lessee;
- (f) all Financial Indebtedness of persons other than the debtor secured by a Security Interest on any asset of the debtor, whether or not such Financial Indebtedness is assumed by the debtor, **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;
- (g) all Financial Indebtedness of persons other than the debtor under any guarantee, indemnity or similar obligation entered into by the debtor to the extent such Financial Indebtedness is guaranteed, indemnified, etc. by the debtor; and
- (h) to the extent not otherwise included in this definition, obligations of the debtor under Currency Agreements and Interest Rate Agreements or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount.

The amount of Financial Indebtedness of any debtor at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation, as determined in conformity with GAAP, **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 as determined in conformity with GAAP, and (ii) Financial Indebtedness shall not include any liability for taxes;

**“Fiscal Year”** means, in relation to any person, each period of one (1) year commencing on January 1 of each year and ending on December 31 of such year in respect of which its accounts are or ought to be prepared;

**“Foreign Pension Plan”** means any plan, fund (including without limitation, any superannuation fund) or other similar program established or maintained outside the United States of America by Pangaea or any one or more of its subsidiaries primarily for the benefit of its or their employees residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code;

**“GAAP”** means generally accepted accounting principles in the United States of America, including, without limitation, those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board;

**“Green Passport”** means, in relation to the Ship, a statement of compliance which includes an inventory of hazardous material in compliance with RECYCLABLE notation;

**“Guarantor”** means Pangaea;

**“IACS”** means the International Association of Classification Societies;

**“Insurances”** means in relation to a Ship:

- (a) all policies and contracts of insurance, including entries of a Ship in any protection and indemnity or war risks association, effected in respect of such Ship, the Earnings or otherwise in relation to such Ship; and
- (b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium;

**“Insurance Assignment”** means, in relation to a Ship, a first priority assignment of the Insurances, in the form set out in Agreed Form;

**“Interest Period”** means a period determined in accordance with Clause 6;

**“Interest Rate Agreement”** means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement designed to protect a person or any of its subsidiaries against fluctuations in interest rates to or under which such person or any of its subsidiaries is a party or a beneficiary on the date hereof or becomes a party or a beneficiary hereafter;

**“IRS”** means the United States Internal Revenue Service;

**“ISM Code”** means the International Safety Management Code (including the guidelines on its implementation), adopted by the International Maritime Organization, as the same may be amended or supplemented from time to time (and the terms **“safety management system”**, **“Safety Management Certificate”** and **“Document of Compliance”** have the same meanings as are given to them in the ISM Code);

**“ISM Code Documentation”** includes, in respect of a Ship:

- (a) the Document of Compliance and Safety Management Certificate issued pursuant to the ISM Code in relation to such Ship within the periods specified by the ISM Code;
- (b) all other documents and data which are relevant to the safety management system and its implementation and verification which the Agent may reasonably require; and
- (c) any other documents which are prepared or which are otherwise relevant to establish and maintain such Ship’s compliance or compliance of a Borrower or the Approved Manager with the ISM Code which the Agent may reasonably require;

**“ISPS Code”** means the International Ship and Port Facility Security Code as adopted by the International Maritime Organization, as the same may be amended or supplemented from time to time;

**“ISPS Code Documentation”** includes:

- (a) the ISSC; and
- (b) all other documents and data which are relevant to the ISPS Code and its implementation and verification which the Agent may require;

**“ISSC”** means a valid and current International Ship Security Certificate issued under the ISPS Code;

**“Lending Office”** means, with respect to any Lender, the office of such Lender specified as its “Lending Office” under its name on Schedule 1 or in the relevant Transfer Certificate pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent in accordance with Clause 27.14;

**“LIBOR”** means, in relation to the Loan or any part of the Loan:

- (a) the applicable Screen Rate; or
- (a) if no Screen Rate is available for that period, the rate per annum determined by the Agent to be the arithmetic mean (rounded upwards to four (4) decimal places) of the rates, as supplied to the Agent at its request, quoted by each Reference Bank to leading banks in the London Interbank Market;

as of 11:00 a.m. (London time) on the Quotation Date for that period for the offering of deposits in the relevant currency and for a period comparable to that period, and if, in either case that rate is less than zero, LIBOR shall be deemed to be zero;

**“Loan”** means the principal amount from time to time outstanding under this Agreement or, as the context requires, the principal amount outstanding under the Tranche A Loan, the Tranche B Loan, the Tranche C Loan or the Tranche D Loan.

**“Major Casualty”** means, in relation to a Ship, any casualty to such Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds \$750,000 or the equivalent in any other currency;

**“Margin”** means:

- (a) with respect to the Tranche A Loan, 2.75% per annum;

- (b) with respect to the Tranche B Loan, 6.00% per annum;
- (c) with respect to the Tranche C Loan, 2.75% per annum;
- (d) with respect to the Tranche D Loan, 6.00% per annum;

“**Margin Stock**” has the meaning specified in Regulation U of the Board of Governors of the United States Federal Reserve System and any successor regulations thereto, as in effect from time to time;

“**Master Agreement**” means each master agreement (on the 2002 ISDA (Multicurrency Crossborder) form) in Agreed Form made between a Borrower and the Swap Bank and includes all Designated Transactions from time to time entered into and Confirmations from time to time exchanged under the master agreement;

“**Master Agreement Assignment**” means, in relation to each Master Agreement, the assignment of the Master Agreement, in Agreed Form;

“**Maturity Date**” means the earlier of:

- (a) with respect to the Advance for the financing of the BULK ENDURANCE, December 27, 2021;
- (b) with respect to the Advance for the financing of the BULK PRIDE, December 27, 2021 in respect of the Tranche C Loan and 18 months after the relevant Drawdown Date in respect of the Tranche D Loan;
- (c) and the date on which the Loan is accelerated pursuant to Clause 20.4, but in no event later than March 30, 2022;

“**MOA**” means the memorandum of agreement dated October 11, 2017 and made between (i) Bulk Pride as buyer and (ii) Seller 2 for the purchase of BULK PRIDE.

“**Mortgage**” means, in relation to a Ship, a first preferred ship mortgage, in Agreed Form;

“**Mortgage Amendment**” means, in relation to BULK ENDURANCE, an amendment to the first preferred ship mortgage on such Ship, in Agreed Form;

“**Multiemployer Plan**” means, at any time, a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate has any liability or obligation to contribute or has within any of the six preceding plan years had any liability or obligation to contribute;

“**Negotiation Period**” has the meaning given in Clause 5.10;

“**Non-indemnified Tax**” means:

- (a) any tax on the net income of a Creditor Party (but not a tax on gross income or individual items of income), whether collected by deduction or withholding or otherwise, which is levied by a taxing jurisdiction which:
  - (i) is located in the country under whose laws such entity is formed (or in the case of a natural person is a country of which such person is a citizen); or
  - (ii) with respect to any Lender, is located in the country of its Lending Office; or
  - (iii) with respect to any Creditor Party other than a Lender, is located in the country from which such party has originated its participation in this transaction; or
- (b) any FATCA Deduction;

“**Nordic Bulk Ventures Holding**” means Nordic Bulk Ventures Holding Company Ltd., a Bermuda exempted company;

“**Notifying Lender**” has the meaning given in Clause 24.1 or Clause 25.1 as the context requires;

“**Pangaea**” means Pangaea Logistics Solutions Ltd., a Bermuda exempted company;

“**pari passu**”, when used with respect to the ranking of any Financial Indebtedness of any person in relation to other Financial Indebtedness of such person, means that each such Financial Indebtedness:

- (a) either (i) is not subordinated in right of payment to any other Financial Indebtedness of such person or (ii) is subordinate in right of payment to the same Financial Indebtedness of such person as is the other and is so subordinate to the same extent; and
- (b) is not subordinate in right of payment to the other or to any Financial Indebtedness of such person as to which the other is not so subordinate;

“**Party**” means a party to this Agreement;



**“PATRIOT Act”** means the United States Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001, as amended;

**“Payment Currency”** has the meaning given in Clause 22.4;

**“Permitted Security Interests”** means:

- (a) Security Interests created or permitted by the Finance Documents;
- (b) Security Interests for unpaid but not past due master’s and crew’s wages in accordance with usual maritime practice;
- (c) Security Interests for salvage;
- (d) Security Interests arising by operation of law for not more than two (2) months’ prepaid hire under any charter or other contract of employment in relation to a Ship not otherwise prohibited by this Agreement or any other Finance Document;
- (e) Security Interests for master’s disbursements incurred in the ordinary course of trading and any other Security Interests arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of a Ship, **provided** such Security Interests do not secure amounts more than 30 days overdue (unless the overdue amount is being contested by the Borrower that owns such Ship in good faith by appropriate steps) and subject, in the case of Security Interests for repair or maintenance, to Clause 14.13(h);
- (f) any Security Interest created in favor of a plaintiff or defendant in any proceedings or arbitration as security for costs and expenses where a Borrower is actively prosecuting or defending such proceedings or arbitration in good faith and such Security Interest does not (and is not likely to) result in any sale, forfeiture or loss of the Ship owned by that Borrower; and
- (g) Security Interests arising by operation of law in respect of taxes which are not overdue for payment or in respect of taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;

**provided that** the Security Interests described in paragraphs (b) through (g) above shall not exceed \$1,000,000 in the aggregate at any time;

**“Pertinent Document”** means:

- (a) any Finance Document;
- (b) any policy or contract of insurance contemplated by or referred to in Clause 12.2 or any other provision of this Agreement or another Finance Document;
- (c) any other document contemplated by or referred to in any Finance Document; and
- (d) any document which has been or is at any time sent by or to a Servicing Bank in contemplation of or in connection with any Finance Document or any policy, contract or document falling within paragraphs (b) or (c);

**“Pertinent Jurisdiction”**, in relation to a company, means:

- (a) the jurisdiction under the laws of which the company is incorporated or formed;
- (b) a jurisdiction in which the company has the center of its main interests or in which the company’s central management and control is or has recently been exercised;
- (c) a jurisdiction in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;
- (d) a jurisdiction in which assets of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a branch or permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; or
- (e) a jurisdiction the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company whether as a main or territorial or ancillary proceedings or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (a) or (b) above;

**“Pertinent Matter”** means:

- (a) any transaction or matter contemplated by, arising out of, or in connection with a Pertinent Document; or
- (b) any statement relating to a Pertinent Document or to a transaction or matter falling within paragraph (a),

and covers any such transaction, matter or statement, whether entered into, arising or made at any time before the signing of this Agreement or on or at any time after that signing;

**“Plan”** means any employee benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect to which a Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA;

**“Positive Working Capital”** mean an amount which results in a positive figure when calculating a Borrower’s current assets (including the amounts maintained in its Earnings Account) less its current liabilities (including 1 quarterly repayment installment in respect of each Tranche of the Loan);

**“Potential Event of Default”** means an event or circumstance which, with the giving of any notice, the lapse of time, a determination under this Agreement and/or the satisfaction of any other condition, would constitute an Event of Default;

**“Quotation Date”** means, in relation to any period for which an interest rate is to be determined under any provision of a Finance Document, the day which is two (2) Business Days before the first day of that period, unless market practice differs in the London Interbank Market for a currency, in which case the Quotation Date will be determined by the Agent in accordance with market practice in the London Interbank Market (and if quotations would normally be given by leading banks in the London Interbank Market on more than one day, the Quotation Date will be the last of those days);

**“Reference Banks”** means, subject to Clause 27.16, the London branches of three banks, each of which shall be a member of the British Bankers’ Association, one of which shall be selected by the Agent and two of which shall be selected by the Borrower;

**“Repayment Date”** means a date on which a repayment is required to be made under Clause 8;

**“Requisition Compensation”** includes all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of **“Total Loss”**;

**“Restricted Person”** means any person that is:

- (a) listed on, or owned or controlled by a person listed on, or acting on behalf of a person listed on, any Sanctions List;
- (b) located in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions; or
- (c) otherwise a target of Sanctions (namely a person with whom a national under the jurisdiction of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities);

**“Retention Account”** means the account maintained with the Retention Account Bank in the name of “NIBC Bank N.V. All Branches” (in such capacity, the **“Account Holder”**) in which the Borrowers shall have rights to funds held therein allocated to it by the Account Holder by means of a account designated as “Bulk Nordic Six Ltd. - - Bulk Pride Corp. - Retention Account”;

**“Retention Account Bank”** means Bank of New York Mellon, New York, New York;

**“Retention Account Pledge”** means the pledge by the Borrowers of their rights in and to the Retention Account made in Clause 19.5 of this Agreement in favor of the Security Trustee;

**“Sanctions”** means the economic sanctions, laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any Sanctions Authority;

**“Sanctions Authority”** means:

- (a) the Security Council of the United Nations;
- (b) the United States of America;
- (c) the European Union;
- (d) any of the member states of the European Union;
- (e) the jurisdiction of incorporation of each Security Party; and
- (f) the governments and official institutions or agencies of any of paragraphs (a) to (e) above, including the Office of Foreign Assets Control of the US Department of Treasury (**“OFAC”**), the US Department of State and Her Majesty's Treasury (**“HMT”**);

**“Sanctions List”** means:

- (a) the "Specially Designated Nationals and Blocked Persons" list maintained by OFAC;
  - (b) the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by HMT;
  - (c) the “Consolidated list of persons, groups and entities subject to EU financial sanctions” maintained by the European Union; and
  - (d) any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities,
- each as amended, supplemented or substituted from time to time;

**“Screen Rate”** means, in relation to any period for which an interest rate is to be determined under any provision of a Finance Document, the ICE Benchmark Administration Limited Interest Settlement Rate for the relevant currency and period displayed on the appropriate page of the Reuters screen. If the agreed page is replaced or service ceases to be available, the Agent may specify another page or service displaying the appropriate rate after consultation with the Borrower and the Lenders;

**“Secured Liabilities”** means all liabilities that any of the Security Parties has, at the date of this Agreement or at any later time or times, under or in connection with any Finance Document or a Master Agreement or any judgment relating to any Finance Documents or a Master Agreement; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

**“Security Interest”** means:

- (a) a mortgage, encumbrance, charge (whether fixed or floating) or pledge, any maritime or other lien or privilege or any other security interest of any kind;
- (b) the security rights of a plaintiff under an action *in rem*; and
- (c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A; but this paragraph (c) does not apply to a right of set off or combination of accounts conferred by the standard terms of business of a bank or financial institution;

**“Security Party”** means each of the Borrowers, Nordic Bulk Ventures Holding, the Guarantor and any other person (except a Creditor Party) who, as a surety, guarantor, mortgagor, assignor or pledgor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a Finance Document;

**“Security Period”** means the period commencing on the date of this Agreement and ending on the date on which the Agent notifies the Borrowers, the other Security Parties and the other Creditor Parties that:

- (a) all amounts which have become due for payment by the Borrowers or any other Security Party under the Finance Documents and the Master Agreements have been paid;
- (b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document or a Master Agreement;
- (c) neither the Borrowers nor any other Security Party has any future or contingent liability under Clause 21, 22 or 23 or any other provision of this Agreement or another Finance Document or a Master Agreement; and
- (d) the Agent, the Security Trustee and the Lenders do not reasonably consider that there is a significant risk that any payment or transaction under a Finance Document or a Master Agreement would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of a Borrower or another Security Party or in any present or possible future proceeding relating to a Finance Document or a Master Agreement or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

**“Seller 1”** means Sumitomo Corporation, the seller under the Shipbuilding Contract.

**“Seller 2”** means Kambara Kisen Singapore Pte. Ltd., the seller under the MOA.

**“Seller’s Bank”** has the meaning given in Clause 9.2(b);

**“Servicing Bank”** means the Agent or the Security Trustee;

**“Shares Pledge”** means a pledge of the Equity Interests of each of the Borrowers, in Agreed Form;

**“Shipbuilding Contract”** means the shipbuilding contract dated December 2, 2013 and made between (i) Seller 1 and (ii) Bulk Nordic for the construction by the Builder of BULK ENDURANCE and its purchase by Bulk Nordic.

**“Ships”** means each of BULK ENDURANCE and BULK PRIDE;

**“Time Charters”** means, in relation to each of BULK ENDURANCE and BULK PRIDE, a time charter party in Agreed Form between the relevant Borrower as Owner and the Time Charterer as charterer;

**“Time Charter Assignment”** means, in relation to the Ship, an assignment of the Time Charter, in Agreed Form;

**“Time Charterer”** means Americas Bulk Transport (BVI) Limited, a company organized and existing under the laws of the British Virgin Islands;

**“Total Loss”** means in relation to a Ship:

- (a) actual, constructive, compromised, agreed or arranged total loss of that Ship;
- (b) any expropriation, confiscation, requisition or acquisition of that Ship, whether for full consideration, a consideration less than

its proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority (excluding a requisition for hire for a fixed period not exceeding one (1) year without any right to an extension), unless it is within one (1) month redelivered to the full control of the Borrower; or

- (c) any arrest, capture, seizure or detention of the that (including any hijacking or theft) unless it is within one (1) month redelivered to the full control of the Borrower;

**“Total Loss Date”** means in relation to a Ship:

- (a) in the case of an actual loss of that Ship, the date on which it occurred or, if that is unknown, the date when that Ship was last heard of;
- (b) in the case of a constructive, compromised, agreed or arranged total loss of that Ship, the earliest of:
  - (i) the date on which a notice of abandonment is given to the insurers; and
  - (ii) the date of any compromise, arrangement or agreement made by or on behalf of the Borrower owning that Ship with that Ship’s insurers in which the insurers agree to treat that Ship as a total loss; and
- (c) in the case of any other type of total loss, on the date (or the most likely date) on which it appears to the Agent that the event constituting the total loss occurred;

**“Tranche A Loan”** means the Advance in the principal amount of \$16,000,000 made available to Bulk Nordic to finance the acquisition of BULK ENDURANCE or as the context may require, an Advance in the principal amount from time to time outstanding under this Agreement in respect of such tranche;

**“Tranche B Loan”** means the Advance in the principal amount of \$3,500,000 made available to Bulk Nordic to finance the acquisition of BULK ENDURANCE or as the context may require, an Advance in the principal amount from time to time outstanding under this Agreement in respect of such tranche;

**“Tranche C Loan”** means an Advance in the principal amount not exceeding \$8,500,000 made or to be made available to Bulk Pride to finance the acquisition of BULK PRIDE or as the context may require, an Advance in the principal amount from time to time outstanding under this Agreement in respect of such tranche;

**“Tranche D Loan”** means an Advance in the principal amount not exceeding \$1,500,000 made or to be made available to Bulk Pride to finance the acquisition of BULK PRIDE or as the context may require, an Advance in the principal amount from time to time outstanding under this Agreement in respect of such tranche;

**“Transaction”** has the meaning given in each Master Agreement;

**“Transfer Certificate”** has the meaning given in Clause 27.2;

**“Transferee Lender”** has the meaning given in Clause 27.2;

**“Transferor Lender”** has the meaning given in Clause 27.2;

**“UCC”** means the Uniform Commercial Code of the State of New York;

**“US”** means the United States of America;

**“US Tax Obligor”** means:

- (a) a Borrower which is resident for tax purposes in the US; or
- (b) a Security Party some or all of whose payments under the Finance Documents are from sources within the US for US federal income tax purposes.

**“Voting Stock”** of any person as of any date means the Equity Interests of such person that are at the time entitled to vote in the election of the board of directors or similar governing body of such person; and

**“Write-down and Conversion Powers”** means:

- (a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule ; and
- (b) in relation to any other applicable Bail-In Legislation:
  - (i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to

suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and

(ii) any similar or analogous powers under that Bail-In Legislation.

## 1.2 Construction of certain terms. In this Agreement:

**“approved”** means, for the purposes of Clause 12.2, approved in writing by the Agent with the consent of the Lenders;

**“asset”** includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

**“company”** includes any corporation, limited liability company, partnership, joint venture, unincorporated association, joint stock company and trust;

**“consent”** includes an authorization, consent, approval, resolution, license, exemption, filing, registration, notarization and legalization;

**“contingent liability”** means a liability which is not certain to arise and/or the amount of which remains unascertained;

**“document”** includes a deed; also a letter, Email or fax;

**“excess risks”** means, in relation to a Ship, the proportion (if any) of claims for general average, salvage and salvage charges not recoverable under the hull and machinery insurances in respect of that Ship in consequence of the value at which that Ship is assessed for the purpose of such claims exceeding its insured value;

**“excess war risk P&I cover”** means, in relation to a Ship, cover for claims only in excess of amounts recoverable under the usual war risk cover including (but not limited to) hull and machinery, crew and protection and indemnity risks;

**“expense”** means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

**“law”** includes any order or decree, any form of delegated legislation, any treaty or international convention and any statute, regulation or resolution of the United States of America, any state thereof, the Council of the European Union, the European Commission, the United Nations or its Security Council or any other Pertinent Jurisdiction;

**“legal or administrative action”** means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

**“liability”** includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

**“months”** shall be construed in accordance with Clause 1.3;

**“obligatory insurances”** means, in relation to a Ship, all insurances effected, or which the Borrower owning that Ship is obliged to effect, under Clause 13.2 or any other provision of this Agreement or another Finance Document;

**“parent company”** has the meaning given in Clause 1.4;

**“person”** includes natural persons; any company; any state, political sub-division of a state and local or municipal authority; and any international organization;

**“policy”**, in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

**“protection and indemnity risks”** means the usual risks covered by a protection and indemnity association that is a member of the International Group of P&I Clubs, including pollution risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 6 of the International Time Clauses (Hulls)(1/11/02 or 1/11/03) or clause 8 of the Institute Time Clauses (Hulls) (1/10/83) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;

**“regulation”** includes any regulation, rule, official directive, request or guideline (either having the force of law or compliance with which is reasonable in the ordinary course of business of the party concerned) of any governmental body, intergovernmental or supranational, agency, department or regulatory, self-regulatory or other authority or organization;

**“subsidiary”** has the meaning given in Clause 1.4;

**“successor”** includes any person who is entitled (by assignment, novation, merger or otherwise) to any other person’s rights under this Agreement or any other Finance Document (or any interest in those rights) or who, as administrator, liquidator or otherwise, is entitled to exercise those rights; and in particular references to a successor include a person to whom those rights (or any interest in those rights) are transferred or pass as a result of a merger, division, reconstruction or other reorganization of it or any other person;

**“tax”** includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any country, any state, any political sub-division of a state or any local or municipal authority or any other governmental authority authorized to levy such tax

(including any such imposed in connection with exchange controls), and any related penalties, interest or fines; and

“**war risks**” includes the risk of mines and all risks excluded by clause 29 of the Institute Hull Clauses (1/11/02 or 1/11/03) or clause 24 of the Institute Time clauses (Hulls) (1/11/1995) or clause 23 of the Institute Time Clauses (Hulls) (1/10/83).

**1.3 Meaning of “month”.** A period of one or more “**months**” ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started (“**the numerically corresponding day**”), but:

- (a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or
- (b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day,

and “**month**” and “**monthly**” shall be construed accordingly.

**1.4 Meaning of “subsidiary”.** A company (S) is a subsidiary of another company (P) if:

- (a) a majority of the issued Equity Interests in S (or a majority of the issued Equity Interests in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or
- (b) P has direct or indirect control over a majority of the voting rights attaching to the issued Equity Interests of S; or
- (c) P has the direct or indirect power to appoint or remove a majority of the directors (or equivalent) of S; or
- (d) P otherwise has the direct or indirect power to ensure that the affairs of S are conducted in accordance with the wishes of P;

and any company of which S is a subsidiary is a parent company of S.

**1.5 General interpretation.** In this Agreement:

- (a) references to, or to a provision of, a Finance Document or any other document are references to it as amended, restated or supplemented, whether before the date of this Agreement or otherwise;
- (b) references in Clause 1.1 to a document being in the form of a particular Appendix include references to that form with any modifications to that form which the Agent approves or reasonably requires with the consent of the Lenders and which are acceptable to the Borrowers;
- (c) references to, or to a provision of, any law or regulation include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise;
- (d) words denoting the singular number shall include the plural and vice versa; and
- (e) Clauses 1.1 to 1.5 apply unless the contrary intention appears.

**1.6 Headings.** In interpreting a Finance Document or any provision of a Finance Document, all clause, sub-clause and other headings in that and any other Finance Document shall be entirely disregarded.

**1.7 Accounting terms.** Unless otherwise specified herein, all accounting terms used in this Agreement and in the other Finance Documents shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to any Creditor Party under this Agreement shall be prepared, in accordance with GAAP as from time to time in effect.

**1.8 Inferences regarding materiality.** To the extent that any representation, warranty, covenant or other undertaking of a Security Party in this Agreement or any other Finance Document is qualified by reference to those matters which are not reasonably expected to result in a “material adverse effect” or language of similar import, no inference shall be drawn therefrom that any Creditor Party has knowledge or approves of any noncompliance by such Security Party with any law or regulation.

**1.9 Inconsistency between Loan Agreement provisions and the Finance Documents.** The Finance Documents shall be read together with this Loan Agreement, but in case of any conflict between this Loan Agreement and any of the Finance Documents, the provisions of this Loan Agreement shall prevail, **provided that** the Finance Documents shall always be governed by the applicable law as described therein.

## **2 FACILITY**

**2.1 Amount of facility.** Subject to the other provisions of this Agreement, the Lenders severally agree to make available to the Borrowers a senior secured term loan facility in four tranches in an aggregate amount not exceeding the Total Commitments as follows:

- a. in respect of the Tranche A Loan, a tranche in the principal amount of up to the lesser of \$16,000,000 and 67.5% of the aggregate Fair Market Value of BULK ENDURANCE, and in respect of the Tranche B Loan, a tranche in the principal amount of up to the lesser of \$3,500,000 and the difference between 85% and 67.5% of the aggregate Fair Market Value of BULK ENDURANCE (it being understood

and agreed that an Advance in the principal amount of \$19,500,000 in respect of the Tranche A Loan and the Tranche B Loan for BULK ENDURANCE was made on December 27, 2016);

- b. in respect of BULK PRIDE, a tranche in the principal amount of up to the lesser of \$8,500,000 and 62% of the Fair Market Value of BULK PRIDE; and
- c. in respect of BULK PRIDE, a tranche in the principal amount of up to the lesser of \$1,500,000 and the difference between 73% and 62% of the Fair Market Value of BULK PRIDE.

**2.2 Lenders' participations in the Advance.** Subject to the other provisions of this Agreement, each Lender shall participate in each Advance of each tranche of the loan facility in the proportion which, as at the Drawdown Date, its Commitment bears to the Total Commitments.

**2.3 Purpose of the Advance.** The Borrower undertakes with each Creditor Party to use each Advance of each tranche of the loan facility only to partially finance the acquisition of the Ship to which such Advance relates.

**2.4 Cancellation of Total Commitments.** All or any portion of the Total Commitments not disbursed to the Borrowers shall be cancelled and terminated automatically on the earlier of the Drawdown Date and the expiration of the applicable Availability Period for such Commitment.

**2.5 Voluntary Cancellation of Total Commitments.** The Borrowers may, on not less than 10 Business Days' prior written notice to the Agent, cancel all or any portion of the Total Commitments not disbursed to the Borrowers, and such cancellation shall be treated as a prepayment for purposes of Clause 8.9 and subject to the making of the applicable prepayment fee.

### **3 POSITION OF THE LENDERS AND SWAP BANK**

**3.1 Interests several.** The rights of the Lenders and of the Swap Bank under this Agreement and the Master Agreements are several.

**3.2 Individual right of action.** Each Lender and the Swap Bank shall be entitled to sue for any amount which has become due and payable by a Security Party to it under this Agreement or the Master Agreements without joining any other Creditor Party as additional parties in the proceedings.

**3.3 Proceedings requiring Lender consent.** Except as provided in Clause 3.2, no Lender nor the Swap Bank may commence proceedings against any Security Party in connection with a Finance Document without the prior consent of the Lenders.

**3.4 Obligations several.** The obligations of the Lenders under this Agreement and of the Swap Bank under the Master Agreements are several; and a failure of a Lender to perform its obligations under this Agreement shall not result in:

- (a) the obligations of the other Lenders being increased; nor
- (b) any Security Party or any other Lender being discharged (in whole or in part) from its obligations under any Finance Document or under the Master Agreements,

and in no circumstances shall a Lender have any responsibility for a failure of another Lender to perform its obligations under this Agreement.

#### **3.5 Replacement of a Lender.**

- (a) If at any time:
  - (i) any Lender becomes a Non-Consenting Lender (as defined in paragraph (c) below); or
  - (ii) a Borrower or any other Security Party becomes obliged in the absence of an Event of Default to repay any amount in accordance with Clause 23.5 or to pay additional amounts pursuant to Clause 23 or Clause 25 to any Lender in excess of amounts payable to other Lenders generally,

then the Borrowers may, on 30 Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and such Lender shall) transfer pursuant to Clause 27 all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity (a "**Replacement Lender**") selected by the Borrower, which is acceptable to the Agent with the consent of the Lenders (other than the Lender the Borrowers desire to replace), which confirms its willingness to assume and by its execution of a Transfer Certificate does assume all the obligations of the transferring Lender (including the assumption of the transferring Lender's participations on the same basis as the transferring Lender) for a purchase price in cash payable at the time of transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Advance and all accrued interest and/or breakages costs and other amounts payable in relation thereto under the Finance Documents.

- (b) The replacement of a Lender pursuant to this Clause 3.5 shall be subject to the following conditions:

- (i) the Borrowers shall have no right to replace the Agent or the Security Trustee;
- (ii) neither the Agent nor any Lender shall have any obligation to the Borrowers to find a Replacement Lender;

- (iii) in the event of a replacement of a Non-Consenting Lender such replacement must take place no later than 30 days after the date the Borrowers notify the Non-Consenting Lender and the Agent of its intent to replace the Non-Consenting Lender pursuant to Clause 3.5(a) and
  - (iv) in no event shall the Lender replaced under this paragraph (b) be required to pay or surrender to such Replacement Lender any of the fees received by such Lender pursuant to the Finance Documents.
- (c) For purposes of this Clause 3.5, in the event that:
- (i) a Borrower or the Agent has requested the Lenders to give a consent in relation to or to agree to a waiver or amendment of any provisions of the Finance Documents;
  - (ii) the consent, waiver or amendment in question requires the approval of all Lenders; and
  - (iii) Lenders whose Commitments aggregate more than 66.67% percent of the Total Commitments have consented to or agreed to such waiver or amendment,

then any Lender who does not and continues not to consent or agree to such waiver or amendment shall be deemed a “**Non-Consenting Lender**”.

## **4 DRAWDOWN**

**4.1 Request for Advance.** Subject to the following conditions, the Borrowers may request an Advance of a tranche of the loan facility to be made by delivering to the Agent a completed Drawdown Notice not later than 10:00 a.m. (New York City time) two (2) Business Days prior to the intended Drawdown Date (it being understood and agreed that an Advance in the principal amount of \$19,500,000 in respect of BULK ENDURANCE was made on December 27, 2016).

**4.2 Availability.** The conditions referred to in Clause 4.1 are that:

- (a) the Drawdown Date must be a Business Day during the relevant Availability Period;
- (b) there shall be no more than one Advance for each Ship ;
- (c) the amount of the Advance in respect of the Tranche A Loan shall not exceed the lesser of (i) \$16,000,000 and (ii) 67.5% of the Fair Market Value of BULK ENDURANCE, and the amount of the Advance in respect of the Tranche B Loan shall not exceed the lesser of (i) \$3,500,000 and (ii) the difference between 85% and 67.5% of the Fair Market Value of BULK ENDURANCE (it being understood and agreed that an Advance in the principal amount of \$19,500,000 in respect of the Tranche A Loan and the Tranche B Loan for BULK ENDURANCE was made on December 27, 2016)
- (d) the amount of the Advance in respect of the Tranche C Loan shall not exceed the lesser of (i) \$8,500,000 and (ii) 62% of the Fair Market Value of BULK PRIDE;
- (e) the amount of the Advance in respect of the Tranche D Loan shall not exceed the lesser of (i) \$1,500,000 and (ii) the difference between 73% and 62% of the Fair Market Value of BULK PRIDE; and
- (f) the applicable conditions precedent stated in Clause 9 hereof shall have been satisfied or waived as provided therein.

**4.3 Notification to Lenders of receipt of Drawdown Notice.** The Agent shall promptly notify the Lenders that it has received a Drawdown Notice and shall inform each Lender of:

- (a) the amount of the Advance requested and the Drawdown Date;
- (b) the amount of that Lender’s participation in such Advance; and
- (c) the duration of the first Interest Period.

**4.4 Drawdown Notice irrevocable.** A Drawdown Notice must be signed by a director, an officer or a duly authorized attorney-in-fact of the Borrowers and once served, a Drawdown Notice cannot be revoked without the prior consent of the Agent.

**4.5 Lenders to make available Contributions.** Subject to the provisions of this Agreement, each Lender shall, before 10:00 a.m. (New York City time) on and with value on the Drawdown Date, make available to the Agent for the account of the Borrowers the amount due from that Lender under Clause 2.2.

**4.6 Disbursement of Advance.** Subject to the provisions of this Agreement, the Agent shall on the Drawdown Date pay to the Borrowers the amounts which the Agent receives from the Lenders under Clause 4.5 and that payment to the Borrowers shall be made:

- (a) to the account which the Borrowers specifies in the Drawdown Notice; and
- (b) in the like funds as the Agent received the payments from the Lenders.



**4.7 Disbursement of Advance to third party.** The payment by the Agent under Clause 4.6 to the account of a third party designated by the Borrowers in a Drawdown Notice shall constitute the making of an Advance and the Borrowers shall at that time become indebted, as principal and direct obligor, to each Lender in an amount equal to that Lender's Contribution.

**4.8 Promissory note.**

- (a) The obligation of the Borrowers to pay the principal of, and interest on, the Loan shall be evidenced by the Amended and Restated Note.
- (b) The amount advanced by each Lender to the Borrowers shall be evidenced by a notation of the same made by such Lender on the grid attached to the Amended and Restated Note payable to such Lender, which notation, absent manifest error, shall be *prima facie* evidence of the amount of such Advance made by such Lender to the Borrower.
- (c) [intentionally omitted]
- (d) The failure of any Lender to make any such notation shall not affect the obligation of the Borrowers in respect of such Advance or the Loan nor affect the validity of any transfer by such Lender of its Note.
- (e) On receipt of satisfactory evidence that a Note has been lost, mutilated or destroyed and on surrender of the remnants thereof, if any, the Borrowers will promptly replace such Note, without charge to the Creditor Parties, with a similar Note. If such replacement Note replaces a lost Note it shall bear an endorsement to that effect. Any lost Note subsequently found shall be surrendered to the Borrowers and cancelled. The relevant Lender shall indemnify the Borrowers for any losses, claims or damages resulting from the loss of such Note.

**5 INTEREST**

**5.1 Normal rate of interest.** Subject to the provisions of this Agreement (including without limitation Clause 6.5), the rate of interest on the Loan in respect of an Interest Period shall be the aggregate of the applicable Margin and LIBOR for that Interest Period.

**5.2 Payment of normal interest.** Subject to the provisions of this Agreement, interest on the Loan in respect of each Interest Period shall be paid by the Borrowers on the last day of that Interest Period.

**5.3 Payment of accrued interest.** In the case of an Interest Period longer than three (3) months, accrued interest shall be paid every three (3) months during that Interest Period and on the last day of that Interest Period.

**5.4 Notification of Interest Periods and rates of normal interest.** The Agent shall notify the Borrower and each Lender of:

- (a) each rate of interest; and
- (b) the duration of each Interest Period (as determined under Clause 6.2),

as soon as reasonably practicable after each is determined.

**5.5 Obligation of Reference Banks to quote.** A Reference Bank which is a Lender shall use all reasonable efforts to supply the quotation required of it for the purposes of fixing a rate of interest under this Agreement.

**5.6 Absence of quotations by Reference Banks.** If any Reference Bank fails to supply a quotation, the Agent shall determine the relevant LIBOR on the basis of the quotations supplied by the other Reference Bank or Banks but if two (2) or more of the Reference Banks fail to provide a quotation, the relevant rate of interest shall be set in accordance with Clauses 5.7 to 5.12 of this Agreement.

- (a) **Market disruption.** Clauses 5.7 to 5.12 of this Agreement apply if: no Screen Rate is available for an Interest Period and two (2) or more of the Reference Banks do not, before 1:00 p.m. (London time) on the Quotation Date, provide quotations to the Agent in order to fix LIBOR; or
- (b) at least one (1) Business Day before the start of an Interest Period, Lenders having Contributions together amounting to more than 50% of the Loan (or, if an Advance has not been made, Commitments amounting to more than 50% of the Total Commitments) notify the Agent that LIBOR fixed by the Agent would not accurately reflect the cost to those Lenders of funding their respective Contributions (or any part of them) during the Interest Period in the London Interbank Market at or about 11:00 a.m. (London time) on the Quotation Date for the Interest Period.

**5.8 Notification of market disruption.** The Agent shall promptly notify the Borrowers and each of the Lenders stating the circumstances falling within Clause 5.7 which have caused its notice to be given.

**5.9 Suspension of drawdown.** If the Agent's notice under Clause 5.8 is served before an Advance is made, the Lenders' obligations to make such Advance shall be suspended while the circumstances referred to in the Agent's notice continue.

**5.10 Negotiation of alternative rate of interest.** If the Agent's notice under Clause 5.8 is served after an Advance is made, the Borrowers, the Agent and the Lenders shall use reasonable endeavors to agree, within the 30 days after the date on which the Agent serves its notice under Clause 5.8 (the "**Negotiation Period**"), an alternative interest rate for the Lenders to fund or continue to fund their Contribution during the Interest Period concerned.

- 5.11 Application of agreed alternative rate of interest.** Any alternative interest rate which is agreed during the Negotiation Period shall take effect in accordance with the terms agreed by the Borrowers, the Agent and the Lenders.
- 5.12 Alternative rate of interest in absence of agreement.** If an alternative interest rate is not agreed within the Negotiation Period, and the relevant circumstances are continuing at the end of the Negotiation Period, then the Agent shall, with the agreement of each Lender, set an interest period and interest rate representing the cost of funding of the Lenders in Dollars or in any available currency of their or its Contribution plus the Margin. The procedure provided for by this Clause 5.12 shall be repeated if the relevant circumstances are continuing at the end of the interest period so set by the Agent.
- 5.13 Notice of prepayment.** If the Borrowers do not agree with an interest rate set by the Agent under Clause 5.12, the Borrowers may give the Agent not less than 5 Business Days' notice of their intention to prepay (without premium or penalty and without any applicable prepayment fee under Clause 8.9(c)) at the end of the interest period set by the Agent.
- 5.14 Prepayment; termination of Commitments.** A notice under Clause 5.13 shall be irrevocable; the Agent shall promptly notify the Lenders of the Borrowers' notice of intended prepayment and:
- (a) on the date on which the Agent serves that notice, the Total Commitments shall be cancelled; and
  - (b) on the last Business Day of the interest period set by the Agent, the Borrowers shall prepay (without premium or penalty and without any applicable prepayment fee under Clause 8.9(c)) the Loan, together with accrued interest thereon at the applicable rate plus the Margin.
- 5.15 Application of prepayment.** The provisions of Clause 8 shall apply in relation to the prepayment.
- 5.16 Interest rate hedging.** The Borrowers shall have the option to hedge up to 100% of their interest rate exposure under this Agreement through:
- (a) one or more interest rate swaps, interest rate options or a combination of both with the Swap Bank based on ISDA documentation, with such hedging to be secured on a *pari passu* basis with the Loan; or
  - (b) other interest rate swaps and/or unsecured interest rate derivative instruments with third parties; **provided that** the Swap Bank shall have a right of first refusal and a right of first offer in relation to any such hedge.

## 5 INTEREST PERIODS

- 6.1 Commencement of Interest Periods.** The first Interest Period applicable to an Advance shall commence on the Drawdown Date with respect to that Advance and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.
- 6.2 Duration of normal Interest Periods.** Subject to Clauses 6.3 and 6.4, each Interest Period shall be:
- (a) 3 or 6 months as notified by the Borrowers to the Agent not later than 10:00 a.m. (New York time) three (3) Business Days before the commencement of the Interest Period;
  - (b) 3 months, if the Borrowers fail to notify the Agent by the time specified in paragraph (a); or
  - (c) with respect to each of the Tranche A Loan and the Tranche C Loan, such other period as the Agent may, with the authorization of all the Lenders, agree with the Borrowers pursuant to Clause 6.5.

Notwithstanding the foregoing, the first Interest Period with respect to the Tranche C Loan and the Tranche D Loan shall terminate on March 27, 2018 (the same date as the Interest Period for the Tranche A Loan and the Tranche B Loan in operation on the Drawdown Date of the Advance of the Tranche C Loan and the Tranche D Loan).

- 6.3 Duration of Interest Periods for repayment installments.** In respect of an amount due to be repaid under Clause 8 on a particular Repayment Date, an Interest Period shall end on that Repayment Date.
- 6.4 Non-availability of matching deposits for Interest Period selected.** If, after the Borrowers have selected and the Lenders have agreed an Interest Period longer than three (3) months pursuant to Clause 6.2, any Lender notifies the Agent by 11:00 a.m. (New York City time) on the third Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be three (3) months.
- 6.5 Interest periods longer than 6 months.** Upon not less than five (5) Business Days prior written notice from the Borrowers to the Agent, and subject to the agreement of all of the Lenders, the interest rate of the Tranche A Loan and/or the Tranche C Loan may be fixed for an Interest Period in excess of 6 months. The interest rate during such Interest Period will be the actual refinancing rate available to the Lenders (on a weighted average basis) for that Interest Period plus the Margin.

## 6 DEFAULT INTEREST

- 7.1 Payment of default interest on overdue amounts.** The Borrowers shall pay interest in accordance with the following provisions of this Clause 7 on any amount payable by such Borrower under any Finance Document which the Agent, the Security Trustee or any other designated payee does not receive on or before the relevant date, that is:

- (a) the date on which the Finance Documents provide that such amount is due for payment; or
- (b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or
- (c) if such amount has become immediately due and payable under Clause 20.4, the date on which it became immediately due and payable.

**7.2 Default rate of interest.** Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Agent to be 2.00 percent above:

- (a) in the case of an overdue amount of principal, the higher of the rates set out at Clauses 7.3(a) and (b); or
- (b) in the case of any other overdue amount, the rate set out at Clause 7.3(b).

**7.3 Calculation of default rate of interest.** The rates referred to in Clause 7.2 are:

- (a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period); and
- (b) the applicable Margin plus, in respect of successive periods of any duration (including at call) up to three (3) months which the Agent may, with the consent of the Lenders, select from time to time, LIBOR.

**7.4 Notification of interest periods and default rates.** The Agent shall promptly notify the Lenders and each relevant Security Party of each interest rate determined by the Agent under Clause 7.3 and of each period selected by the Agent for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that such Security Party is liable to pay such interest only with effect from the date of the Agent's notification.

**7.5 Payment of accrued default interest.** Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined; and the payment shall be made to the Agent for the account of the Creditor Party to which the overdue amount is due.

**7.6 Compounding of default interest.** Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

**7.7 Application to Master Agreements.** For the avoidance of doubt, this Clause 7 does not apply to any amount payable under a Master Agreement in respect of any continuing Designated Transaction as to which section 9(h) (*Interest and Compensation*) of that Master Agreement shall apply.

## **7 REPAYMENT AND PREPAYMENT**

**8.1 Amount of repayment installments.** The Borrowers shall repay the Loan as follows:

- (a) the Tranche A Loan shall be repaid by 3 equal quarterly installments of \$100,000 and thereafter, equal quarterly installments of \$266,667 and, together with the last quarterly installment of \$266,667, a balloon payment on the Maturity Date of \$11,166,667;
- (b) the Tranche B Loan shall be repaid by equal quarterly installments of \$65,000 and, together with the last quarterly installment of \$65,000, a balloon payment on the Maturity Date of \$2,330,000;
- (c) the Tranche C Loan shall be repaid by equal quarterly installments of \$275,000 and, together with the last quarterly installment of \$275,000, a balloon installment on the Maturity Date of \$4,100,000; and
- (d) the Tranche D Loan shall be repaid by equal quarterly installments of \$375,000;

**provided that** if the total amount of the Tranche A Loan is less than \$16,000,000 and the Tranche B Loan is less than \$3,500,000, or the total amount of the Tranche C Loan is less than \$8,500,000 and the Tranche D Loan is less than \$1,500,000, the quarterly installments and the balloon payments shall be reduced pro rata for each such Tranche.

**8.2 Repayment Dates.**

- (a) The first installment of the Tranche A Loan shall be repaid on the date falling three (3) months after the relevant Drawdown Date and the last installment shall be made together with the balloon payment on the relevant Maturity Date; and
- (b) the first installment of the Tranche B Loan shall be repaid on the date falling nine (9) months after the relevant Drawdown Date and the last installment shall be made together with the balloon payment on the relevant Maturity Date.
- (c) the first installment of the Tranche C Loan shall be repaid on March 27, 2018 (the date on which an installment in respect of the Advance relating to BULK ENDURANCE is due), and the last installment shall be made together with the balloon payment on the Maturity Date.
- (d) the first installment of the Tranche D Loan shall be repaid on the date falling nine (9) months after the relevant Drawdown Date and the last installment shall be made on the date falling 18 months after the relevant Drawdown Date.

**8.3 Maturity Date.** On the Maturity Date, the Borrowers shall additionally pay to the Agent for the account of the Creditor Parties such amount as is outstanding on the Loan as of the Maturity Date, and all other sums then accrued or owing under any Finance Document.

**8.4 Voluntary prepayment.** Subject to the following conditions, the Borrowers may prepay the whole or any part of the Loan.

**8.5 Conditions for voluntary prepayment.** The conditions referred to in Clause 8.4 are that:

- (a) a partial prepayment shall be a minimum amount of \$1,000,000 or a multiple of \$500,000;
- (b) the Agent has received from the Borrowers at least ten (10) Business Days' prior written notice specifying the amount to be prepaid and the date on which the prepayment is to be made; and
- (c) the Borrowers have provided evidence satisfactory to the Agent that any consent required by the Borrowers in connection with the prepayment has been obtained and remains in force, and that any regulation relevant to this Agreement which affects the Borrowers have been complied with (which may be satisfied by the Borrowers certifying that no consents are required and that no regulations need to be complied with).

**8.6 Effect of notice of prepayment.** A prepayment notice may not be withdrawn or amended without the consent of the Agent, given with the authorization of the Lenders, and the amount specified in the prepayment notice shall become due and payable by the Borrowers on the date for prepayment specified in the prepayment notice.

**8.7 Notification of notice of prepayment.** The Agent shall notify the Lenders promptly upon receiving a prepayment notice, and shall provide any Lender which so requests with a copy of any document delivered by the Borrowers under Clause 8.5(c).

**8.8 Mandatory prepayment.** If a Ship is sold or becomes a Total Loss, the Borrowers shall prepay in full the Advance of the Tranche related to that Ship:

- (a) in the case of a sale, on or before the date on which the sale is completed by delivery of such Ship to the buyer; or
- (b) in the case of a Total Loss, on the earlier of the date falling 120 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss.

It is understood and agreed that upon the sale, Total Loss or other disposition of the BULK ENDURANCE, the Collateral Maintenance Ratio for the BULK PRIDE after such sale, Total Loss or other disposition shall be equal to or higher than the applicable aggregate Collateral Maintenance Ratio for the Ships under Clause 15.2 immediately prior to such sale, Total Loss or other disposition.

**8.9 Amounts payable on prepayment.** A voluntary prepayment under Clause 8.4 and a mandatory prepayment under Clause 8.8 shall be made together with:

- (a) accrued interest (and any other amount payable under Clause 22 or otherwise) in respect of the amount prepaid;
- (b) if the prepayment is not made on the last day of an Interest Period, any sums payable under Clause 22.1(b) and Clause 22.2;
- (c) in respect of the Tranche A Loan and the Tranche B Loan, the following prepayment fees as applicable:
  - (i) 1.50% of the prepaid amount in respect of any prepayment made on or before the first anniversary of the Drawdown Date;
  - (ii) 1.00% of the prepaid amount in respect of any prepayment made after the first anniversary of the Drawdown Date but on or before the second anniversary of the Drawdown Date;
  - (iii) 0.25% of the prepaid amount in respect of any prepayment made after the second anniversary of the Drawdown Date but on or before the third anniversary of the Drawdown Date; and
  - (iv) 0.0% of the prepaid amount thereafter; and
- (d) in respect of the Tranche C Loan and the Tranche D Loan, the following prepayment fees as applicable:
  - (i) 1.50% of the prepaid amount in respect of any prepayment made after the Drawdown Date but on or before December 27, 2017;
  - (ii) 1.00% of the prepaid amount in respect of any prepayment made after December 27, 2017 but on or before December 27, 2018;
  - (iii) 0.25% of the prepaid amount in respect of any prepayment made after December 27, 2018 but on or before December 27, 2019; and
  - (iv) 0.0% of the prepaid amount thereafter;

**provided that** no prepayment fee shall be payable in the case of a mandatory prepayment on account of Total Loss pursuant to Clause 8.8.

**8.10 Application of partial prepayment.** Each partial prepayment under Clause 8.4 shall be applied towards a pro rata reduction of the

repayment installments and the balloon payments specified in Clause 8.1 in inverse order of maturity starting with the balloon payments due in respect of each such tranche.

**8.11 No reborrowing.** No amount prepaid may be reborrowed.

**8.12 Unwinding of Designated Transactions.** On or prior to any repayment or prepayment of the Loan or any part thereof under this Clause 8 or any other provision of this Agreement, the Borrowers shall wholly or partially reverse, offset, unwind or otherwise terminate one or more of the continuing Designated Transactions so that the notional principal amount of the continuing Designated Transactions thereafter remaining does not and will not in the future (taking into account the scheduled amortization) exceed the amount of the Loan as reducing from time to time thereafter pursuant to Clause 8.1.

## **8 CONDITIONS PRECEDENT**

**9.1 Documents, fees and no default.** Each Lender's obligation to contribute to an Advance is subject to the following conditions precedent:

- (a) that, on or before the service of a Drawdown Notice, the Agent and the Lenders receive:
  - (i) the documents described in Part A of Schedule 4 in form and substance satisfactory to the Agent (other than such documents delivered in connection with a prior Advance, if any); and
  - (ii) such documentation and other evidence as is reasonably requested by the Agent or a Lender in order for each to carry out and be satisfied with the results of all necessary "know your customer" or other checks which it is required to carry out in relation to the transactions contemplated by this Agreement and the other Finance Documents, including without limitation obtaining, verifying and recording certain information and documentation that will allow the Agent and each of the Lenders to identify each Security Party in accordance with the requirements of the PATRIOT Act;
- (b) that, on the relevant Drawdown Date but prior to the making of an Advance, the Agent receives or is satisfied that it will receive on the making of such Advance the documents described in Part B of Schedule 4 in form and substance satisfactory to it (other than such documents delivered in connection with a prior Advance, if any);
- (c) that, on or before the service of a Drawdown Notice, the Agent receives the payment of any fees and expenses referred to in Clause 21;
- (d) that both at the date of a Drawdown Notice and at the relevant Drawdown Date:
  - (i) no Event of Default or Potential Event of Default has occurred or would result from the borrowing of the relevant Advance;
  - (ii) the representations and warranties in Clause 10 and those of the Borrowers or any other Security Party which are set out in the other Finance Documents (other than those relating to a specific date) would be true and not misleading if repeated on each of those dates with reference to the circumstances then existing;
  - (iii) there has been no material change in the consolidated financial condition, operations or business prospects of the Borrowers or any of the Guarantors since the date on which the Borrowers and/or the Guarantors provided information concerning those topics to the Agent and/or any Lender;
  - (iv) there has been no material adverse global economic or political developments; and
  - (v) there has been no material adverse development in the international money and capital markets;
- (e) that, if the Collateral Maintenance Ratio were applied immediately following the making of such Advance, the Borrowers would not be required to provide additional Collateral or prepay part of the Loan under Clause 15; and
- (f) that the Agent has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Agent may, with the authorization of the Lenders, reasonably request by written notice (email is an acceptable form of such notice) to the Borrowers prior to the relevant Drawdown Date.

**9.2 Waiver of conditions precedent.** Notwithstanding anything in Clause 9.1 to the contrary,

- (a) except with respect to the circumstances described in Clause 9.2(b), if the Agent, with the consent of the Lenders, permits an Advance to be borrowed before certain of the conditions referred to in Clause 9.1 are satisfied, the Borrowers shall ensure that such conditions are satisfied within ten (10) Business Days after such Drawdown Date (or such longer period as the Agent may specify), or, in respect of the Earnings Account Pledge in relation to BULK PRIDE, thirty (30) calendar days after such Drawdown Date; and
- (b) only if required under the terms of the Shipbuilding Contract or the MOA, the Advance in respect of BULK ENDURANCE or BULK PRIDE may be borrowed before the applicable conditions set forth in Clause 9.1 are satisfied and:
  - (i) each Lender agrees to fund its Contribution on a day not more than five (5) Business Days prior to the Delivery Date of that Ship; and
  - (ii) the Agent shall on the date on which the Advance is funded (or as soon thereafter as practicable) (A) preposition an amount equal to the aggregate principal amount of the Advance at a bank or other financial institution (the "**Seller's Bank**")

satisfactory to the Agent, which funds shall be held at the Seller's Bank in the name and under the sole control of the Agent or one of its Affiliates and (B) issue a SWIFT MT 199 or other similar communication (each such communication, 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 that Ship duly executed by the Seller and Borrower and countersigned by a representative of the Agent;

provided that if delivery of that Ship does not occur within five (5) Business Days after the scheduled Delivery Date, the funds held at the Seller's Bank shall be returned to the Agent for further distribution to the Lenders.

For the avoidance of doubt, the parties hereto acknowledge and agree that:

- (1) the date on which the Lenders fund such Advance constitutes the Drawdown Date in respect of the Advance and all interest and fees thereon shall accrue from such date;
- (2) the Agent and the Lenders suspend fulfillment of the conditions precedent set forth in Schedule 4, Part B, Paragraphs 4 and 12 solely for the time period on and between such Drawdown Date and the relevant Delivery Date, and the Borrowers acknowledge and agree that fulfillment of such conditions precedent to the satisfaction of the Agent shall be required as a condition precedent to the countersignature by a representative of the Agent of the Protocol of Delivery and Acceptance referred to in Clause 9.2(b)(ii);
- (3) from the date the proceeds of such Advance are deposited at the Seller's Bank to the Delivery Date (or, if delivery of the Ship does not occur within the time prescribed in the Disbursement Authorization, the date on which the funds are returned to the Agent for further distribution to the Lenders), the Borrowers shall be entitled to interest on such Advance at the applicable rate, if any, paid by the Seller's Bank for such deposited funds;
- (4) if the Ship is not delivered within the time prescribed in the Disbursement Authorization and the proceeds of such Advance are returned to the Agent and distributed to the Lenders, (i) the Borrowers shall pay all accrued interest and fees in respect of such returned proceeds on the date such proceeds are returned to the Agent and (ii) the relevant available Commitment will be increased by an amount equal to the aggregate principal amount of the Loan proceeds so returned; and
- (5) if the Borrowers have instructed the Agent to convert the aggregate principal amount of such Advance borrowed into a currency other than Dollars for deposit with the Builder's Bank and the Ship is not delivered within the time prescribed in the Disbursement Authorization and the proceeds of such Advance are returned to the Agent for further distribution to the Lenders, the Agent shall convert the aggregate principal amount of funds so returned back into Dollars and if such funds are less than the Dollar amount of the aggregate principal amount of the Advance incurred on the relevant Drawdown Date, the Borrowers shall immediately repay the difference and, in any event, the Borrowers shall pay any and all fees, charges and expenses arising from such conversion.

## **9 REPRESENTATIONS AND WARRANTIES**

**10.1 General.** Each of the Borrowers represents and warrants to each Creditor Party as of the Effective Date and each Drawdown Date as follows.

**10.2 Status.** Each of the Borrowers is:

- (a) duly incorporated or formed and validly existing and in good standing under the law of its jurisdiction of incorporation or formation;
- (b) duly qualified and in good standing as a foreign company in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where, in each case, the failure to so qualify or be licensed and be in good standing could not reasonably be expected to have a material adverse effect on its business, assets or financial condition or which may affect the legality, validity, binding effect or enforceability of the Finance Documents; and
- (c) there are no proceedings or actions pending or contemplated by the Borrowers, or to the knowledge of the Borrower contemplated by any third party, seeking to adjudicate either of the Borrowers a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property.

**10.3 Company power; consents.** Each of the Borrowers has the capacity and has taken all action, and no consent of any person is required, for:

- (a) it to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted;
- (b) it to execute each Finance Document to which it is or is to become a party;
- (c) it to execute the Time Charters to which it is a party, and comply with its obligations under such Time Charter and each Finance Document to which it is or is to become a party;
- (d) it to grant the Security Interests granted by it pursuant to the Finance Documents to which it is or is to become a party;
- (e) the perfection or maintenance of the Security Interests created by the Finance Documents (including the first priority nature thereof); and

- (f) the exercise by any Creditor Party of their rights under any of the Finance Documents or the remedies in respect of the Collateral pursuant to the Finance Documents,

except, in each case, for consents which have been duly obtained, taken, given or made and are in full force and effect.

**10.4 Consents in force.** All the consents referred to in Clause 10.3 remain in force and nothing has occurred which makes any of them liable to revocation.

**10.5 Title.**

- (a) Each of the Borrower owns (i) in the case of owned real property, good and marketable fee title to and (ii) in the case of owned personal property, good and valid title to, or, in the case of leased real or personal property, valid and enforceable leasehold interests (as the case may be) in, all of its properties and assets, tangible and intangible, of any nature whatsoever, free and clear in each case of all Security Interests or claims, except for Permitted Security Interests.
- (b) Except for Permitted Security Interests, Neither Borrower has created nor is contractually bound to create any Security Interest on or with respect to any of its assets, properties, rights or revenues, and except as provided in this Agreement, Neither Borrower is restricted by contract, applicable law or regulation or otherwise from creating Security Interests on any of its assets, properties, rights or revenues.
- (c) Each of the Borrowers has received all deeds, assignments, waivers, consents, non-disturbance and attornment or similar agreements, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect such Borrower's right, title and interest in and to the Ship owned by it and other properties and assets (or arrangements for such recordings, filings and other actions acceptable to the Agent shall have been made).

**10.6 Legal validity; effective first priority Security Interests.** Subject to any relevant insolvency laws affecting creditors' rights generally:

- (a) the Finance Documents to which each of the Borrowers is a party, constitute or, as the case may be, will constitute upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents), such Borrower's legal, valid and binding obligations enforceable against it in accordance with their respective terms; and
- (b) the Finance Documents to which each of the Borrowers is a party, create or, as the case may be, will create upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents), legal, valid and binding first priority Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate.

**10.7 No third party Security Interests.** Without limiting the generality of Clauses 10.5 and 10.6, at the time of the execution and delivery of each Finance Document to which a Borrower is a party:

- (a) the Borrower party thereto will have the right to create all the Security Interests which that Finance Document purports to create; and
- (b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

**10.8 No conflicts.** The borrowing of an Advance, the execution of each Finance Document and compliance with each Finance Document will not involve or lead to a contravention of:

- (a) to the knowledge of the Borrowers, any law or regulation; or
- (b) the constitutional documents of a Borrower; or
- (c) any contractual or other obligation or restriction which is binding on a Borrower or any of its assets.

**10.9 Status of Secured Liabilities.** The Secured Liabilities constitute direct, unconditional and general obligations of each Borrower and rank (a) senior to all subordinated Financial Indebtedness and (b) not less than *pari passu* (as to priority of payment and as to security) with all other Financial Indebtedness of each Borrower.

**10.10 Taxes.**

- (a) All payments which a Borrower is liable to make under the Finance 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 Pertinent Jurisdiction.
- (b) Each Borrower has timely filed or has caused to be filed all tax returns and other reports that it is required by law or regulation to file in any Pertinent Jurisdiction, and has paid or caused to be paid all taxes, assessments and other similar charges that are due and payable in any Pertinent Jurisdiction, other than taxes and charges:
- (i) which (A) are not yet due and payable or (B) are being contested in good faith by appropriate proceedings and for which adequate reserves have been established and as to which such failure to have paid such tax does not create any material risk of sale, forfeiture, loss, confiscation or seizure of the Ship or of criminal liability; or
- (ii) the non-payment of which could not reasonably be expected to have a material adverse effect on the financial condition of the Borrower.

The charges, accruals, and reserves on the books of each Borrower respecting taxes are adequate in accordance with GAAP.

- (c) No material claim for any tax has been asserted against a Borrower by any Pertinent Jurisdiction or other taxing authority other than claims that are included in the liabilities for taxes in the most recent balance sheet of such person or disclosed in the notes thereto, if any.
- (d) The execution, delivery, filing and registration or recording (if applicable) of the Finance Documents and the consummation of the transactions contemplated thereby will not cause any of the Creditor Parties to be required to make any registration with, give any notice to, obtain any license, permit or other authorization from, or file any declaration, return, report or other document with any governmental authority in any Pertinent Jurisdiction.
- (e) No taxes are required by any governmental authority in any Pertinent Jurisdiction to be paid with respect to or in connection with the execution, delivery, filing, recording, performance or enforcement of any Finance Document.
- (f) The execution, delivery, filing, registration, recording, performance and enforcement of the Finance Documents by any of the Creditor Parties will not cause such Creditor Party to be subject to taxation under any law or regulation of any governmental authority in any Pertinent Jurisdiction of the Borrowers.
- (g) It is not necessary for the legality, validity, enforceability or admissibility into evidence of this Agreement or any other Finance Document that any stamp, registration or similar taxes be paid on or in relation to this Agreement or any of the other Finance Documents.

**10.11 No default.** No Event of Default or Potential Event of Default has occurred or would result from the borrowing of an Advance.

**10.12 Information.** All financial statements, information and other data furnished by or on behalf of a Borrower to any of the Creditor Parties:

- (a) was true and accurate in all material respects at the time it was given;
- (b) such financial statements, if any, have been prepared in accordance with GAAP and accurately and fairly represent in all material respects the financial condition of such Borrower as of the date or respective dates thereof and the results of operations of such Borrower for the period or respective periods covered by such financial statements;
- (c) there are no other facts or matters the omission of which would have made or make any such information false or misleading in any material respect;
- (d) there has been no material adverse change in the financial condition, operations or business prospects of such Borrower since the date on which such information was provided other than as previously disclosed to the Agent in writing; and
- (e) neither of the Borrowers does not have any contingent obligations, liabilities for taxes or other outstanding financial obligations which are material in the aggregate except as disclosed in such statements, information and data.

**10.13 No litigation.** No legal or administrative action involving a Borrower (including any action relating to any alleged or actual breach of the ISM Code, the ISPS Code or any Environmental Law) has been commenced or taken by any person, or, to a Borrower's knowledge, is likely to be commenced or taken which, in either case, would be likely to have a material adverse effect on the business, assets or financial condition of a Borrower or which may affect the legality, validity, binding effect or enforceability of the Finance Documents.

**10.14 Intellectual property.** Except for those with respect to which the failure to own or license could not reasonably be expected to have a material adverse effect, each Borrower owns or has the right to use all patents, trademarks, permits, service marks, trade names, copyrights, franchises, formulas, licenses and other rights with respect thereto, and have obtained assignment of all licenses and other rights of whatsoever nature, that are material to its business as currently contemplated without any conflict with the rights of others.

**10.15 ISM Code and ISPS Code compliance.** Each Borrower has obtained or will obtain or will cause to be obtained all necessary ISM Code Documentation and ISPS Code Documentation in connection with the Ship owned by it and its operation and will be or will cause such Ship and the relevant Approved Manager to be in full compliance with the ISM Code and the ISPS Code.

**10.16 Validity and completeness of Time Charter.** Each Time Charter constitutes valid, binding and enforceable obligations of the relevant Time Charterer and the Borrower in accordance with its terms and:

- (a) the copy of such Time Charter delivered to the Agent before the date of this Agreement is a true and complete copy; and
- (b) no amendments or additions to the Time Charter have been agreed nor has the relevant Borrower or the Time Charterer waived any of their respective rights under the Time Charter, in each case that would be adverse in any material respect to the interests of the Creditor Parties (or any of them) under or in respect of the Finance Documents.

**10.17 Compliance with law; Environmentally Sensitive Material.** Except to the extent the following could not reasonably be expected to have a material adverse effect on the business, assets or financial condition of a Borrower, or affect the legality, validity, binding effect or enforceability of the Finance Documents:

- (a) the operations and properties of each Borrower comply with all applicable laws and regulations, including without limitation Environmental Laws, all necessary Environmental Permits have been obtained and are in effect for the operations and properties of each such person and each such person is in compliance in all material respects with all such Environmental Permits; and
- (b) neither Borrower has been notified in writing by any person that it or any of its subsidiaries or Affiliates is potentially liable for the



remedial or other costs with respect to treatment, storage, disposal, release, arrangement for disposal or transportation of any Environmentally Sensitive Material, except for costs incurred in the ordinary course of business with respect to treatment, storage, disposal or transportation of such Environmentally Sensitive Material.

**10.18 Ownership structure.**

- (a) Neither Borrower has any subsidiaries.
- (b) All of the Equity Interests of each Borrower have been validly issued, are fully paid, non-assessable and free and clear of all Security Interests (except Security Interests in favor of the Security Trustee) and are owned of record by Nordic Bulk Ventures Holding.
- (c) All of the Equity Interests of Nordic Bulk Ventures Holding have been validly issued, are fully paid, non-assessable and free and clear of all Security Interests and are owned by Pangaea.
- (d) None of the Equity Interests of either Borrower are subject to any existing option, warrant, call, right, commitment or other agreement of any character to which the Borrower is a party requiring, and there are no Equity Interests of either Borrower outstanding which upon conversion or exchange would require, the issuance, sale or transfer of any additional Equity Interests of either Borrower or other Equity Interests convertible into, exchangeable for or evidencing the right to subscribe for or purchase Equity Interests of either Borrower.

**10.19 ERISA.** Neither Borrower nor any ERISA Affiliate maintains any Plan, Multiemployer Plan or Foreign Pension Plan.

**10.20 Margin stock.** Neither Borrower is engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock and no proceeds of an Advance will be used to buy or carry any Margin Stock or to extend credit to others for the purpose of buying or carrying any Margin Stock.

**10.21 Investment company, public utility, etc.** Neither Borrower is:

- (a) an “investment company,” or an “affiliated person” of, or “promoter” or “principal underwriter” for, an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended; or
- (b) a “public utility” within the meaning of the United States Federal Power Act of 1920, as amended.

**10.22 Sanctions.** No Security Party nor the Approved Manager nor any of their respective directors, officers or employees nor, to the knowledge of any Security Party or the Approved Manager, any persons acting on any of their behalf:

- (a) is a Restricted Person;
- (b) is owned or controlled by, or acting directly or indirectly on behalf of or for the benefit of, a Restricted Person;
- (c) owns or controls a Restricted Person;
- (d) is in breach of Sanctions; or
- (e) has received notice of, or is aware of, any claim, action, suit, proceeding or investigation against it with respect to Sanctions applicable to it by any Sanctions Authority.

**10.23 No money laundering.** Without prejudice to the generality of Clause 2.2, in relation to the borrowing by a Borrower of an Advance, the performance and discharge of its obligations and liabilities under the Finance Documents, and the transactions and other arrangements affected or contemplated by the Finance Documents to which a Borrower is a party, each of the Borrowers confirms that:

- (a) it is acting for its own account;
- (b) it will use the proceeds of such Advance for its own benefit, under its full responsibility and exclusively for the purposes specified in this Agreement; and
- (c) the foregoing will not involve or lead to a contravention of any law, official requirement or other regulatory measure or procedure implemented to combat “money laundering” (as defined in Article 1 of Directive 2005/60/EC of the European Parliament and of the Council) and comparable United States federal and state laws, including without limitation the PATRIOT Act and the Bank Secrecy Act.

**10.24 Ship.** Each Ship is or will be at the Delivery Date:

- (a) in the sole and absolute ownership of a Borrower and duly registered in such Borrower’s name under the law of an Approved Flag, unencumbered save and except for the Mortgage thereon in favor of the Security Trustee recorded against it and Permitted Security Interests;
- (b) seaworthy for hull and machinery insurance warranty purposes and in every way fit for its intended service;
- (c) insured in accordance with the provisions of this Agreement and the requirements hereof in respect of such insurances will have been complied with;
- (d) in class in accordance with the provisions of this Agreement and the requirements hereof in respect of such classification will have

been complied with; and

- (e) managed by an Approved Manager pursuant to an Approved Management Agreement.

**10.25 Place of business.** For purposes of the UCC, each of the Borrowers has only one place of business located at, or, if it has more than one place of business, the chief executive office from which it manages the main part of its business operations and conducts its affairs is located at:

*For Bulk Nordic:*  
Par la Ville Place  
14 Par la Ville Road  
Hamilton HM08  
Bermuda

*For Bulk Pride:*  
c/o Phoenix Bulk Carriers (US) LLC as Agents  
109 Long Wharf  
Newport, Rhode Island

Neither Borrower has a place of business in the United States of America, the District of Columbia, the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States of America.

**10.26 Solvency.** In the case of each of the Borrowers:

- (a) the sum of its assets, at a fair valuation, does and will exceed its liabilities, including, to the extent they are reportable as such in accordance with GAAP, contingent liabilities;
- (b) the present fair market saleable value of its assets is not and shall not be less than the amount that will be required to pay its probable liability on its then existing debts, including, to the extent they are reportable as such in accordance with GAAP, contingent liabilities, as they mature;
- (c) it does not and will not have unreasonably small working capital with which to continue its business; and
- (d) it has not incurred, does not intend to incur and does not believe it will incur, debts beyond its ability to pay such debts as they mature.

**10.27 Borrowers' business.** From the date of its incorporation until the date hereof, each of the Borrowers has not conducted any business other than in connection with, or for the purpose of, owning and operating the Ships.

**10.28 Immunity; enforcement; submission to jurisdiction; choice of law.**

- (a) Each of the Borrowers is subject to civil and commercial law with respect to its obligations under the Finance Documents, and the execution, delivery and performance by each Borrower of the Finance Documents to which it is a party constitute private and commercial acts rather than public or governmental acts.
- (b) Neither Borrower nor any of its properties has any immunity from suit, court jurisdiction, attachment prior to judgment, attachment in aid of execution of a judgment, set-off, execution of a judgment or from any other legal process in relation to any Finance Document.
- (c) It is not necessary under the laws of a Borrower's jurisdiction of incorporation or formation, in order to enable any Creditor Party to enforce its rights under any Finance Document or by reason of the execution of any Finance Document or the performance by a Borrower of its obligations under any Finance Document, that such Creditor Party should be licensed, qualified or otherwise entitled to carry on business in such Borrower's jurisdiction of incorporation or formation.
- (d) Other than the recording of the Mortgages in accordance with the laws of the Approved Flag on which the Ship subject to such Mortgage is registered, and such filings as may be required in a Pertinent Jurisdiction in respect of certain of the Finance Documents, and the payment of fees consequent thereto, it is not necessary for the legality, validity, enforceability or admissibility into evidence of this Agreement or any other Finance Document that any of them or any document relating thereto be registered, filed recorded or enrolled with any court or authority in any Pertinent Jurisdiction.
- (e) The execution, delivery, filing, registration, recording, performance and enforcement of the Finance Documents by any of the Creditor Parties will not cause such Creditor Party to be deemed to be resident, domiciled or carrying on business in any Pertinent Jurisdiction of any Security Party or subject to taxation under any law or regulation of any governmental authority in any Pertinent Jurisdiction of any Security Party.
- (f) Under the law of each Borrower's jurisdiction of incorporation or formation, the choice of the law of New York to govern this Agreement and the other Finance Documents to which New York law is applicable is valid and binding.
- (g) The submission by the Borrowers to the jurisdiction of the New York State courts and the US Federal court sitting in New York County pursuant to Clause 32.2(a) is valid and binding and not subject to revocation, and service of process effected in the manner set forth in Clause 32.2(d) will be effective to confer personal jurisdiction over the Borrowers in such courts.

## **10 GENERAL AFFIRMATIVE AND NEGATIVE COVENANTS**

**11.1 Affirmative covenants.** From the first Drawdown Date until the Total Commitments have terminated and all amounts payable

hereunder have been paid in full the Borrowers undertake with each Creditor Party to comply or cause compliance with the following provisions of this Clause 11.1 except as the Agent, with the consent of the Lenders, may approve from time to time in writing, such approval not to be unreasonably withheld:

- (a) **Performance of obligations.** Each Borrower shall duly observe and perform its obligations under the relevant Time Charter and each Finance Document to which it is or is to become a party.
- (b) **Notification of defaults (etc).** Each Borrower shall promptly notify the Agent, and the Agent shall promptly notify the Lenders, upon becoming aware of the same, of:
  - (i) the occurrence of an Event of Default or of any Potential Event of Default or any other event (including any litigation) which might adversely affect its ability or the Time Charterer's ability to perform its obligations under the Time Charter, or any Security Party's ability to perform its obligations under each Finance Document to which it is or is to become a party;
  - (ii) any default, or any interruption in the performance whether or not the same constitutes a default, by any party to the Time Charter, including any off hire in excess of 96 hours under clause 15 of the Time Charter; and
  - (iii) any damage or injury caused by or to a Ship in excess of \$750,000.
- (c) **Confirmation of no default.** The Borrowers will, within five (5) Business Days after service by the Agent of a written request, serve on the Agent a notice which is signed by a director, an officer or a duly authorized person of each Borrower and which states that:
  - (i) no Event of Default or Potential Event of Default has occurred; or
  - (ii) no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given.

The Agent may serve requests under this Clause 11.1(c) from time to time but only if asked to do so by a Lender or Lenders having Contributions exceeding 10% of the Loan or (if no Advances have been made) Commitments exceeding 10% of the Total Commitments, and this Clause 11.1(c) does not affect the Borrower's obligations under Clause 11.1(b).

- (d) **Notification of litigation.** The Borrowers will provide the Agent with details of any legal or administrative action involving a Borrower, any other Security Party, the Approved Manager or a Ship, the Earnings or the Insurances as soon as such action is instituted or it becomes apparent to the Borrowers that it is likely to be instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.
- (e) **Provision of further information.** The Borrowers will, as soon as practicable after receiving the request, provide the Agent with any additional financial or other information relating to:
  - (i) the Borrowers; or
  - (ii) any other matter relevant to, or to any provision of, a Finance Document,

which may be requested by the Agent at any time.

- (f) **Books of record and account; separate accounts.**
  - (i) Each of the Borrowers shall keep separate and proper books of record and account in which full and materially correct entries shall be made of all financial transactions and the assets and business of each Borrower in accordance with GAAP, and the Agent and/or any Lender shall have the right to examine the books and records of the Borrower wherever the same may be kept from time to time as it sees fit, in its sole reasonable discretion, or to cause an examination to be made by a firm of accountants selected by it, provided that any examination shall be done without undue interference with the day to day business operations of such Borrower.
  - (ii) Each of the Borrowers shall keep separate accounts and shall not co-mingle assets with any other person.
- (g) **Financial reports.** The Borrowers shall prepare and shall deliver, or shall cause to be prepared and to be delivered, to the Agent:
  - (i) as soon as practicable, but not later than 180 days after the end of each Fiscal Year, management accounts as of the end of such period for each Borrower and Nordic Bulk Ventures Holding;
  - (ii) as soon as practicable, but in no event later than 180 days after the end of each Fiscal Year of the Guarantor, the audited consolidated accounts for the Guarantor and, 60 days after the end of each quarter, unaudited interim accounts for the Guarantor;
  - (iii) as soon as practicable, but in no event later than 30 days before the end of each Fiscal Year, a 12 month forward looking budget for each Borrower and Nordic Bulk Ventures Holding;
  - (iv) together with the financial statements that the Borrowers and the Guarantor deliver in (i) and (ii) above, a Compliance Certificate; and

- (v) such other financial statements, annual budgets and projections as may be reasonably requested by the Agent, each to be in such form as the Agent may reasonably request.
- (h) **Appraisals of Fair Market Value.** The Borrowers shall procure and deliver to the Agent two written appraisal reports setting forth the Fair Market Value of each of the Ships as follows:
  - (i) on a bi-annual basis at the Borrowers' expense for inclusion with each Compliance Certificate required to be delivered with the unaudited interim accounts under Clause 11.1(g)(ii); and
  - (ii) at any time upon the request of the Agent, at the Borrowers' expense, if an Event of Default has occurred and is continuing.

**provided that** if there is a difference of or in excess of 10% between the two appraisals obtained by the Borrowers, the Borrowers may, at their sole expense, obtain a third appraisal from an Approved Broker.
- (i) **Taxes.** Each of the Borrowers shall prepare and timely file all tax returns required to be filed by it and pay and discharge all taxes imposed upon it or in respect of any of its property and assets before the same shall become in default, as well as all lawful claims (including, without limitation, claims for labor, materials and supplies) which, if unpaid, might become a Security Interest upon the Collateral or any part thereof, except in each case, for any such taxes (i) as are being contested in good faith by appropriate proceedings and for which adequate reserves have been established, (ii) in excess of \$100,000 as to which such failure to have paid does not create any risk of sale, forfeiture, loss, confiscation or seizure of a Ship or criminal liability, or (iii) the failure of which to pay or discharge would not be likely to have a material adverse effect on the business, assets or financial condition of the Borrower or to affect the legality, validity, binding effect or enforceability of the Finance Documents.
- (j) **Consents.** Each of the Borrowers shall obtain or cause to be obtained, maintain in full force and effect and comply with the conditions and restrictions (if any) imposed in connection with, every consent and do all other acts and things which may from time to time be necessary or required for the continued due performance of:
  - (i) all of its and the Time Charterer's obligations under the relevant Time Charter; and
  - (ii) each Security Party's obligations under each Finance Document to which it is or is to become a party,and the Borrowers shall deliver a copy of all such consents to the Agent promptly upon its request.
- (k) **Compliance with applicable law.** Each of the Borrowers shall comply, and shall ensure that each of Nordic Bulk Ventures Holding, the Time Charterer, the Commercial Manager and the Technical Manager shall comply, in all material respects with all applicable federal, state, local and foreign laws, ordinances, rules, orders and regulations now in force or hereafter enacted, including, without limitation, all Environmental Laws and regulations relating thereto, the failure to comply with which would be likely to have a material adverse effect on the financial condition of such person or affect the legality, validity, binding effect or enforceability of each Finance Document to which it is or is to become a party.
- (l) **Existence.** Each of the Borrowers shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence in good standing under the laws of its jurisdiction of incorporation or formation.
- (m) **Conduct of business.**
  - (i) Each of the Borrowers shall conduct business only in connection with, or for the purpose of, owning and chartering its Ship.
  - (ii) Each of the Borrowers shall conduct business in its own name and observe all corporate and other formalities required by its constitutional documents.
- (n) **Properties.**
  - (i) Except to the extent the failure to do so could not reasonably be expected to have a material adverse effect on the business, assets or financial condition of a Borrower, or affect the legality, validity, binding effect or enforceability of the Finance Documents, each Borrower shall maintain and preserve all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.
  - (ii) Each of the Borrowers shall obtain and maintain good and marketable title or the right to use or occupy all real and personal properties and assets (including intellectual property) reasonably required for the conduct of its respective business.
  - (iii) Each of the Borrowers shall maintain and protect its respective intellectual property and conduct its respective business and affairs without infringement of or interference with any intellectual property of any other person in any material respect and shall comply in all material respects with the terms of its licenses.
- (o) **Loan proceeds.** The Borrowers shall use the proceeds of each Advance solely to partially finance the acquisition of the Ship to which such Advance relates.
- (p) **Change of place of business.** The Borrowers shall notify the Agent promptly of any change in the location of the place of business where it or any other Security Party conducts its affairs and keeps its records.
- (q) **Pollution liability.** The Borrowers shall take, or cause to be taken, such actions as may be reasonably required to mitigate potential liability to it arising out of pollution incidents or as may be reasonably required to protect the interests of the Creditor Parties with

respect thereto.

(r) **Intercompany loans.**

- (i) Each of the Borrowers shall cause intercompany loans, if any, to be made to it only by Nordic Bulk Ventures Holding and shall further cause any such loan to (i) be fully subordinated to to all Secured Liabilities, (ii) not carry cash interest, (iii) mature at least one year after the Maturity Date, (iv) be unsecured and (v) in Agreed Form.
- (ii) Each of the Borrowers shall cause Nordic Bulk Ventures Holding to enter into an assignment of its rights in favor of the Security Trustee in respect of any such loan, such assignment to be in Agreed Form.

(s) **Sanctions.**

- (i) The Borrower shall, and shall ensure that each of its Affiliates, each Security Party and each Approved Manager will, comply in all respects with all Sanctions applicable to it.
- (ii) The Borrower shall not, and shall ensure that none of its Affiliates, or any Security Party, or any Approved Manager and any of their respective directors, officers, employees, affiliates or agents, shall not directly or indirectly:
  - (A) make any part of the proceeds of any Loan available to, or for the benefit of, a Restricted Person, or permit or authorize any such proceeds to be applied in a manner or for a purpose prohibited by any Sanctions applicable to it;
  - (B) fund all or part of any repayment under any this Agreement out of proceeds derived from transactions which would be prohibited by any Sanctions or would otherwise cause any person to be in breach of Sanctions or become a Restricted Person; or
  - (C) engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or breaches or attempts to breach, directly or indirectly, any Sanctions applicable to it.

(t) **Money laundering.** The Borrowers shall to the best of their knowledge and ability comply with any applicable law, official requirement or other regulatory measure or procedure implemented to combat “money laundering” (as defined in Article 1 of Directive 2005/60/EC of the European Parliament and of the Council) and comparable United States federal and state laws, including without limitation the PATRIOT Act and the Bank Secrecy Act.

(u) **Pension Plans.** Promptly upon the institution of a Plan, a Multiemployer Plan or a Foreign Pension Plan by a Borrower or an ERISA Affiliate, the Borrowers shall furnish or cause to be furnished to the Agent written notice thereof and, if requested by the Agent or any Lender, a copy of such Plan, Multiemployer Plan or Foreign Pension Plan.

(v) **Information provided to be accurate.** All financial and other information which is provided in writing by or on behalf of a Borrower or Pangaea under or in connection with any Finance Document shall be true and not misleading in any material respect and shall not omit any material fact or consideration.

(w) **Shareholder and creditor notices.** The Borrowers shall send the Agent, at the same time as they are dispatched, copies of all communications which are dispatched to its (i) shareholders (or equivalent) or any class of them or (ii) creditors generally.

(x) **Maintenance of Security Interests.** Each of the Borrowers shall:

- (i) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and
- (ii) without limiting the generality of paragraph (i), at its own cost, promptly register, file, record or enroll any Finance Document with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Finance Document, give any notice or take any other step which, in the opinion of the Lenders, is or has become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

(y) **“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 date of this Agreement;
- (ii) any change in the status of any Security Party after the date of this Agreement; or
- (iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (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 Borrowers shall promptly upon the request of the Agent or the Lender concerned supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or the Lender concerned (for itself or, in the case of the event described in paragraph (iii), on behalf of any prospective new Lender) in order for the Agent, the Lender concerned

or, in the case of the event described in paragraph (iii), any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

- (z) **Inspection reports.** The Borrowers shall procure that any report prepared by an independent inspector jointly appointed by the relevant Borrower and the relevant Charterer in respect of a Ship shall be provided to the Agent.
  - (aa) **Further assurances.** From time to time, at its expense, the Borrower shall duly execute and deliver to the Agent such further documents and assurances as the Lenders or the Agent may request to effectuate the purposes of this Agreement, the other Finance Documents or obtain the full benefit of any of the Collateral.
  - (bb) **Earnings Account.** As soon as practicable but no later than January 31, 2017 in respect of Bulk Nordic and January 31, 2018 in respect of Bulk Pride, each Borrower shall open its Earnings Account and execute an Earnings Account Pledge.
- 11.2 Negative covenants.** From the first Drawdown Date until the Total Commitments have terminated and all amounts payable hereunder have been paid in full each of the Borrowers undertakes with each Creditor Party to comply or cause compliance with the following provisions of this Clause 11.2 except as the Agent, with the consent of the Lenders, may approve from time to time in writing, such approval not to be unreasonably withheld:
- (a) **Security Interests.** Neither Borrower shall create, assume or permit to exist any Security Interest whatsoever upon any of its properties or assets, whether now owned or hereafter acquired, except for Permitted Security Interests.
  - (b) **Sale of assets; merger.** Neither Borrower shall sell, transfer or lease (other than in connection with a Charter) all or substantially all of its properties and assets, or enter into any transaction of merger or consolidation or liquidate, windup or dissolve itself (or suffer any liquidation or dissolution) **provided that** a Borrower may sell a Ship pursuant to the terms of Clause 11.2(q).
  - (c) **No contracts other than in ordinary course.** Neither Borrower shall enter into any transactions or series of related transactions with third parties other than in the ordinary course of its business.
  - (d) **Affiliate transactions.** Neither Borrower shall enter into any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate other than on terms and conditions substantially as favorable to such Borrower as would be obtainable by it at the time in a comparable arm’s-length transaction with a person other than an Affiliate.
  - (e) **Change of business.** Neither Borrower shall change the nature of its business or commence any business other than in connection with, or for the purpose of, owning and operating the Ships.
  - (f) **Change of Control; Negative pledge.** Neither Borrower shall permit, and shall cause each of Nordic Bulk Ventures Holding and Pangaea to not permit, any act, event or circumstance that would result in a Change of Control, and neither Borrower shall permit any pledge or assignment of its Equity Interests except in favor of the Security Trustee to secure the Secured Liabilities.
  - (g) **Increases in capital.** Neither Borrower shall permit an increase of its capital by way of the issuance of any class or series of Equity Interests or create any new class of Equity Interests that is not subject to a Security Interest to secure the Secured Liabilities.
  - (h) **Financial Indebtedness.** Neither Borrower shall incur any Financial Indebtedness other than (i) in respect of the Loan and (ii) subordinated loans permitted under Clause 11.1(r).
  - (i) **Dividends.** Neither Borrower shall, without the prior written consent of the Lenders, such consent not to be unreasonably withheld, declare or pay any dividends or return any capital to its equity holders or authorize or make any other distribution, payment or delivery of property or cash to its equity holders, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for value, any interest of any class or series of its Equity Interests (or acquire any rights, options or warrants relating thereto but not including convertible debt) now or hereafter outstanding, or repay any subordinated loans to equity holders or set aside any funds for any of the foregoing purposes, **provided that** each of the Borrowers is permitted to pay cash dividends on a bi-annual basis so long as no Event of Default has occurred and is continuing or would result from such dividend payment and such Borrower is in compliance with the financial covenants of Clause 12 and the Collateral Maintenance Ratio both before and after such dividend is paid.
  - (j) **No amendment to Time Charter.** Neither Borrower shall agree to any amendment or supplement to, or waive or fail to enforce, the relevant Time Charter or any of its provisions which would adversely affect in any material respect the interests of the Creditor Parties (or any of them) under or in respect of the Finance Documents.
  - (k) **Intentionally omitted.**
  - (l) **Loans and investments.** Neither Borrower shall make any loan or advance to, make any investment in, or enter into any working capital maintenance or similar agreement with respect to any person, whether by acquisition of Equity Interests or indebtedness, by loan, guarantee or otherwise, **provided that** the following loans or advances shall be permitted: (i) any trade credit extended to a Borrower in the ordinary course of business, (ii) any prepayment made by a Borrower for goods or services yet to be delivered in the ordinary course of business, or (iii) any other loan or advance to which the Agent has consented in writing.
  - (m) **Acquisition of capital assets.** Neither Borrower shall acquire any capital assets (including any vessel other than the Ships) by purchase, charter or otherwise, **provided that** for the avoidance of doubt nothing in this Clause 11.2(m) shall prevent or be deemed to prevent capital improvements being made to the Ships.
  - (n) **Sale and leaseback.** Neither Borrower shall enter into any arrangements, directly or indirectly, with any person whereby it shall sell or transfer any of its property, whether real or personal, whether now owned or hereafter acquired, if it, at the time of such sale or

disposition, intends to lease or otherwise acquire the right to use or possess (except by purchase) such property or like property for a substantially similar purpose.

- (o) **Changes to Fiscal Year and accounting policies.** Neither Borrower shall change its Fiscal Year or make or permit any change in accounting policies affecting (i) the presentation of financial statements or (ii) reporting practices, except in either case in accordance with GAAP or pursuant to the requirements of applicable laws or regulations.
- (p) **Jurisdiction of incorporation or formation; Amendment of constitutional documents.** Neither Borrower shall change the jurisdiction of its incorporation or formation or materially amend its constitutional documents.
- (q) **Sale of Ship.** Neither Borrower shall consummate the sale of its Ship without paying or causing to be paid all amounts due and owing under Clause 8.8 of this Agreement, as well as any other amounts due and owing under this Agreement and the other Finance Documents prior to or simultaneously with the consummation of such sale.
- (r) **Change of location.** Neither Borrower shall change the location of its chief executive office or the office where its corporate records are kept or open any new office for the conduct of its business on less than thirty (30) days prior written notice to the Agent.
- (s) **No employees; VAT group.**
  - (i) Neither Borrower shall have any employees.
  - (ii) Neither Borrower shall be or become a member of any VAT (value added tax) group.
- (t) **Negative pledge on barge.** For so long as Tranche D is outstanding, the Borrowers shall not incur any Financial Indebtedness on or with respect to the barge MISS NORA G. PEARL acquired by Venture Barge (U.S) Corp. on November 3, 2017.

## 11 FINANCIAL COVENANTS

**12.1 General.** From the first Drawdown Date until the Total Commitments have terminated and all amounts payable hereunder have been paid in full the Borrowers undertake with each Creditor Party to comply or cause compliance with the following provisions of this Clause 12 except as the Agent, with the consent of the Lenders, may approve from time to time in writing, such approval not to be unreasonably withheld.

### 12.2 Borrower's minimum liquidity requirements.

- (a) On each relevant Drawdown Date, the Borrowers and the Lender agree that the Lender shall retain the sum of \$250,000 from the Advance in respect of each Ship made on such Drawdown Date, which sum shall be deemed to satisfy the relevant Borrower's minimum liquidity requirement as from such Drawdown Date. Upon the Borrowers notifying the Lender that a Borrower has opened its Earnings Account, the Lender shall transfer to the Earnings Account the \$250,000 it retained from such Advance, and such Borrower shall maintain a minimum balance of \$250,000 in its Earnings Account until such time as such balance is increased pursuant to Clause 12.2(b); and
- (b) prior to the first anniversary of each Drawdown Date, the relevant Borrower shall increase the minimum balance in the Earnings Account to \$500,000 and at all times thereafter throughout the Security Period such Borrower shall maintain a minimum balance of \$500,000 in its Earnings Account.

**12.3 Positive Working Capital.** As of the first anniversary of the Drawdown Date and at all times thereafter during the Security Period, each of the Borrowers shall maintain Positive Working Capital.

## 12 MARINE INSURANCE COVENANTS

**13.1 General.** From the first Drawdown Date until the Total Commitments have terminated and all amounts payable hereunder have been paid in full, each of the Borrowers undertakes with each Creditor Party to comply or cause compliance with the following provisions of Clause 13.2 except as the Agent, with the consent of the Lenders, may approve from time to time in writing, such approval not to be unreasonably withheld.

**13.2 Maintenance of obligatory insurances.** Each Borrower shall keep the Ship owned by it insured at its expense for and against:

- (a) hull and machinery risks, plus freight interest and hull interest and any other usual marine risks such as excess risks;
- (b) war risks (including the London Blocking and Trapping addendum or similar arrangement);
- (c) full protection and indemnity risks (including liability for oil pollution and excess war risk P&I cover) on standard Club Rules, covered by a Protection and Indemnity association which is a member of the International Group of Protection and Indemnity Associations (or, if the International Group ceases to exist, any other leading protection and indemnity association or other leading provider of protection and indemnity insurance) (including, without limitation, the proportion (if any) of any collision liability not covered under the terms of the hull cover), or other with written consent from the Agent;
- (d) freight, demurrage & defense risks;
- (e) risks covered by mortgagee's interest insurance (M.I.I.) (as provided in Clause 13.16 below);
- (f) risks covered by mortgagee's interest additional perils (pollution) (M.A.P.) (as provided in Clause 13.16 below);

- (g) at the request of the Agent on behalf of the Lenders, risks covered by mortgagee's political risks/rights insurance (M.R.I.) (as provided in Clause 13.16 below; and
- (h) any other risks against which the Security Trustee considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Security Trustee be reasonable for the Borrowers to insure and which are specified by the Security Trustee by notice to the Borrowers (such as political risks and mortgage rights insurance).

**13.3 Terms of obligatory insurances.** Each Borrower shall affect such insurances in respect of the Ship owned by it:

- (a) in Dollars;
- (b) in the case of the insurances described in (a), (b), and (g) of Clause 13.2 shall each be for at least the greater of:
  - (i) 120% of the Loan; and
  - (ii) the Fair Market Value of the Ship;
- (c) in the case of oil pollution liability risks, for an aggregate amount equal to the greater of \$1,000,000,000 and the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market;
- (d) in relation to protection and indemnity risks in respect of the full tonnage of the Ship;
- (e) on approved terms; and
- (f) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations that are members of the International Group of P&I Clubs.

**13.4 Further protections for the Creditor Parties.** In addition to the terms set out in Clause 13.3, each Borrower shall procure that the obligatory insurances affected by it shall:

- (a) subject always to paragraph (b), name that Borrower as the sole named assured unless the interest of every other named assured is limited:
  - (i) in respect of any obligatory insurances for hull and machinery and war risks;
    - (A) to any provable out-of-pocket expenses that it has incurred and which form part of any recoverable claim on underwriters; and
    - (B) to any third party liability claims where cover for such claims is provided by the policy (and then only in respect of discharge of any claims made against it); and
  - (ii) in respect of any obligatory insurances for protection and indemnity risks, to any recoveries it is entitled to make by way of reimbursement following discharge of any third party liability claims made specifically against it;

and every other named assured has undertaken in writing to the Security Trustee (in such form as it requires) that any deductible shall be apportioned between that Borrower and every other named assured in proportion to the aggregate claims made or paid by each of them and that it shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances;

- (b) in the case of any obligatory insurances against any risks other than protection and indemnity risks, and whenever the Security Trustee requires, name (or be amended to name) the Security Trustee as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Security Trustee, but without the Security Trustee thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;
- (c) name the Security Trustee as first priority mortgagee and loss payee with such directions for payment as the Security Trustee may specify;
- (d) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Security Trustee shall be made without set-off, counterclaim or deductions or condition whatsoever;
- (e) provide that the obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Security Trustee or any other Creditor Party;
- (f) provide that the Security Trustee may make proof of loss if that Borrower fails to do so; and
- (g) provide that the deductible of the hull and machinery insurance is not higher than the amount agreed upon and stated in the loss payable clause.

**13.5 Renewal of obligatory insurances.** Each Borrower shall:

- (a) at least 30 days before the expiry of any obligatory insurance:



- (i) notify the Security Trustee of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom that Borrower proposes to renew that obligatory insurance and of the proposed terms of renewal; and
    - (ii) obtain the Security Trustee's approval to the matters referred to in paragraph (i);
  - (b) at least five (5) days before the expiry of any obligatory insurance, renew that obligatory insurance in accordance with the Security Trustee's approval pursuant to paragraph (a); and
  - (c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Security Trustee in writing of the terms and conditions of the renewal.
- 13.6 Copies of policies; letters of undertaking.** Each Borrower shall ensure that all approved brokers provide the Security Trustee with pro forma copies of all policies and cover notes relating to the obligatory insurances which they are to affect or renew and of a letter or letters or undertaking in a form required by the Security Trustee and including undertakings by the approved brokers that:
- (a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment in accordance with the requirements of the Insurance Assignment for that Borrower's Ship;
  - (b) they will hold such policies, and the benefit of such insurances, to the order of the Security Trustee in accordance with the said loss payable clause;
  - (c) they will advise the Security Trustee immediately of any material change to the terms of the obligatory insurances or if they cease to act as brokers;
  - (d) they will notify the Security Trustee, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from that Borrower or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Security Trustee of the terms of the instructions; and
  - (e) they will not set off against any sum recoverable in respect of a claim relating to the Ship owned by that Borrower under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of that Ship or otherwise, they waive any lien on the policies, or any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of that Ship forthwith upon being so requested by the Security Trustee.
- 13.7 Copies of certificates of entry.** Each Borrower shall ensure that any protection and indemnity and/or war risks associations in which the Ship owned by it is entered provides the Security Trustee with:
- (a) a certified copy of the certificate of entry for that Ship;
  - (b) a letter or letters of undertaking in such form as may be required by the Security Trustee; and
  - (c) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to that Ship.
- 13.8 Deposit of original policies.** Each Borrower shall ensure that all policies relating to obligatory insurances are deposited with the approved brokers through which the insurances are effected or renewed.
- 13.9 Payment of premiums.** Each Borrower shall punctually pay all premiums or other sums payable in respect of the obligatory insurances and produce all relevant receipts when so required by the Security Trustee.
- 13.10 Guarantees.** Each Borrower shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.
- 13.11 Compliance with terms of insurances.** Neither Borrower shall do nor omit to do (nor permit to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable under an obligatory insurance repayable in whole or in part; and, in particular:
- (a) each Borrower shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 13.6(c)) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Security Trustee has not given its prior approval;
  - (b) Neither Borrower shall make any changes relating to the classification or Classification Society or manager or operator of the Ship owned by it unless approved by the underwriters of the obligatory insurances;
  - (c) each Borrower shall make (and promptly supply copies to the Agent of) all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and
  - (d) Neither Borrower shall employ the Ship owned by it, nor allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

**13.12 Alteration to terms of insurances.** Neither Borrower shall make or agree to any alteration to the terms of any obligatory insurance nor waive any right relating to any obligatory insurance.

**13.13 Settlement of claims.** Neither Borrower shall settle, compromise or abandon any claim under any obligatory insurance for Total Loss or for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Security Trustee to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

**13.14 Provision of copies of communications.** Upon specific request of the Security Trustee the Borrower shall provide the Security Trustee, at the time of each such communication, copies of all written communications between that Borrower and:

- (a) the approved brokers;
- (b) the approved protection and indemnity and/or war risks associations;
- (c) the approved insurance companies and/or underwriters, which relate directly or indirectly to:
  - (i) that Borrower's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and
  - (ii) any credit arrangements made between that Borrower and any of the persons referred to in paragraphs (a) or (b) relating wholly or partly to the effecting or maintenance of the obligatory insurances; and
- (d) any parties involved in case of a claim under any of insurances relating to the Ship.

**13.15 Provision of information.** In addition, each Borrower shall promptly provide (and in no event less than 15 days prior to the relevant Drawdown Date) the Security Trustee (or any persons which it may designate) with any information which the Security Trustee (or any such designated person) requests for the purpose of:

- (a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or
- (b) effecting, maintaining or renewing any such insurances as are referred to in Clause 13.16 or dealing with or considering any matters relating to any such insurances;

and that Borrower shall, forthwith upon demand, indemnify the Security Trustee in respect of all fees and other expenses incurred by or for the account of the Security Trustee in connection with any such report as is referred to in paragraph (a).

**13.16 Mortgagee's interest, additional perils and political risk insurances.** The Security Trustee shall be entitled to effect, maintain and renew (i) mortgagee's interest marine insurance, (ii) mortgagee's interest additional perils insurance and/or (iii) mortgagee's political risks / rights insurance in such amounts (up to 120% of the Loan), on such terms, through such insurers and generally in such manner as the Security Trustee may from time to time consider appropriate and the Borrowers shall upon demand fully indemnify the Security Trustee in respect of all premiums and other expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

**13.17 Review of insurance requirements.** The Security Trustee may and, on instruction of the Lenders, shall review, at the expense of the Borrowers, the requirements of this Clause 13 from time to time in order to take account of any changes in circumstances after the date of this Agreement which are, in the opinion of the Agent or the Lenders significant and capable of affecting the relevant Borrower or the relevant Ship and its insurance (including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which the relevant Borrower may be subject.)

**13.18 Modification of insurance requirements.** The Security Trustee shall notify the Borrowers of any proposed modification under Clause 13.17 to the requirements of this Clause 13 which the Security Trustee may or, on instruction of the Lenders, shall reasonably consider appropriate in the circumstances and such modification shall take effect on and from the date it is notified in writing to the Borrowers as an amendment to this Clause 13 and shall bind the Borrowers accordingly.

### **13 SHIP COVENANTS**

**14.1 General.** From the first Drawdown Date until the Total Commitments have terminated and all amounts payable hereunder have been paid in full, each of the Borrowers undertakes with each Creditor Party to comply or cause compliance with the following provisions of this Clause 14 except as the Agent, with the consent of the Lenders, may approve from time to time in writing, such approval not to be unreasonably withheld.

**14.2 Ship's name and registration.** Each Borrower shall:

- (a) keep the Ship owned by it registered in its name under the law of the Approved Flag on which it was registered when the Advance relating to such Ship was made;
- (b) not do, omit to do or allow to be done anything as a result of which such registration might be cancelled or imperiled; and
- (c) not change the name or port of registry of such Ship on which it was registered or documented when it became subject to the Mortgage.

**14.3 Repair and classification.** Each Borrower shall keep the Ship owned by it in a good and safe condition and state of repair:

- (a) consistent with first-class ship ownership and management practice;
- (b) so as to maintain the highest class for that Ship with the Classification Society, free of overdue recommendations and conditions; and
- (c) so as to comply with all laws and regulations applicable to vessels registered under the law of the Approved Flag on which that Ship is registered or to vessels trading to any jurisdiction to which that Ship may trade from time to time, including but not limited to the ISM Code and the ISPS Code,

and the Borrowers shall notify the Creditor Parties of the class and the Classification Society of each Ship not less than 15 days prior to the relevant Drawdown Date.

**14.4 Classification Society instructions and undertaking.** Each Borrower shall instruct the Classification Society referred to in Clause 14.3(b) and procure that the Classification Society undertakes with the Security Trustee:

- (a) to send to the Security Trustee, following receipt of a written request from the Security Trustee, certified true copies of all original class records held by the Classification Society in relation to each Ship;
- (b) to allow the Security Trustee (or its agents), at any time and from time to time, to inspect the original class and related records of that Borrower and the Ship owned by it either (i) electronically (through the Classification Society directly or by way of indirect access via the Borrowers' account manager and designating the Security Trustee as a user or administrator of the system under its account) or (ii) in person at the offices of the Classification Society, and to take copies of them electronically or otherwise;
- (c) to notify the Security Trustee immediately by Email to Jan-Willem Schellingerhout ([Jan-Willem.Schellingerhout@nibc.com](mailto:Jan-Willem.Schellingerhout@nibc.com)) and Willem Jongbloed ([Willem.Jongbloed@nibc.com](mailto:Willem.Jongbloed@nibc.com)) if the Classification Society:
  - (i) receives notification from that Borrower or any other person that such Ship's Classification Society is to be changed;
  - (ii) imposes a condition of class or issues a class recommendation in respect of that Ship; or
  - (iii) becomes aware of any facts or matters which may result in or have resulted in a change, suspension, discontinuance, withdrawal or expiry of that Ship's class under the rules or terms and conditions of that Borrower's or the Ship's membership of the Classification Society;
- (d) following receipt of a written request from the Security Trustee:
  - (i) to confirm that such Borrower is not in default of any of its contractual obligations or liabilities to the Classification Society and, without limiting the foregoing, that it has paid in full all fees or other charges due and payable to the Classification Society; or
  - (ii) if that Borrower is in default of any of its contractual obligations or liabilities to the Classification Society, to specify to the Security Trustee in reasonable detail the facts and circumstances of such default, the consequences of such default, and any remedy period agreed or allowed by the Classification Society.

**14.5 Modification.** Neither Borrower shall make any modification or repairs to, or replacement of, the equipment installed on the Ship owned by it which would or is reasonably likely to materially alter the structure, type or performance characteristics of that Ship or materially reduce its value.

**14.6 Removal of parts.** Neither Borrower shall remove any material part of the Ship owned by it, or any item of equipment installed on, that Ship unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favor of any person other than the Security Trustee and becomes on installation on that Ship, the property of the Borrower and subject to the security constituted by the Mortgage, **provided that** a Borrower may install and remove equipment owned by a third party if the equipment can be removed without any risk of damage to the Ship owned by it.

**14.7 Surveys.** Each Borrower, at its sole expense, shall submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Security Trustee, provide the Security Trustee, at that Borrower's sole expense, with copies of all survey reports.

**14.8 Inspection.** Unless an Event of Default has occurred and is continuing, not more than once per year, each Borrower shall permit the Security Trustee (by surveyors or other persons appointed by it for that purpose at the cost of such Borrower) to board the Ship owned by it at all reasonable times to inspect its condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections. The Security Trustee shall use reasonable efforts to ensure that the operation of the Ship is not adversely affected as a result of such inspections.

**14.9 Prevention of and release from arrest.** Each Borrower shall promptly discharge or contest in good faith with appropriate proceedings:

- (a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, the Earnings or the Insurances other than Permitted Security Interests;
- (b) all taxes, dues and other amounts charged in respect of the Ship owned by it, the Earnings or the Insurances; and
- (c) all other accounts payable whatsoever in respect of the Ship owned by it, the Earnings or the Insurances,

and, forthwith (and in no event more than 30 days) upon receiving notice of the arrest of the Ship owned by it, or of its detention in exercise or purported exercise of any lien or claim, that Borrower shall procure its release by providing bail or otherwise as the circumstances may require.

**14.10 Compliance with laws etc.** Each Borrower shall, and shall cause any Security Party and any Approved Manager to:

- (a) comply, or procure compliance with, all laws or regulations:
  - (i) relating to its business generally; or
  - (ii) relating to the ownership, employment, operation and management of the Ship owned by it,including but not limited to the ISM Code, the ISPS Code, all Environmental Laws and all Sanctions;
- (b) without prejudice to the generality of paragraph (a) above, not employ the Ship owned by it nor allow its employment in any manner contrary to any laws or regulations, including but not limited to the ISM Code, the ISPS Code, all Environmental Laws and all Sanctions, and shall not permit the ship to be employed by or for the benefit of a Restricted Person or in any country or territory that at such time is the subject of Sanctions;
- (c) ensure that neither Borrower nor any Security Party nor any Approved Manager is or shall be a person with which the Lenders are prohibited from dealing or otherwise engaging in any transaction pursuant to Sanctions; and
- (d) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit the Ship owned by it to enter or trade to any zone which is declared a war zone by any government or by that Ship's war risks insurers unless prior written notification has been provided to the Security Trustee and that Borrower has (at its expense) effected any special, additional or modified insurance cover which that Ship's war risks insurers may require.

**14.11 Provision of information.** Each Borrower shall promptly provide the Security Trustee with any information which it requests regarding:

- (a) the Ship, its employment, position and engagements;
- (b) the Earnings and payments and amounts due to the Ship's master and crew;
- (c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of the Ship and any payments made in respect of the Ship;
- (d) any towages and salvages;
- (e) the Borrower's, the Approved Manager's and the Ship's compliance with the ISM Code and the ISPS Code; and
- (f) statements of the Earnings Account,

and, upon the Security Trustee's request, provide copies of any current Charter relating to the Ship and copies of the Borrower's or the Approved Manager's Document of Compliance.

**14.12 Notification of certain events.** Each Borrower shall immediately notify the Security Trustee by fax or Email, confirmed forthwith by letter, of:

- (a) any casualty which is or is likely to be or to become a Major Casualty;
- (b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;
- (c) any requirement or condition made by any insurer or classification society or by any competent authority which is not immediately complied with;
- (d) any arrest or detention of the Ship owned by it, any exercise or purported exercise of any Security Interest on that Ship or the Earnings or any requisition of that Ship for hire;
- (e) any intended dry docking of the Ship owned by it;
- (f) any Environmental Claim made against that Borrower or in connection with the Ship owned by it, or any Environmental Incident;
- (g) any claim for breach of the ISM Code or the ISPS Code being made against that Borrower, the Approved Manager or otherwise in connection with the Ship owned by it; or
- (h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with;

and that Borrower shall keep the Security Trustee advised in writing on a regular basis and in such detail as the Security Trustee shall require of the Borrower's, the Approved Manager's or any other person's response to any of those events or matters.

**14.13 Restrictions on chartering, appointment of managers etc.** None of the Borrower shall:

- (a) let the Ship owned by it on demise charter for any period;
- (b) enter into any time or consecutive voyage charter in respect of the Ship for a term which exceeds, or which by virtue of any optional extensions may exceed, 13 months (except pursuant to the relevant Time Charter);
- (c) enter into any charter in relation to that Ship under which more than two (2) months' hire (or the equivalent) is payable in advance;
- (d) charter that Ship otherwise than on bona fide arm's length terms at the time when that Ship is fixed;
- (e) appoint a manager of the Ship other than the Approved Manager or agree to any alteration to the terms of the Approved Management Agreement;
- (f) de-activate or lay up that Ship;
- (g) change the Classification Society;
- (h) put that Ship into the possession of any person for the purpose of work being done upon it in an amount exceeding or likely to exceed \$1,500,000 (or the equivalent in any other currency) without the prior written consent of the Security Trustee, unless that person has first given to the Security Trustee and in terms satisfactory to it a written undertaking not to exercise any Security Interest on that Ship or the Earnings for the cost of such work or for any other reason; or
- (i) permit the Ship to carry nuclear waste or material.

**14.14 Copies of Charters; charter assignment.** Provided that all approvals necessary under Clause 14.13 have been previously obtained, each Borrower shall:

- (a) furnish promptly to the Agent a true and complete copy of any Charter for the Ship owned by it, all other documents related thereto and a true and complete copy of each material amendment or other modification thereof; and
- (b) in respect of any such Charter, execute and deliver to the Agent an assignment of charter in Agreed Form and use reasonable commercial efforts to cause the charterer to execute and deliver to the Security Trustee a consent and acknowledgement to such assignment of charter in the form required thereby.

**14.15 Notice of Mortgage.** The Borrower shall keep the Mortgage registered against the Ship owned by it as a valid first preferred mortgage, carry on board that Ship a certified copy of the Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of that Ship a framed printed notice stating that such Ship is mortgaged by the Borrower to the Security Trustee.

**14.16 Sharing of Earnings.** Neither Borrower shall not enter into any agreement or arrangement for the sharing of any Earnings other than the relevant Time Charter.

**14.17 ISPS Code.** The Borrower shall comply with the ISPS Code and in particular, without limitation, shall:

- (a) procure that the Ship owned by it and the company responsible for that Ship's compliance with the ISPS Code comply with the ISPS Code; and
- (b) maintain for the Ship an ISSC; and
- (c) notify the Agent immediately in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC.

**14.18 Green Passport.** Each of the Borrowers shall procure that it has obtained a Green Passport, or equivalent document acceptable to the Agent, in respect of the Ship owned by it which shall be maintained throughout the Security Period. Bulk Pride further agrees that it shall obtain such Green Passport for its Ship as soon as possible after the Drawdown Date for the Advance relating to such Ship but in no event later than the next special survey for such Ship.

**14.19 Green scrapping.** Each of the Borrowers shall, and shall procure that the Guarantor shall, develop and implement a policy within 12 months after the Effective Date that provides that, subject to a cost feasibility analysis, any scrapping of the Ship owned by it shall be carried out (during a period under which the ship is (ultimately) owned by Guarantor) in compliance with (i) the International Maritime Organization's convention for the Safe and Environmentally Sound Recycling of ships and (ii) the guidelines to be issued by the International Maritime Organization in connection with such convention.

## 14 COLLATERAL MAINTENANCE RATIO

**15.1 General.** From the first Drawdown Date until the Total Commitments have terminated and all amounts payable hereunder have been paid in full, the Borrowers undertake with each Creditor Party to comply with the following provisions of this Clause 15 except as the Agent, with the consent of the Lenders, may approve from time to time in writing, such approval not to be unreasonably withheld.

**15.2 Collateral Maintenance Ratio.** If, at any time, the Agent notifies the Borrowers that:

- (a) the Fair Market Value of the Ships; plus
- (b) the net realizable value of any additional Collateral previously provided under this Clause 15,

is below:

- (i) during the period commencing on second Drawdown Date and ending on December 31, 2018, 110% of the Loan;
- (ii) during the period commencing on January 1, 2019 and ending on December 31, 2019, 125% of the Loan;
- (iii) during the period commencing on January 1, 2020 and ending on December 31, 2020, 130% of the Loan; and
- (iv) at all times thereafter, 140%;

(such ratio being the “**Collateral Maintenance Ratio**”), the Agent (acting upon the instruction of the Lenders) shall have the right to require the Borrowers to comply with the requirements of Clause 15.4.

**15.3 Provision of additional security; prepayment.** If the Agent serves a notice on the Borrowers under Clause 15.3, the Borrowers shall prepay such part (at least) of the Loan as will eliminate the shortfall on or before the date falling one (1) month after the date on which the Agent’s notice is served under Clause 15.3 (the “**Prepayment Date**”) unless at least three (3) Business Days before the Prepayment Date it has (a) provided, or ensured that a third party has provided, additional Collateral which, in the opinion of the Lenders, has a net realizable value at least equal to the shortfall and which has been documented in such terms as the Agent may, with the authorization of the Lenders, approve or require, or (b) paid to the Retention Account, or paid a secured cash deposit to the Agent, an amount equal to such shortfall.

**15.4 Value of additional vessel security.** The net realizable value of any additional Collateral which is provided under Clause 15.4 and which consists of a Security Interest over a vessel shall be that shown by a valuation complying with the definition of Fair Market Value.

**15.5 Valuations binding.** Any valuation under Clause 15.4 or 15.5 shall be binding and conclusive as regards the Borrowers, as shall be any valuation which the Lenders make of any additional security which does not consist of or include a Security Interest.

**15.6 Provision of information.** The Borrowers shall promptly provide the Agent and any Approved Broker or other expert acting under Clause 15.5 with any information which the Agent or the Approved Broker or other expert may request for the purposes of the valuation; and, if the Borrowers fails to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which the Approved Broker or the Lenders (or the expert appointed by them) consider prudent.

**15.7 Payment of valuation expenses.** Without prejudice to the generality of the Borrowers’ obligations under Clauses 21.2, 21.3 and 22.3, the Borrowers shall, on demand, pay the Agent the amount of the fees and expenses of any Approved Broker or other expert instructed by the Agent under this Clause 15 and all legal and other expenses incurred by any Creditor Party in connection with any matter arising out of this Clause 15.

**15.8 Application of prepayment.** Clause 8 shall not apply in relation to any prepayment pursuant to Clause 15.3.

## **15 INTENTIONALLY OMITTED**

## **16 PAYMENTS AND CALCULATIONS**

**17.1 Currency and method of payments.** All payments to be made by the Lenders or by the Security Parties under a Finance Document shall be made to the Agent or to the Security Trustee, in the case of an amount payable to it:

- (a) by not later than 11:00 a.m. (New York City time) on the due date;
- (b) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Agent shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement);
- (c) in the case of an amount payable by a Lender to the Agent or by another Security Party to the Agent or any Lender, to the account of the Agent at The Bank of New York, New York, SWIFT ID No. IRVTUS3N, for the account of NIBC Bank N.V. All Branches (SWIFT ID No. DNIBNL2G, Account No. 8900647140, Reference: BULK NORDIC SIX LTD. – BULK PRIDE CORP.), or to such other account with such other bank as the Agent may from time to time notify to the Borrowers, the other Security Parties and the other Creditor Parties; and
- (d) in the case of an amount payable to the Security Trustee, to such account as it may from time to time notify to the Borrowers and the other Creditor Parties.

**17.2 Payment on non-Business Day.** If any payment by a Security Party under a Finance Document would otherwise fall due on a day which is not a Business Day:

- (a) the due date shall be extended to the next succeeding Business Day; or
- (b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day;

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

- 17.3 Basis for calculation of periodic payments.** All interest and commitment fee and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.
- 17.4 Distribution of payments to Creditor Parties.** Subject to Clauses 17.5, 17.6 and 17.7:
- (a) any amount received by the Agent under a Finance Document for distribution or remittance to a Lender or the Security Trustee shall be made available by the Agent to that Lender or, as the case may be, the Security Trustee by payment, with funds having the same value as the funds received, to such account as the Lender or the Security Trustee may have notified to the Agent not less than five (5) Business Days previously; and
  - (b) amounts to be applied in satisfying amounts of a particular category which are due to the Lenders generally shall be distributed by the Agent to each Lender pro rata to the amount in that category which is due to it.
- 17.5 Permitted deductions by Agent.** Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent may, before making an amount available to a Lender, deduct and withhold from that amount any sum which is then due and payable to the Agent from that Lender under any Finance Document or any sum which the Agent is then entitled under any Finance Document to require that Lender to pay on demand.
- 17.6 Agent only obliged to pay when monies received.** Notwithstanding any other provision of this Agreement or any other Finance Document, the Agent shall not be obliged to make available to the Borrowers or any Lender any sum which the Agent is expecting to receive for remittance or distribution to the Borrowers or that Lender until the Agent has satisfied itself that it has received that sum.
- 17.7 Refund to Agent of monies not received.** If and to the extent that the Agent makes available a sum to the Borrowers or a Lender, without first having received that sum, the Borrowers or (as the case may be) the Lender concerned shall, on demand:
- (a) refund the sum in full to the Agent; and
  - (b) pay to the Agent the amount (as certified by the Agent) which will indemnify the Agent against any funding or other loss, liability or expense incurred by the Agent as a result of making the sum available before receiving it.
- 17.8 Agent may assume receipt.** Clause 17.7 shall not affect any claim which the Agent has under the law of restitution, and applies irrespective of whether the Agent had any form of notice that it had not received the sum which it made available.
- 17.9 Creditor Party accounts.** Each Creditor Party shall maintain accounts showing the amounts owing to it by the Borrowers and each other Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any other Security Party.
- 17.10 Agent's memorandum account.** The Agent shall maintain a memorandum account showing the amounts advanced by the Lenders and all other sums owing to the Agent, the Security Trustee and each Lender from the Borrowers and each other Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any other Security Party.
- 17.11 Accounts prima facie evidence.** If any accounts maintained under Clauses 17.9 and 17.10 show an amount to be owing by the Borrowers or any other Security Party to a Creditor Party, those accounts shall be prima facie evidence that that amount is owing to that Creditor Party.

## **17 APPLICATION OF RECEIPTS**

- 18.1 Normal order of application.** Except as any Finance Document may otherwise provide, any sums which are received or recovered by any Creditor Party under or by virtue of any Finance Document shall be applied:
- (a) **FIRST:** in or towards satisfaction of any amounts then due and payable under the Finance Documents in the following order and proportions:
    - (i) *first*, in or towards satisfaction pro rata of all amounts then due and payable to the Creditor Parties under the Finance Documents other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by the Borrowers under Clauses 21, 22 and 23 of this Agreement or by the Borrowers or any other Security Party under any corresponding or similar provision in any other Finance Document);
    - (ii) *second*, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Creditor Parties under the Finance Documents; and
    - (iii) *third*, in or towards satisfaction pro rata of each Tranche of the Loan;
  - (b) **SECOND:** in retention of an amount equal to any amount not then due and payable under any Finance Document but which the Agent, by notice to the Borrowers, the other Security Parties and the other Creditor Parties, states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the provisions of Clause 18.1(a), **provided** that the Agent shall not retain any such amounts in excess of 180 days; and
  - (c) **THIRD:** provided that no Event of Default has occurred and is continuing, any surplus shall be paid to the Borrowers or to any other person appearing to be entitled to it.
- 18.2 Variation of order of application.** The Agent may, with the authorization of the Lenders, by notice to the Borrowers, the other

Security Parties and the other Creditor Parties provide for a different manner of application from that set out in Clause 18.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

**18.3 Notice of variation of order of application.** The Agent may give notices under Clause 18.2 from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Business Day before the date on which the notice is served.

**18.4 Appropriation rights overridden.** This Clause 18 and any notice which the Agent gives under Clause 18.2 shall override any right of appropriation possessed, and any appropriation made, by the Borrowers or any other Security Party.

**18.5 Payments in excess of Contribution.**

- (a) If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, counterclaim or otherwise) in excess of its Contribution, such Lender shall forthwith purchase from the other Lenders such participation in their respective Contributions as shall be necessary to share the excess payment ratably with each of them, **provided that** if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (a) the amount of such Lender's required repayment to (b) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered.
- (b) The Borrowers agree that any Lender so purchasing a participation from another Lender pursuant to this Clause 18.5 may, to the fullest extent permitted by law, exercise all of its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrowers in the amount of such participation.
- (c) Notwithstanding paragraphs (a) and (b) of this Clause 18.5, any Lender which shall have commenced or joined (as a plaintiff) in an action or proceeding in any court to recover sums due to it under any Finance Document and pursuant to a judgment obtained therein or a settlement or compromise of that action or proceeding shall have received any amount, such Lender shall not be required to share any proportion of that amount with a Lender which has the legal right to, but does not, join such action or proceeding or commence and diligently prosecute a separate action or proceeding to enforce its rights in the same or another court.
- (d) Each Lender exercising or contemplating exercising any rights giving rise to a receipt or receiving any payment of the type referred to in this Clause 18.5 or instituting legal proceedings to recover sums owing to it under this Agreement shall, as soon as reasonably practicable thereafter, give notice thereof to the Agent who shall give notice to the other Lenders.

## **18 APPLICATION OF EARNINGS**

**19.1 General.** From the first Drawdown Date until the Total Commitments have terminated and all amounts payable hereunder have been paid in full, each of the Borrowers undertakes with each Creditor Party to comply or cause compliance with the following provisions of this Clause 19 except as the Agent, with the consent of the Lenders, may approve from time to time in writing, such approval not to be unreasonably withheld.

**19.2 Payment of Earnings.**

- (a) Each of the Borrowers undertakes with each Creditor Party to ensure that, subject only to the provisions of the relevant Time Charter Assignment or the relevant Earnings Assignment, all Earnings of the Ship owned by it are paid to such Borrower's Earnings Account.
- (b) Each of the Borrowers shall procure and deliver to the Agent an account statement showing the balance retained in the relevant Earnings Account for inclusion with each Compliance Certificate required to be delivered under Clause 11.1(g)(iv).

**19.3 Use of Earnings in Earnings Account.** Provided that no Event of Default has occurred and is continuing and that the minimum balances required by Clause 12.2 are maintained as required, each Borrower shall be entitled to withdraw the Earnings from its Earnings Account to pay for the operation of the Ship owned by it and to pay the repayment installments specified in Clause 8.1 and the interest payable under Clause 5.2.

**19.4 Retention Account.** Upon the occurrence and during the continuance of an Event of Default, the Borrowers shall transfer to the Retention Account out of the Earnings received in the Earnings Accounts during the preceding month the aggregate amount of:

- (a) one-third of the amount of the repayment installment falling due under Clause 8 on the next Repayment Date; and
- (b) the relevant fraction of the aggregate amount of interest on the Loan which is payable on the next due date for payment of interest under this Agreement.

On each Repayment Date occurring during the continuance of any such Event of Default, the Agent shall apply the funds in the Retention Account to the repayment installment falling due under Clause 8 on such Repayment Date.

**19.5 Pledge of rights in and to the Retention Account.** As security for the Secured Liabilities and the performance and observance of and compliance with the covenants, terms and conditions contained in the Finance Documents and any Master Agreement made between either Borrower and the Swap Bank, each of the Borrowers hereby pledges and grants to the Security Trustee, for the benefit of the Lenders and the Swap Bank, a continuing, first priority security interest in and to all of its right, title and interest in and to the following property, whether now owned or existing or hereafter from time to time acquired or coming into existence (collectively, the "**Retention Account Collateral**");



- (a) all funds held in or credited to the Retention Account and allocated to that Borrower by the Account Holder by means of a virtual account designated as “Bulk Nordic Six Ltd. - - Bulk Pride Corp. - Retention Account”, all rights to renew or withdraw the same from such Retention Account, and all certificates and instruments, if any, from time to time representing or evidencing such funds;
- (b) any interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Retention Account Collateral; and
- (c) all proceeds of any and all of the Retention Account Collateral.

Each of the Borrower agrees that at any time and from time to time, at the expense of the Borrowers, each Borrower will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Security Trustee may reasonably request in writing, in order to perfect and protect any Security Interest granted or purported to be granted hereby or to enable the Security Trustee to exercise and enforce its rights and remedies hereunder with respect to any Retention Account Collateral.

Each of the Borrower agrees that it will not (a) sell, assign (by operation of law or otherwise), or otherwise dispose of, or grant any option with respect to, any of the Retention Account Collateral, or (b) create or permit to exist any Security Interest in the Retention Account Collateral except the Security Interest created by this Agreement or as otherwise contemplated by this Agreement.

**19.6 Location of Earnings Account and Retention Account.** The Borrowers shall promptly:

- (a) comply, or cause the compliance, with any requirement of the Agent as to the location or re-location of each of the Earnings Accounts and the Retention Account, and without limiting the foregoing, each Borrower agrees to segregate, or cause the segregation of, each of the relevant Earnings Account and the Retention Account from the banking platform on which their other accounts are located or designated; and
- (b) execute, or cause the execution of, any documents which the Agent specifies to create or maintain in favor of the Security Trustee a Security Interest over (and/or rights of set-off, consolidation or other rights in relation to) each of the Earnings Accounts and the Retention Account.

**19.7 Debits for expenses etc.** Upon the occurrence and during the continuance of an Event of Default, the Agent shall be entitled (but not obliged) from time to time to debit the Earnings Accounts and/or the Retention Account without prior notice in order to discharge any amount due and payable under Clause 21 or 22 to a Creditor Party or payment of which any Creditor Party has become entitled to demand under Clause 21 or 22.

**19.8 Borrower’s obligations unaffected.** The provisions of this Clause 19 do not affect:

- (a) the liability of the Borrowers to make payments of principal and interest on the due dates; or
- (b) any other liability or obligation of the Borrowers or any other Security Party under any Finance Document.

**19 EVENTS OF DEFAULT**

**20.1 Events of Default.** An Event of Default occurs if:

- (a) a Borrower or any other Security Party fails to pay when due any sum payable under a Finance Document to which it is a party or, only in the case of sums payable on demand, within three (3) Business Days after the date when first demanded; or
- (b) any breach occurs of any of Clauses 8.8, 9.2, 10.22, 11.1(b), 11.1(c), 11.1(d), 11.1(g), 11.1(k), 11.1(s), 11.1(t), 11.1(y), 11.2, 12.2 or 12.3; or
- (c) any breach by a Borrower or any other Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraphs (a), (b), (d), (e) or (n) of this Clause 20.1) which is capable of remedy, and such default continues unremedied 15 days after written notice from the Agent requesting action to remedy the same; or
- (d) (subject to any applicable grace period specified in a Finance Document) any breach by a Borrower or any other Security Party occurs of any provision of a Finance Document (other than a breach falling within paragraphs (a), (b), (c) or (e) of this Clause 20.1); or
- (e) any representation, warranty or statement made or repeated by, or by an officer or director or other authorized person of, a Borrower or any other Security Party in a Finance Document or in a Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading in any material respect when it is made or repeated; or
- (f) an event of default, or an event or circumstance which, with the giving of any notice, the lapse of time or both would constitute an event of default, has occurred on the part of:
  - (i) a Borrower or Nordic Bulk Ventures Holding under any contract or agreement (other than the Finance Documents) to which such person is a party, and, in respect of any payment default, the value of which is or exceeds \$250,000 and such event of default has not been cured within any applicable grace period; or
  - (ii) the Guarantor under any contract or agreement (other than the Finance Documents) to which the Guarantor is a party, and, in respect of any payment default, the value of which is or exceeds \$5,000,000 and such event of default has not been cured within any applicable grace period;

For the avoidance of doubt, any event of default other than a payment default shall not be subject to the thresholds set forth herein;

- (g) a Borrower or any of its respective directors or officers becomes a Restricted Person;
- (h) a Security Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or
- (i) any proceeding shall be instituted by or against a Security Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and solely in the case of an involuntary proceeding:
  - (i) such proceeding shall remain undismissed or unstayed for a period of 60 days; or
  - (ii) any of the actions sought in such involuntary proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or
- (j) more than 25% of the undertakings, assets, rights or revenues of, or shares or other ownership interest in, a Security Party are seized, nationalized, expropriated or compulsorily acquired by or under authority of any government; or
- (k) a creditor attaches or takes possession of, or a distress, execution, sequestration or process (each an “**action**”) is levied or enforced upon or sued out against, more than 25% of the undertakings, assets, rights or revenues (the “**assets**”) of a Security Party in relation to a claim by such creditor which, in the reasonable opinion of the Lenders, is likely to materially and adversely affect the ability of such Security Party to perform all or any of its obligations under or otherwise to comply with the terms of any Finance Document to which it is a party and such person does not procure that such action is lifted, released or expunged within 14 Business Days of such action being (i) instituted and (ii) notified to such Security Party; or
- (l) any judgment or order for the payment of money individually or in the aggregate in excess of \$1,000,000 (exclusive of any amounts fully covered by insurance (less any applicable deductible) and as to which the insurer has acknowledged its responsibility to cover such judgment or order) shall be rendered against a Security Party and such judgment shall not have been vacated or discharged or stayed or bonded pending appeal within 30 days after the entry thereof or enforcement proceedings shall have been commenced by any creditor upon such judgment or order; or
- (m) a Security Party ceases or suspends or threatens to cease or suspend the carrying on of its business, or a part of its business which, in the reasonable opinion of the Lenders, is material in the context of this Agreement, except in the case of a sale or a proposed sale of a Ship by a Borrower; or
- (n) a Ship becomes a Total Loss or suffers a Major Casualty and (i) in the case of a Total Loss, insurance proceeds are not collected or received by the Security Trustee from the underwriters within 120 days of the Total Loss Date; or (ii) in the case of a Major Casualty, that Ship has not been otherwise repaired in a reasonably timely and proper manner under the prevailing circumstances; or
- (o) it becomes unlawful in any Pertinent Jurisdiction or impossible:
  - (i) for any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Lenders consider material under a Finance Document;
  - (ii) for the Agent, the Security Trustee, the Arranger, the Swap Bank or the Lenders to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or
- (p) any consent necessary to enable a Borrower to own, operate or charter the Ship owned by it or to enable a Borrower or any other Security Party to comply with any material provision of a Finance Document is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled; or
- (q) any material provision of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or
- (r) the security constituted by a Finance Document is in any way imperiled or in jeopardy; or
- (s) there occurs the cancellation or termination of a Time Charter, unless such contract of employment is replaced with a substitute contract of employment with the consent of the Lenders (such consent not to be unreasonably withheld); or
- (t) there occurs or develops a change in the financial position, business or prospects of a Borrower, Nordic Bulk Ventures Holding or the Guarantor which, in the reasonable opinion of the Lenders, has a material adverse effect on such person’s ability to discharge its liabilities under the Finance Documents as they fall due; or
- (u) the results of any survey or inspection of a Ship pursuant to Clause 14.7 or 14.8 are deemed unsatisfactory by the Lenders in their reasonable discretion after giving due consideration to the type and age of that Ship and whether such results materially adversely affect that Ship’s Fair Market Value or safe operation, unless such survey or inspection is revised to the reasonable satisfaction of the Lenders within 60 days of the date that a copy of the original inspection is delivered by the Borrower to the Agent; or

- (v) a Ship is off charter for a continuous period of 30 days at any time, or for an aggregate of 60 days in any 12 month period; or
- (w) a Change of Control shall have occurred; or
- (x) there is political instability in the Ship's flag state or a Borrower's place of incorporation which, in the reasonable opinion of the Lenders, has a material adverse effect on the ability of the Borrower to perform its obligations under the Finance Documents to which it is a party and the relevant Borrower shall not transfer registration of its Ship to a flag state which is reasonably acceptable to the Lenders within 60 days.

**20.2 Actions following an Event of Default.** On, or at any time after and during the continuance of, the occurrence of an Event of Default:

- (a) the Agent may, and if so instructed by the Lenders, the Agent shall:
  - (i) serve on the Borrowers a notice stating that the Commitments and all other obligations of each Lender to the Borrowers under this Agreement are cancelled; and/or
  - (ii) serve on the Borrowers a notice stating that the Loan, together with accrued interest and all other amounts accrued or owing under this Agreement, are immediately due and payable or are due and payable on demand, **provided that** in the case of an Event of Default under either of Clauses 20.1(h) or (i), the Loan and all accrued interest and other amounts accrued or owing hereunder shall be deemed immediately due and payable without notice or demand therefor; and/or
  - (iii) take any other action which, as a result of the Event of Default or any notice served under paragraph (i) or (ii), the Agent and/or the Lenders are entitled to take under any Finance Document or any applicable law; and/or
- (b) the Security Trustee may, and if so instructed by the Agent, acting with the authorization of the Lenders, the Security Trustee shall, take any action which, as a result of the Event of Default or any notice served under paragraph (a) (i) or (ii), the Security Trustee, the Agent and/or the Lenders are entitled to take under any Finance Document or any applicable law to enforce the Security Interests created by this Agreement and any other Finance Document in any manner available to it and in such sequence as the Security Trustee may, in its absolute discretion, determine.

**20.3 Termination of Commitments.** On the service of a notice under Clause 20.2(a)(i), the Commitments and all other obligations of each Lender to the Borrowers under this Agreement shall be cancelled.

**20.4 Acceleration of Loan.** On the service of a notice under Clause 20.2(a)(ii), all or, as the case may be, the part of the Loan specified in the notice, together with accrued interest and all other amounts accrued or owing from the Borrowers or any other Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

**20.5 Multiple notices; action without notice.** The Agent may serve notices under Clauses 20.2(a)(i) and (ii) simultaneously or on different dates and it and/or the Security Trustee may take any action referred to in Clause 20.2 if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

**20.6 Notification of Creditor Parties and Security Parties.** The Agent shall send to each Lender and the Security Trustee a copy of the text of any notice which the Agent serves on the Borrowers under Clause 20.2. Such notice shall become effective when it is served on the Borrowers, and no failure or delay by the Agent to send a copy or the text of the notice to any other person shall invalidate the notice or provide the Borrowers or any Security Party with any form of claim or defense.

**20.7 Creditor Party rights unimpaired.** Nothing in this Clause shall be taken to impair or restrict the exercise of any right given to individual Lenders under a Finance Document or the general law; and, in particular, this Clause is without prejudice to Clause 3.2.

**20.8 Exclusion of Creditor Party liability.** No Creditor Party, and no receiver or manager appointed by the Security Trustee, shall have any liability to any Security Party:

- (a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or
- (b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realized from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

**provided that** nothing in this Clause 20.8 shall exempt a Creditor Party or a receiver or manager from liability for losses shown to have been directly and mainly caused by the gross negligence or the willful misconduct of such Creditor Party's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

## **20 FEES AND EXPENSES**

**21.1 Commitment fee.** The Borrowers shall pay to the Agent, for the account of each Lender, a commitment fee equal to:

- (a) with respect to the Tranche A Loan, 1.10% of the undrawn amount of such tranche for the Availability Period, commencing on the day after December 21, 2016, it being understood and agreed that the full amount of the Tranche A Loan was advanced on December 27, 2016;
- (b) with respect to the Tranche B Loan, 2.40% of the undrawn amount of such tranche for the Availability Period, commencing on the day

after December 21, 2016, it being understood and agreed that the full amount of the Tranche A Loan was advanced on December 27, 2016;

- (c) with respect to the Tranche C Loan, 1.10% of the undrawn amount of such tranche for the Availability Period, commencing on the earlier of (i) the day after the Effective Date, and (ii) the date which is six weeks after the signing date of the Committed Term Sheet dated December 11, 2017, 2017; and
- (d) with respect to the Tranche D Loan, 2.40% of the undrawn amount of such tranche for the Availability Period, commencing on the earlier of (i) the day after the Effective Date, and (ii) the date which is six weeks after the signing date of the Committed Term Sheet dated December 11, 2017.
- (e) The accrued commitment fee is payable quarterly in arrears during the Availability Period, on the last day of the Availability Period, on each Drawdown Date and, if cancelled, on the cancelled amount of the relevant Lender's Commitment at the time the cancellation is effective.

**21.2 Upfront fee.** With respect to the Advance related to BULK ENDURANCE, the Borrowers shall pay to the Agent an upfront fee equal to 1.10% of the Commitment, payable on the Drawdown Date, it being understood and agreed that such upfront fee was paid on December 27, 2016. With respect to the Advance related to BULK PRIDE, the Borrowers shall pay to the Agent an upfront fee in the amount of \$120,000, payable on the earlier of (i) the Drawdown Date in respect of that Ship, and (ii) five days after the Effective Date.

**21.3 Costs of negotiation, preparation etc.** The Borrowers shall pay to the Agent on its demand the amount of all expenses incurred by the Agent or the Security Trustee in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document, including, without limitation, the reasonable fees and disbursements of a Creditor Party's legal counsel and any local counsel retained by them.

**21.4 Costs of variations, amendments, enforcement etc.** The Borrowers shall pay to the Agent, on the Agent's demand, the amount of all expenses incurred by the Agent or the Security Trustee, as the case may be, in connection with:

- (a) any amendment or supplement to a Finance Document, or any proposal for such an amendment to be made;
- (b) any consent or waiver by the Lenders, the Lenders or the Creditor Party concerned under or in connection with a Finance Document, or any request for such a consent or waiver;
- (c) the valuation of any Collateral or any other matter relating to such Collateral; or
- (d) any step taken by the Security Trustee or a Lender with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose.

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

**21.5 Documentary taxes.** The Borrowers shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Agent's demand, fully indemnify each Creditor Party against any claims, expenses, liabilities and losses resulting from any failure or delay by the Borrowers to pay such a tax.

**21.6 Certification of amounts.** A notice which is signed by an officer of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 21 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

## **21 INDEMNITIES**

**22.1 Indemnities regarding borrowing and repayment of Loan.** The Borrowers shall fully indemnify the Agent and each Lender on the Agent's demand and the Security Trustee on its demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by that Creditor Party, or which that Creditor Party reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

- (a) the Advance not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender claiming the indemnity;
- (b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;
- (c) any failure (for whatever reason) by the Borrowers or any other Security Party to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrowers on the amount concerned under Clause 7); or
- (d) the occurrence of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 20.

It is understood that the indemnities provided in this Clause 22.1 shall not apply to any claim, cost or expense which is a tax levied by a taxing authority on the indemnified party (which taxes are subject to indemnity solely as provided in Clause 23 below) but shall apply to any other costs associated with any tax which is not a Non-indemnified Tax.

**22.2 Breakage costs.** Without limiting its generality, Clause 22.1 covers any claim, expense, liability or loss, including a loss of a prospective profit, incurred by a Lender:

- (a) in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of its Contribution and/or any overdue amount (or an aggregate amount which includes its Contribution or any overdue amount); and
- (b) in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender concerned) to hedge any exposure arising under this Agreement or that part which the Lender concerned determines is fairly attributable to this Agreement of the amount of the liabilities, expenses or losses (including losses of prospective profits) incurred by it in terminating, or otherwise in connection with, a number of transactions of which this Agreement is one.

**22.3 Miscellaneous indemnities.** The Borrowers shall fully indemnify each Creditor Party severally on their respective demands in respect of all claims, expenses, liabilities and losses which may be made or brought against or incurred by a Creditor Party, in any country, as a result of or in connection with:

- (a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Agent, the Security Trustee or any other Creditor Party or by any receiver appointed under a Finance Document; or
- (b) any other Pertinent Matter,

other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the dishonesty or willful misconduct or gross negligence of the officers or employees of the Creditor Party concerned.

Without prejudice to its generality, this Clause 22.3 covers any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code, any Environmental Law or any business conducted directly or indirectly by a Security Party with any Restricted Person.

**22.4 Currency indemnity.** If any sum due from the Borrowers or any other Security Party to a Creditor Party under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be paid (the “**Contractual Currency**”) into another currency (the “**Payment Currency**”) for the purpose of:

- (a) making or lodging any claim or proof against the Borrowers or any other Security Party, whether in its liquidation, any arrangement involving it or otherwise; or
- (b) obtaining an order or judgment from any court or other tribunal; or
- (c) enforcing any such order or judgment,

the Borrowers shall indemnify the Creditor Party concerned against the loss arising when the amount of the payment actually received by that Creditor Party is converted at the available rate of exchange into the Contractual Currency.

In this Clause 22.4, the “**available rate of exchange**” means the rate at which the Creditor Party concerned is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 22.4 creates a separate liability of the Borrowers which is distinct from its other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

**22.5 Intentionally omitted.**

**22.6 Certification of amounts.** A notice which is signed by an officer of a Creditor Party, which states that a specified amount, or aggregate amount, is due to that Creditor Party under this Clause 22 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

**22.7 Sums deemed due to a Lender.** For the purposes of this Clause 22, a sum payable by the Borrowers to the Agent or the Security Trustee for distribution to a Lender shall be treated as a sum due to that Lender.

## **22 NO SET-OFF OR TAX DEDUCTION; TAX INDEMNITY**

**23.1 No deductions.** All amounts due from a Security Party under a Finance Document shall be paid:

- (a) without any form of set-off, cross-claim or condition; and
- (b) free and clear of any tax deduction except a tax deduction which such Security Party is required by law to make.

**23.2 Grossing-up for taxes.** If a Security Party is required by law to make a tax deduction from any payment:

- (a) such Security Party shall notify the Agent as soon as it becomes aware of the requirement;
- (b) such Security Party shall pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises; and

- (c) except if the deduction is for collection or payment of a Non-indemnified Tax of a Creditor Party, the amount due in respect of the payment shall be increased by the amount necessary to ensure that each Creditor Party receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would otherwise have received.

**23.3 Evidence of payment of taxes.** Within one (1) month after making any tax deduction, the relevant Security Party shall deliver to the Agent documentary evidence satisfactory to the Agent that the tax had been paid to the appropriate taxation authority.

**23.4 Tax credits.** A Creditor Party which receives for its own account a repayment or credit in respect of tax on account of which the Borrowers have made an increased payment under Clause 23.2 shall pay to the Borrowers a sum equal to the proportion of the repayment or credit which that Creditor Party allocates to the amount due from the Borrowers in respect of which the Borrowers made the increased payment, **provided that:**

- (a) the Creditor Party shall not be obliged to allocate to this transaction any part of a tax repayment or credit which is referable to a class or number of transactions;
- (b) nothing in this Clause 23.4 shall oblige a Creditor Party to arrange its tax affairs in any particular manner, to claim any type of relief, credit, allowance or deduction instead of, or in priority to, another or to make any such claim within any particular time;
- (c) nothing in this Clause 23.4 shall oblige a Creditor Party to make a payment which would leave it in a worse position than it would have been in if the Borrowers had not been required to make a tax deduction from a payment; and
- (d) any allocation or determination made by a Creditor Party under or in connection with this Clause 23.4 shall be conclusive and binding on the Borrowers and the other Creditor Parties.

**23.5 Indemnity for taxes.** The Borrower hereby indemnifies and agrees to hold each Creditor Party harmless from and against all taxes other than Non-indemnified Taxes levied on such Creditor Party (including, without limitation, taxes imposed on any amounts payable under this Clause 23.5) paid or payable by such person, whether or not such taxes or other taxes were correctly or legally asserted. Such indemnification shall be paid within 10 days from the date on which such Creditor Party makes written demand therefor specifying in reasonable detail the nature and amount of such taxes or other taxes.

**23.6 FATCA information.**

- (a) Subject to paragraph (c) below, each Party shall, within ten (10) Business Days of a reasonable request by another Party:
  - (i) confirm to that other party whether it is a FATCA Exempt Party or is not a FATCA Exempt Party;
  - (ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and
  - (iii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.
- (b) If a Party confirms to any other Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.
- (c) Paragraph (a) above shall not oblige any Creditor Party to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:
  - (i) any law or regulation;
  - (ii) any fiduciary duty; or
  - (iii) any duty of confidentiality.
- (d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.
- (e) If a Borrower is a US Tax Obligor or the Agent reasonably believes that its obligations under FATCA or any other applicable law or regulation require it, each Lender shall, within ten Business Days of:
  - (i) where the Borrower is a US Tax Obligor and the relevant Lender is a Lender as of the Effective Date, the Effective Date;
  - (ii) where the Borrower is a US Tax Obligor on the date of transfer of a Loan and the relevant Lender is a Transferee Lender, the relevant transfer date; or
  - (iii) the date of a request from the Agent,supply to the Agent:

(A) a withholding certificate on Form W-8, Form W-9 or any other relevant form; or

(B) any withholding statement or other document, authorisation or waiver as the Agent may require to certify or establish the status of such Lender under FATCA or that other law or regulation.

- (a) The Agent shall provide any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (e) above to the Borrowers.
- (b) If any withholding certificate, withholding statement, document, authorisation or waiver provided to the Agent by a Lender pursuant to paragraph (e) above is or becomes materially inaccurate or incomplete, that Lender shall promptly update it and provide such updated withholding certificate, withholding statement, document, authorisation or waiver to the Agent unless it is unlawful for the Lender to do so (in which case the Lender shall promptly notify the Agent). The Agent shall provide any such updated withholding certificate, withholding statement, document, authorisation or waiver to the Borrowers.
- (c) The Agent may rely on any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (e) or (g) above without further verification. The Agent shall not be liable for any action taken by it under or in connection with paragraph (e), (f) or (g) above.

#### **23.7 FATCA withholding.**

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.
- (b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify the Borrowers and the Agent and the Agent shall notify the other Creditor Parties.

### **23 ILLEGALITY, ETC**

**24.1 Illegality.** If it becomes unlawful in any applicable jurisdiction for a Lender (the “**Notifying Lender**”) to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Advance:

- (a) the Notifying Lender shall promptly notify the Agent upon becoming aware of that event;
- (b) upon the Agent notifying the Borrowers and the other Creditor Parties, the Commitment of the Notifying Lender will be immediately cancelled; and
- (c) the Borrowers shall repay the Notifying Lender’s participation in the Advance on the last day of the Interest Period for the Advance occurring after the Agent has notified the Borrowers or, if earlier, the date specified by the Notifying Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

**24.2 Mitigation.** If circumstances arise which would result in a notification under Clause 24.1 then, without in any way limiting the obligations of the Borrowers under Clause 24.1, the Notifying Lender shall use reasonable commercial efforts to transfer its obligations, liabilities and rights under this Agreement and the Finance Documents to another office or financial institution not affected by the circumstances but the Notifying Lender shall not be under any obligation to take any such action if, in its opinion, to do would or might:

- (a) have an adverse effect on its business, operations or financial condition; or
- (b) involve it in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent with, any regulation; or
- (c) involve it in any expense (unless indemnified to its satisfaction) or tax disadvantage.

### **24 INCREASED COSTS**

**25.1 Increased costs.** This Clause 25 applies if a Lender (the “**Notifying Lender**”) notifies the Agent that the Notifying Lender considers that as a result of:

- (a) the introduction or alteration after the date of this Agreement of a law or an alteration after the date of this Agreement in the manner in which a law is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a Non-indemnified Tax); or
- (b) complying with (i) any regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Notifying Lender allocates capital resources to its obligations under this Agreement) which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement, or (ii) complying with the implementation, application of or compliance with “**IFRS 9**” or any other changes in relevant reporting standards,

the Notifying Lender (or a parent company of it) has incurred or will incur an “**increased cost**”.

Notwithstanding anything herein to the contrary, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and all requests, rules, guidelines and directives promulgated thereunder, are deemed to have been introduced or adopted after the date hereof,

regardless of the date enacted or adopted.

For purposes of this Clause 25, “**IFRS 9**” means the International Financial Reporting Standard (IFRS) by the International Accounting Standards Board (IASB) designated as “IFRS 9” and replacing “IAS 39”.

**25.2 Meaning of “increased costs”.** In this Clause 25, “**increased costs**” means, in relation to a Notifying Lender:

- (a) an additional or increased cost incurred as a result of, or in connection with, the Notifying Lender having entered into, or being a party to, this Agreement or having taken an assignment of rights under this Agreement, of funding or maintaining its Commitment or Contribution or performing its obligations under this Agreement, or of having outstanding all or any part of its Contribution or other unpaid sums;
- (b) a reduction in the amount of any payment to the Notifying Lender under this Agreement or in the effective return which such a payment represents to the Notifying Lender or on its capital;
- (c) an additional or increased cost of funding all or maintaining all or any of the advances comprised in a class of advances formed by or including the Notifying Lender’s Contribution or (as the case may require) the proportion of that cost attributable to the Contribution; or
- (d) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Notifying Lender under this Agreement;
- (e) but not an item attributable to a change in the rate of tax on the overall net income of the Notifying Lender (or a parent company of it) or an item covered by the indemnity for tax in Clause 23 or an item arising directly out of the implementation or application of or compliance with Basel III or any other law or regulation which implements Basel III (whether such implementation, application or compliance is by a government, regulator, Creditor Party or any of its affiliates).

For the purposes of this Clause 25.2 the Notifying Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class of its assets and liabilities) on such basis as it considers appropriate.

**25.3 Notification to Borrower of claim for increased costs.** The Agent shall promptly notify the Borrowers and the other Security Parties of the notice which the Agent received from the Notifying Lender under Clause 25.1.

**25.4 Payment of increased costs.** The Borrowers shall pay to the Agent, on the Agent’s demand, for the account of the Notifying Lender the amounts which the Agent from time to time notifies the Borrowers that the Notifying Lender has specified to be necessary to compensate the Notifying Lender for the increased cost.

**25.5 Notice of prepayment.** If the Borrowers are not willing to continue to compensate the Notifying Lender for the increased cost under Clause 25.4, the Borrowers may give the Agent not less than 14 days’ notice of their intention to prepay the Notifying Lender’s Contribution at the end of an Interest Period.

**25.6 Prepayment; termination of Commitment.** A notice under Clause 25.5 shall be irrevocable; the Agent shall promptly notify the Notifying Lender of the Borrowers’ notice of intended prepayment; and:

- (a) on the date on which the Agent serves that notice, the Commitment of the Notifying Lender shall be cancelled; and
- (b) on the date specified in its notice of intended prepayment, the Borrowers shall prepay (without premium or penalty but subject to any applicable prepayment fee under Clause 8.9(c)) the Notifying Lender’s Contribution, together with accrued interest thereon at the applicable rate plus the Margin.

**25.7 Application of prepayment.** Clause 8 shall apply in relation to the prepayment.

**25 SET-OFF**

**26.1 Application of credit balances.** Upon the occurrence and during the continuance of an Event of Default, each Creditor Party may, with notice to the Borrowers:

- (a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Borrowers at any office in any country of that Creditor Party in or towards satisfaction of any sum then due from the Borrowers to that Creditor Party under any of the Finance Documents; and
- (b) for that purpose:
  - (i) break, or alter the maturity of, all or any part of a deposit of the Borrowers;
  - (ii) convert or translate all or any part of a deposit or other credit balance into Dollars; and
  - (iii) enter into any other transaction or make any entry with regard to the credit balance which the Creditor Party concerned considers appropriate.

**26.2 Existing rights unaffected.** No Creditor Party shall be obliged to exercise any of its rights under Clause 26.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts, charge, lien or other right or remedy to which a Creditor Party is entitled (whether under the general law or any document).



**26.3 Sums deemed due to a Lender.** For the purposes of this Clause 26, a sum payable by the Borrowers to the Agent or the Security Trustee for distribution to, or for the account of, a Lender shall be treated as a sum due to that Lender; and each Lender's proportion of a sum so payable for distribution to, or for the account of, the Lenders shall be treated as a sum due to such Lender.

**26.4 No Security Interest.** This Clause 26 gives the Creditor Parties a contractual right of set-off only, and does not create any Security Interest over any credit balance of the Borrowers.

## **26 TRANSFERS AND CHANGES IN LENDING OFFICES**

**27.1 Transfer by Borrower.** The Borrowers may not, without the consent of the Agent, given on the instructions of all the Lenders, transfer any of its rights, liabilities or obligations under any Finance Document.

**27.2 Transfer by a Lender.** Subject to Clause 27.4, a Lender (the "**Transferor Lender**") may at any time, without consulting with, or obtaining the consent of the Borrowers, Nordic Bulk Ventures Holding or the Guarantor, assign any of its rights or transfer any of its rights and obligations to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets, which is advised by, or the assets of which are managed or serviced by a Lender (the "**Transferee Lender**") by delivering to the Agent a completed certificate in the form set out in Schedule 5 with any modifications approved or required by the Agent (a "**Transfer Certificate**") executed by the Transferor Lender and the Transferee Lender.

Notwithstanding the foregoing, any rights and obligations of the Transferor Lender in its capacity as Agent or Security Trustee shall be determined in accordance with Clause 31.

**27.3 Transfer Certificate, delivery and notification.** As soon as reasonably practicable after a Transfer Certificate is delivered to the Agent, it shall (unless it has reason to believe that the Transfer Certificate may be defective):

- (a) sign the Transfer Certificate on behalf of itself, the Borrowers, the other Security Parties, the Security Trustee and each of the other Lenders;
- (b) on behalf of the Transferee Lender, send to the Borrowers and each other Security Party letters or faxes notifying them of the Transfer Certificate and attaching a copy of it;
- (c) send to the Transferee Lender copies of the letters or faxes sent under paragraph (b),

but the Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Transferor Lender and the Transferee Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations to the transfer to that Transferee Lender.

**27.4 Effective Date of Transfer Certificate.** A Transfer Certificate becomes effective on the date, if any, specified in the Transfer Certificate as its effective date, **provided that** it is signed by the Agent under Clause 27.3 on or before that date.

**27.5 No transfer without Transfer Certificate.** Except as provided in Clause 27.17, no assignment or transfer of any right or obligation of a Lender under any Finance Document is binding on, or effective in relation to, the Borrowers, any other Security Party, the Agent or the Security Trustee unless it is effected, evidenced or perfected by a Transfer Certificate.

**27.6 Lender re-organization; waiver of Transfer Certificate.** If a Lender enters into any merger, de-merger or other reorganization as a result of which all its rights or obligations vest in a successor, the Agent may, if it sees fit, by notice to the successor and the Borrowers and the Security Trustee waive the need for the execution and delivery of a Transfer Certificate and, upon service of the Agent's notice, the successor shall become a Lender with the same Commitment and Contribution as were held by the predecessor Lender.

**27.7 Effect of Transfer Certificate.** The effect of a Transfer Certificate is as follows:

- (a) to the extent specified in the Transfer Certificate, all rights and interests (present, future or contingent) which the Transferor Lender has under or by virtue of the Finance Documents are assigned to the Transferee Lender absolutely, free of any defects in the Transferor Lender's title and of any rights or equities which the Borrowers or any other Security Party had against the Transferor Lender;
- (b) the Transferor Lender's Commitment is discharged to the extent specified in the Transfer Certificate;
- (c) the Transferee Lender becomes a Lender with the Contribution previously held by the Transferor Lender and a Commitment of an amount specified in the Transfer Certificate;
- (d) the Transferee Lender becomes bound by all the provisions of the Finance Documents which are applicable to the Lenders generally, including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Agent and the Security Trustee and, to the extent that the Transferee Lender becomes bound by those provisions (other than those relating to exclusion of liability), the Transferor Lender ceases to be bound by them;
- (e) any part of the Loan which the Transferee Lender advances after the Transfer Certificate's effective date ranks in point of priority and security in the same way as it would have ranked had it been advanced by the transferor, assuming that any defects in the transferor's title and any rights or equities of the Borrowers or any other Security Party against the Transferor Lender had not existed;
- (f) the Transferee Lender becomes entitled to all the rights under the Finance Documents which are applicable to the Lenders generally,

including but not limited to those relating to the Lenders and those under Clause 5.7 and Clause 21, and to the extent that the Transferee Lender becomes entitled to such rights, the Transferor Lender ceases to be entitled to them; and

- (g) in respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document or any misrepresentation made in or in connection with a Finance Document, the Transferee Lender shall be entitled to recover damages by reference to the loss incurred by it as a result of the breach or misrepresentation, irrespective of whether the original Lender would have incurred a loss of that kind or amount.

The rights and equities of the Borrowers or any other Security Party referred to above include, but are not limited to, any right of set off and any other kind of cross-claim.

**27.8 Maintenance of register of Lenders.** During the Security Period the Agent shall maintain a register in which it shall record the name, Commitment, Contribution and administrative details (including the lending office) from time to time of each Lender holding a Transfer Certificate and the effective date (in accordance with Clause 27.4) of the Transfer Certificate; and the Agent shall make the register available for inspection by any Lender, the Security Trustee and the Borrowers during normal banking hours, subject to receiving at least three (3) Business Days' prior notice.

**27.9 Reliance on register of Lenders.** The entries on that register shall, in the absence of manifest error, be conclusive in determining the identities of the Lenders and the amounts of their Commitments and Contributions and the effective dates of Transfer Certificates and may be relied upon by the Agent and the other parties to the Finance Documents for all purposes relating to the Finance Documents.

**27.10 Authorization of Agent to sign Transfer Certificates.** The Borrowers, the Security Trustee and each Lender irrevocably authorizes the Agent to sign Transfer Certificates on its behalf.

**27.11 Registration fee.** In respect of any Transfer Certificate, the Agent shall be entitled to recover a registration fee of \$5,000 from the Transferor Lender or (at the Agent's option) the Transferee Lender.

**27.12 Sub-participation; subrogation assignment.** A Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents without the consent of, or any notice to, the Borrowers, any other Security Party, the Agent or the Security Trustee; and the Lenders may assign, in any manner and terms agreed by the Lenders, the Agent and the Security Trustee, all or any part of those rights to an insurer or surety who has become subrogated to them.

**27.13 Disclosure of information.** Each of the Borrowers irrevocably authorizes each Creditor Party to give, divulge and reveal from time to time information and details relating to their accounts, the Ship, the Finance Documents, the Loan or the Commitments to:

- (a) any private, public or internationally recognized authorities that are entitled to and have requested to obtain such information;
- (b) the Creditor Parties' respective head offices, branches and affiliates and professional advisors;
- (c) any other parties to the Finance Documents;
- (d) a rating agency or their professional advisors;
- (e) any person with whom such Creditor Party proposes to enter (or considers entering) into contractual relations in relation to the Loan and/or its Commitment or Contribution; and
- (f) any other person regarding the funding, re-financing, transfer, assignment, sale, sub-participation or operational arrangement or other transaction in relation to the Loan, its Contribution or its Commitment, including without limitation, for purposes in connection with a securitization or any enforcement, preservation, assignment, transfer, sale or sub-participation of any of such Creditor Parties' rights and obligations;

**provided that** such Creditor Party has taken commercially reasonable efforts to ensure that any person to whom such Creditor Party passes any information in accordance with the terms of this Clause 27.13 undertakes to maintain the confidentiality of such information so as to protect any material non-public information of the Security Parties.

**27.14 Change of lending office.** A Lender may change its lending office by giving notice to the Agent and the change shall become effective on the later of:

- (a) the date on which the Agent receives the notice; and
- (b) the date, if any, specified in the notice as the date on which the change will come into effect.

**27.15 Notification.** On receiving such a notice, the Agent shall notify the Borrowers and the Security Trustee; and, until the Agent receives such a notice, it shall be entitled to assume that a Lender is acting through the lending office of which the Agent last had notice.

**27.16 Replacement of Reference Bank.** If any Reference Bank ceases to be a Lender or is unable on a continuing basis to supply quotations for the purposes of Clauses 5.7 to 5.12 then, unless the Borrowers, the Agent and the Lenders otherwise agree, the Agent, acting on the instructions of the Lenders, and after consulting the Borrowers, shall appoint another bank (whether or not a Lender) to be a replacement Reference Bank; and, when that appointment comes into effect, the first-mentioned Reference Bank's appointment shall cease to be effective.

**27.17 Security over Lenders' rights.** In addition to the other rights provided to Lenders under this Clause 27, each Lender may without consulting with or obtaining consent from the Borrowers or any other Security Party, at any time charge, assign or otherwise create a

Security Interest in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

- (a) any charge, assignment or other Security Interest to secure obligations to a federal reserve or central bank; and
- (b) in the case of any Lender which is a fund, any charge, assignment or other Security Interest granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities;

except that no such charge, assignment or Security Interest shall:

- (i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security Interest for the Lender as a party to any of the Finance Documents; or
- (ii) require any payments to be made by the Borrowers or any other Security Party or grant to any person any more extensive rights than those required to be made or granted to the relevant Lender under the Finance Documents.

## 27 VARIATIONS AND WAIVERS

**28.1 Variations, waivers etc. by Lenders.** Subject to Clause 28.2, a document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or any Creditor Party's rights or remedies under such a provision or the general law, only if the document is signed, or specifically agreed to by fax, by the Borrowers, by the Agent on behalf of the Lenders, by the Agent and the Security Trustee in their own rights, and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

**28.2 Variations, waivers etc. requiring agreement of all Lenders.** As regards the following, Clause 28.1 applies as if the words "by the Agent on behalf of the Lenders" were replaced by the words "by or on behalf of every Lender":

- (a) a reduction in the Margin;
- (b) a postponement to the date for, or a reduction in the amount of, any payment of principal, interest, fees or other sum payable under this Agreement or the Amended and Restated Note;
- (c) an increase in any Lender's Commitment;
- (d) a change to the definition of "Lenders", "Sanctions", "Sanctions Authority" or "Sanctions List";
- (e) a change to Clause 3, Clause 10.22, Clause 11.1(s) or this Clause 28;
- (f) any release of, or material variation to, a Security Interest, guarantee, indemnity or subordination arrangement set out in a Finance Document; and
- (g) any other change or matter as regards which this Agreement or another Finance Document expressly provides that each Lender's consent is required.

**28.3 Variations, waivers etc. relating to the Servicing Banks.** An amendment or waiver that relates to the rights or obligations of the Agent or the Security Trustee under Clause 31 may not be effected without the consent of the Agent or the Security Trustee.

**28.4 Exclusion of other or implied variations.** Except for a document which satisfies the requirements of Clauses 28.1, 28.2 or 28.3, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Creditor Parties or any of them (or any person acting on behalf of any of them) shall result in the Creditor Parties or any of them (or any person acting on behalf of any of them) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

- (a) a provision of this Agreement or another Finance Document; or
- (b) an Event of Default; or
- (c) a breach by the Borrowers or another Security Party of an obligation under a Finance Document or the general law; or
- (d) any right or remedy conferred by any Finance Document or by the general law,

and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

## 28 NOTICES

**29.1 General.** Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter, electronic mail ("Email") or fax and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

**29.2 Addresses for communications.** A notice by letter, Email or fax shall be sent:

- (a) to the Borrowers: Bulk Nordic Six Ltd.

Bulk Pride Corp.  
Par la Ville Place  
14 Par la Ville Road  
Hamilton HM08  
Bermuda

Attention: Ms. Deborah Davis  
Facsimile: +441 292 1373  
Email: ddavis@consolidated.bm

*With a copy to:*

Phoenix Bulk Carriers (US) LLC as agents  
109 Long Wharf  
Newport, Rhode Island 02840

Attention: Mr. Gianni DelSignore  
Facsimile: +401-846-1520  
Email: gdelsignore@phoenixbulkus.com

(b) to a Lender: At the address below its name in Schedule 1 or (as the case may require) in the relevant Transfer Certificate.

(c) to the Arranger NIBC Bank N.V.

Carnegieplein 4  
2517 KJ  
The Hague  
The Netherlands

Attention: Jan-Willem Schellingerhout  
Email: Jan-Willem.Schellingerhout@nibc.com  
Facsimile: +31 (0)70 365 1071

*With a copy to:*

Willem Jongbloed  
Email: [Willem.Jongbloed@nibc.com](mailto:Willem.Jongbloed@nibc.com)  
Facsimile: +31 (0)70 365 1071

(d) to the Swap Bank: NIBC Bank N.V.

Carnegieplein 4  
2517 KJ  
The Hague  
The Netherlands

Attention: Jan-Willem Schellingerhout  
Email: Jan-Willem.Schellingerhout@nibc.com  
Facsimile: +31 (0)70 365 1071

*With a copy to:*

Willem Jongbloed  
Email: [Willem.Jongbloed@nibc.com](mailto:Willem.Jongbloed@nibc.com)  
Facsimile: +31 (0)70 365 1071

(e) to the Agent: NIBC Bank N.V.

Carnegieplein 4  
2517 KJ  
The Hague  
The Netherlands

Attention: Jan-Willem Schellingerhout  
Email: Jan-Willem.Schellingerhout@nibc.com  
Facsimile: +31 (0)70 365 1071

*With a copy to:*

Willem Jongbloed

(f) to the Security Trustee: NIBC Bank N.V.

Carnegieplein 4  
2517 KJ  
The Hague  
The Netherlands

Attention: Jan-Willem Schellingerhout  
Email: [Jan-Willem.Schellingerhout@nibc.com](mailto:Jan-Willem.Schellingerhout@nibc.com)  
Facsimile: +31 (0)70 365 1071

*With a copy to:*

Willem Jongbloed  
Email: [Willem.Jongbloed@nibc.com](mailto:Willem.Jongbloed@nibc.com)  
Facsimile: +31 (0)70 365 1071

or to such other address as the relevant party may notify the Agent or, if the relevant party is the Agent or the Security Trustee, the Borrowers, the Lenders, the Arranger, the Swap Bank and the Security Parties.

**29.3 Effective date of notices.** Subject to Clauses 29.4 and 29.5:

- (a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered;
- (b) a notice which is sent by Email shall be deemed to be served, and shall take effect, at the time when it is actually received in readable form; and
- (c) a notice which is sent by fax shall be deemed to be served, and shall take effect, two (2) hours after its transmission is completed.

**29.4 Service outside business hours.** However, if under Clause 29.3 a notice would be deemed to be served:

- (a) on a day which is not a business day in the place of receipt; or
- (b) on such a business day, but after 5:00 p.m. local time,

the notice shall (subject to Clause 29.5) be deemed to be served, and shall take effect, at 9:00 a.m. on the next day which is such a business day.

**29.5 Illegible notices.** Clauses 29.3 and 29.4 do not apply if the recipient of a notice notifies the sender within one (1) hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

**29.6 Valid notices.** A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

- (a) the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or
- (b) in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

**29.7 Electronic communication between the Agent and a Lender.** Any communication to be made between the Agent and a Lender under or in connection with the Finance Documents may be made by Email or other electronic means, if the Agent and the relevant Lender:

- (a) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
- (b) notify each other in writing of their Email address and/or any other information required to enable the sending and receipt of information by that means; and
- (c) notify each other of any change to their respective Email addresses or any other such information supplied to them.

Any electronic communication made between the Agent and a Lender will be effective only when actually received in readable form and, in the case of any electronic communication made by a Lender to the Agent, only if it is addressed in such a manner as the Agent shall specify for this purpose.

**29.8 English language.** Any notice under or in connection with a Finance Document shall be in English.

**29.9 Meaning of “notice”.** In this Clause 29, “notice” includes any demand, consent, authorization, approval, instruction, waiver or other communication.

## 29 SUPPLEMENTAL

**30.1 Rights cumulative, non-exclusive.** The rights and remedies which the Finance Documents give to each Creditor Party are:

- (a) cumulative;
- (b) may be exercised as often as appears expedient; and
- (c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

**30.2 Severability of provisions.** If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

**30.3 Counterparts.** A Finance Document may be executed in any number of counterparts.

**30.4 Binding Effect.** This Agreement shall become effective on the Effective Date and thereafter shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

**30.5 Joint and several liability.** All liabilities and obligations of the Borrowers under the Finance Documents shall be joint and several.

## 30 THE SERVICING BANKS

### 31.1 Appointment and Granting.

(a) **The Agent.** Each of the Lenders, appoints and authorizes (with a right of revocation) the Agent to act as its agent hereunder and under any of the other Finance Documents with such powers as are specifically delegated to the Agent by the terms of this Agreement and of any of the other Finance Documents, together with such other powers as are reasonably incidental thereto.

(b) **The Security Trustee.**

(i) **Authorization of Security Trustee.** Each of the Lenders, the Swap Bank and the Agent appoints and authorizes (with a right of revocation) the Security Trustee to act as security trustee hereunder and under the other Finance Documents (other than the Amended and Restated Note) with such powers as are specifically delegated to the Security Trustee by the terms of this Agreement and such other Finance Documents, together with such other powers as are reasonably incidental thereto.

(ii) **Granting Clause.** To secure the payment of all sums of money from time to time owing to the Lenders under the Finance Documents, and the performance of the covenants of the Borrowers and any other Security Party herein and therein contained, and in consideration of the premises and of the covenants herein contained and of the extensions of credit by the Lenders, the Security Trustee does hereby declare that it will hold as such trustee in trust for the benefit of the Lenders and the Agent, from and after the execution and delivery thereof, all of its right, title and interest as mortgagee in, to and under the Mortgage and its right, title and interest as assignee and secured party under the other Finance Documents (the right, title and interest of the Security Trustee in and to the property, rights and privileges described above, from and after the execution and delivery thereof, and all property hereafter specifically subjected to the Security Interest of the indenture created hereby and by the Finance Documents by any amendment hereto or thereto are herein collectively called the “Estate”); TO HAVE AND TO HOLD the Estate unto the Security Trustee and its successors and assigns forever, BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Lenders, the Agent and their respective successors and assigns without any priority of any one over any other, UPON THE CONDITION that, unless and until an Event of Default under this Agreement shall have occurred and be continuing, the relevant Borrower shall be permitted, to the exclusion of the Security Trustee, to possess and use the Ships. IT IS HEREBY COVENANTED, DECLARED AND AGREED that all property subject or to become subject hereto is to be held, subject to the further covenants, conditions, uses and trusts hereinafter set forth, and each Security Party, for itself and its respective successors and assigns, hereby covenants and agrees to and with the Security Trustee and its successors in said trust, for the equal and proportionate benefit and security of the Lenders and the Agent as hereinafter set forth.

(iii) **Acceptance of Trusts.** The Security Trustee hereby accepts the trusts imposed upon it as Security Trustee by this Agreement, and the Security Trustee covenants and agrees to perform the same as herein expressed and agrees to receive and disburse all monies constituting part of the Estate in accordance with the terms hereof.

**31.2 Scope of Duties.** Neither the Agent nor the Security Trustee (which terms as used in this sentence and in Clause 31.5 hereof shall include reference to their respective affiliates and their own respective and their respective affiliates’ officers, directors, employees, agents and attorneys-in-fact):

(a) shall have any duties or responsibilities except those expressly set forth in this Agreement and in any of the Finance Documents, and shall not by reason of this Agreement or any of the Finance Documents be (except, with respect to the Security Trustee, as specifically stated to the contrary in this Agreement) a trustee for a Lender;

(b) shall be responsible to the Lenders for any recitals, statements, representations or warranties contained in this Agreement or in any of the Finance Documents, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement or any of the other Finance Documents, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency

of this Agreement or any of the other Finance Documents or any other document referred to or provided for herein or therein or for any failure by a Security Party or any other person to perform any of its obligations hereunder or thereunder or for the location, condition or value of any property covered by any Security Interest under any of the Finance Documents or for the creation, perfection or priority of any such Security Interest;

- (c) shall be required to initiate or conduct any litigation or collection proceedings hereunder or under any of the Finance Documents unless expressly instructed to do so in writing by the Lenders; or
- (d) shall be responsible for any action taken or omitted to be taken by it hereunder or under any of the Finance Documents or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct. Each of the Security Trustee and the Agent may employ agents and attorneys-in-fact and neither the Security Trustee nor the Agent shall be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith, but shall be responsible for the gross negligence or willful misconduct of such agents or attorneys-in-fact. Each of the Security Trustee and the Agent may deem and treat the payee of a Note as the holder thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Agent.

**31.3 Reliance.** Each of the Security Trustee and the Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telefacsimile, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper person or persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Security Trustee or the Agent, as the case may be. As to any matters not expressly provided for by this Agreement or any of the other Finance Documents, each of the Security Trustee and the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or thereunder in accordance with instructions signed by the Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders.

**31.4 Knowledge.** Neither the Security Trustee nor the Agent shall be deemed to have knowledge or notice of the occurrence of a Potential Event of Default or Event of Default (other than, in the case of the Agent, the non-payment of principal of or interest on the Loan or actual knowledge thereof) unless each of the Security Trustee and the Agent has received notice from a Lender or the Borrowers specifying such Potential Event of Default or Event of Default and stating that such notice is a "Notice of Default". If the Agent receives such a notice of the occurrence of such Potential Event of Default or Event of Default, the Agent shall give prompt notice thereof to the Security Trustee and the Lenders (and shall give each Lender prompt notice of each such non-payment). Subject to Clause 31.8 hereof, the Security Trustee and the Agent shall take such action with respect to such Potential Event of Default or Event of Default or other event as shall be directed by the Lenders, except that, unless and until the Security Trustee and the Agent shall have received such directions, each of the Security Trustee and the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Potential Event of Default or Event of Default or other event as it shall deem advisable in the best interest of the Lenders.

**31.5 Security Trustee and Agent as Lenders.** Each of the Security Trustee and the Agent (and any successor acting as Security Trustee or Agent, as the case may be) in its individual capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Security Trustee or the Agent, as the case may be, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include each of the Security Trustee and the Agent in their respective individual capacities. Each of the Security Trustee and the Agent (and any successor acting as Security Trustee and Agent, as the case may be) and their respective affiliates may (without having to account therefor to a Lender) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Borrowers and any of its subsidiaries or affiliates as if it were not acting as the Security Trustee or the Agent, as the case may be, and each of the Security Trustee and the Agent and their respective affiliates may accept fees and other consideration from the Borrowers for services in connection with this Agreement or otherwise without having to account for the same to the Lenders.

**31.6 Indemnification of Security Trustee and Agent.** The Lenders severally agree, ratably in accordance with the aggregate principal amount of each Lender's Contribution in the Loan, to indemnify each of the Agent and the Security Trustee (to the extent not reimbursed under other provisions of this Agreement, but without limiting the obligations of the Borrowers under said other provisions) for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Security Trustee or the Agent in any way relating to or arising out of this Agreement or any of the other Finance Documents or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby (including, without limitation, the costs and expenses which the Borrowers are to pay hereunder, but excluding, unless an Event of Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of their respective agency duties hereunder) or the enforcement of any of the terms hereof or thereof or of any such other documents, except that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified.

**31.7 Reliance on Security Trustee or Agent.** Each Lender agrees that it has, independently and without reliance on the Security Trustee, the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrowers and decision to enter into this Agreement and that it will, independently and without reliance upon the Security Trustee, the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any of the Finance Documents. None of the Security Trustee or the Agent shall be required to keep itself informed as to the performance or observance by the Borrowers of this Agreement or any of the Finance Documents or any other document referred to or provided for herein or therein or to inspect the properties or books of any Borrower. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Security Trustee or the Agent hereunder, neither the Security Trustee nor the Agent shall have any duty or responsibility to provide a Lender with any credit or other information concerning the affairs, financial condition or business of either Borrower or any subsidiaries or affiliates thereof which may come into the possession of the Security Trustee, the Agent or any of their respective affiliates.

**31.8 Actions by Security Trustee and Agent.** Except for action expressly required of the Security Trustee or the Agent hereunder and under the other Finance Documents, each of the Security Trustee and the Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction from the Lenders of their indemnification obligations under Clause 31.6 against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

**31.9 Resignation and Removal.** Subject to the appointment and acceptance of a successor Security Trustee or Agent (as the case may be) as provided below, each of the Security Trustee and the Agent may resign at any time by giving notice thereof to the Lenders and the Borrowers, and the Security Trustee or the Agent may be removed at any time with or without cause by the Lenders by giving notice thereof to the Agent, the Security Trustee, the Lenders and the Borrowers. Upon any such resignation or removal, the Lenders shall have the right to appoint a successor Security Trustee or Agent, as the case may be. If no successor Security Trustee or Agent, as the case may be, shall have been so appointed by the Lenders or, if appointed, shall not have accepted such appointment within 30 days after the retiring Security Trustee's or Agent's, as the case may be, giving of notice of resignation or the Lenders' removal of the retiring Security Trustee or Agent, as the case may be, then the retiring Security Trustee or Agent, as the case may be, may, on behalf of the Lenders, appoint a successor Security Trustee or Agent. Upon the acceptance of any appointment as Security Trustee or Agent hereunder by a successor Security Trustee or Agent, such successor Security Trustee or Agent, as the case may be, shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Security Trustee or Agent, as the case may be, and the retiring Security Trustee or Agent shall be discharged from its duties and obligations hereunder. After any retiring Security Trustee or Agent's resignation or removal hereunder as Security Trustee or Agent, as the case may be, the provisions of this Clause 31 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Security Trustee or the Agent, as the case may be.

**31.10 Release of Collateral.** Without the prior written consent of the Lenders, neither the Security Trustee nor the Agent will consent to any modification, supplement or waiver under any of the Finance Documents nor without the prior written consent of all of the Lenders release any Collateral or otherwise terminate any Security Interest under the Finance Documents, except that no such consent is required, and each of the Security Trustee and the Agent is authorized and hereby undertakes, to release any Security Interest covering property if the Secured Liabilities have been paid and performed in full or which is the subject of a disposition of property permitted hereunder or to which the Lenders have consented.

## **31 LAW AND JURISDICTION**

**32.1 Governing law.** THIS AGREEMENT AND THE OTHER FINANCE DOCUMENTS (EXCEPT AS OTHERWISE PROVIDED IN A FINANCE DOCUMENT) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS CONFLICT OF LAW PRINCIPLES.

### **32.2 Consent to Jurisdiction.**

- (a) Each of the Borrowers hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York County, and any appellate court thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Finance Documents to which such Security Party is a party or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State Court or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.
  - (b) Nothing in this Clause 32.2 shall affect the right of a Creditor Party to bring any action or proceeding against a Security Party or its property in the courts of any other jurisdictions where such action or proceeding may be heard.
  - (c) Each of the Borrowers hereby irrevocably and unconditionally waives to the fullest extent it may legally and effectively do so:
    - (i) any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Finance Document to which it is a party in any New York State or Federal court and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court; and
    - (ii) any immunity from suit, the jurisdiction of any court in which judicial proceedings may at any time be commenced with respect to this Agreement or any other Finance Document or from any legal process with respect to itself or its property (including without limitation attachment prior to judgment, attachment in aid of execution of judgment, set-off, execution of a judgment or any other legal process), and to the extent that in any such jurisdiction there may be attributed to such person such an immunity (whether or not claimed), such person hereby irrevocably agrees not to claim such immunity.
  - (d) Each of the Borrowers hereby agrees to appoint Leicht & Rein Tax Associates, Ltd., with offices currently located at 200 West 41<sup>st</sup> Street, 18<sup>th</sup> Floor, New York, NY 10036 as its designated agent for service of process for any action or proceeding arising out of or relating to this Agreement or any other Finance Document. Each of the Borrowers also irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to its address specified in Clause 29.2. Each of the Borrowers also agrees that service of process may be made on it by any other method of service provided for under the applicable laws in effect in the State of New York.
- 32.3 Creditor Party rights unaffected.** Nothing in this Clause 32 shall exclude or limit any right which any Creditor Party may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.



- 32.4 Meaning of “proceedings”.** In this Clause 32, “proceedings” means proceedings of any kind, including an application for a provisional or protective measure.
- 32 WAIVER OF JURY TRIAL**
- 33.1 WAIVER.** EACH OF THE BORROWERS AND THE CREDITOR PARTIES MUTUALLY AND IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.
- 33 PATRIOT ACT NOTICE**
- 34.1 PATRIOT Act Notice.** Each of the Agent and the Lenders hereby notifies the Borrowers that pursuant to the requirements of the PATRIOT Act and the policies and practices of the Agent and each Lender, the Agent and each of the Lenders is required to obtain, verify and record certain information and documentation that identifies each of the Security Parties which information includes the name and address of each such person and such other information that will allow the Agent and each of the Lenders to identify each such person in accordance with the PATRIOT Act.

[SIGNATURE PAGE FOLLOWS ON NEXT PAGE]

**EXECUTION PAGE**

WHEREFORE, the parties hereto have caused this Loan Agreement to be executed as of the date first above written.

BULK NORDIC SIX LTD.,  
as Borrower

By: /s/Deborah L. Davis  
Name: Deborah L. Davis  
Title: Director

NIBC BANK N.V., as Lender, Arranger, Swap Bank, Agent and  
Security Trustee

By: /s/ Christopher J. Chido  
Name: Christopher J. Chido  
Title: Attorney-in-Fact

BULK PRIDE CORP.,  
as Borrower

By: /s/ Mark Filanowski  
Name: Mark Filanowski  
Title: Vice President

**SCHEDULE 1**

**LENDERS AND COMMITMENTS**

<u>Lender</u>	<u>Lending Office</u>	<u>Commitment</u>
NIBC BANK N.V.	Carnegieplein 4	\$19,500,000 in respect of the tranches relating to BULK ENDURANCE
<u>Address for Notices:</u> Carnegieplein 4 2517 KJ The Hague The Netherlands	2517 KJ The Hague The Netherlands	\$10,000,000 in respect of the tranches relating to BULK PRIDE
Attention: Jan-Willem Schellingerhout Email: Jan-Willem.Schellingerhout@nibc.com Facsimile: +31 (0)70 365 1071		
with a copy to:		
Carnegieplein 4 2517 KJ The Hague		

The Netherlands  Attention: Willem Jongbloed Email: Willem.Jongbloed@nibc.com Facsimile: +31 (0)70 365 1071		
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**SCHEDULE 2**

**INTENTIONALLY OMITTED**

**SCHEDULE 3**

**DRAWDOWN NOTICE**

To: NIBC Bank N.V., as Agent  
Carnegieplein 4  
2517 KJ  
The Hague  
The Netherlands

Attention: Willem Jongbloed

December [●], 2017

**DRAWDOWN NOTICE**

1. We refer to the amended and restated loan agreement dated as of December 15, 2017 (the “**Loan Agreement**”) among ourselves, as Borrowers, the Lenders referred to therein, and yourselves as Arranger, Swap Bank, Agent and as Security Trustee in connection with a facility of up to US\$29,500,000. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.
2. We request to borrow as follows:
  - (a) Amount: US\$[●]  
Tranche C: US\$[●]  
Tranche D: US\$[●]
  - (b) Drawdown Date: December [●], 2017;
  - (c) Duration of the first Interest Period shall be 3 months; and
  - (d) Payment instructions:
    - (i) The sum of US\$[●] to:  
Sumitomo Mitsui Banking Corporation (Swift Code: SMBCSGSG)(Bank Code 7472)  
Singapore Branch (Branch Code 806)  
Account No. 0-10148001 (USD Account)  
Account Name: Kambara Kisen Singapore Pte. Ltd.
3. We represent and warrant that:
  - (a) no Event of Default or Potential Event of Default has occurred or would result from the borrowing of the Advance;
  - (b) the representations and warranties in Clause 10 and those of the Borrowers or any other Security Party which are set out in the other Finance Documents are true and not misleading as of the date of this Drawdown Notice and will be true and not misleading as of the Drawdown Date, in each case with reference to the circumstances then existing;
  - (c) there has been no material change in the consolidated financial condition, operations or business prospects of the Borrowers or the Guarantor since the date on which the Borrowers and/or the Guarantor provided information concerning those topics to the Agent and/or any Lender;
  - (d) Neither Borrower, the Guarantor or any of their respective subsidiaries or Affiliates has launched any other facilities or debt transactions into the international capital markets either publicly or privately that could have a negative or adverse effect on the loan

facility contemplated by this Agreement; and

- (e) if the Collateral Maintenance Ratio were applied immediately following the making of the Advance, the Borrowers would not be required to provide additional Collateral or prepay part of the Loan under Clause 15.
- 4. This notice cannot be revoked without the prior consent of the Lenders.
- 5. We authorize you to deduct from the amount of the Loan:
  - a. US\$120,000 (representing upfront fee with respect to the Advance related to BULK PRIDE referred to in Clause 21.2); and
  - b. US\$250,000 (representing Bulk Pride's initial minimum liquidity requirement referred to in Clause 12.2) to be held by the Agent in an unallocated account until Bulk Pride's Earnings Account has been opened, at which time the said US\$250,000 shall be transferred to its Earnings Account.

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Name  
Title  
for and on behalf of  
BULK NORDIC SIX LTD.  
BULK PRIDE CORP.

#### SCHEDULE 4

#### CONDITION PRECEDENT DOCUMENTS

##### PART A

The following are the documents referred to in Clause 9.1(a)(i):

1. A duly executed original of this Agreement and the Master Agreement.
2. A copy of the MOA and of each Time Charter (and all addenda and supplements thereto), other than those delivered in connection with a prior Advance, in form and substance acceptable to the Agent and certified as of a date reasonably near the date of the relevant Drawdown Notice by a director, an officer, an authorized person or an attorney-in-fact of the relevant Borrower as being a true and correct copy thereof.
3. Copies of certificates dated as of a date reasonably near the date of the relevant Drawdown Notice, certifying that each of the Security Parties is duly incorporated or formed and in good standing under the laws of its respective jurisdiction of incorporation or formation.
4. Copies of the constitutional documents and each amendment thereto, other than those delivered in connection with a prior Advance, of each of the Security Parties, certified as of a date reasonably near the date of the relevant Drawdown Notice by a director, an officer, an authorized person or an attorney-in-fact of such person as being a true and correct copy thereof.
5. Copies of the resolutions of the directors (or equivalent governing body) and, where applicable, the shareholders (or equivalent equity holders), of each of the Security Parties authorizing the execution of each of the Finance Documents to which that person is a party and, in the case of each Borrower, authorizing a director, an officer, an authorized person or an attorney-in-fact of each Borrower to give the Drawdown Notice and other notices required under the Finance Documents, in each case certified as of a date reasonably near the date of the relevant Drawdown Notice by a director, an officer, an authorized person or an attorney-in-fact of such person as being a true and correct copy thereof,
6. An incumbency certificate in respect of the officers and directors (or equivalent), other than those delivered in connection with a prior Advance, of each of the Security Parties and signature samples of any signatories to any Finance Document.
7. The original or a certified copy of any power of attorney under which any Finance Document is executed on behalf of a Security Party.
8. Copies of all consents which any of the Security Parties requires to enter into, or make any payment under, any Finance Document, each certified as of a date reasonably near the date of the relevant Drawdown Notice by a director, an officer, an authorized person or an attorney-in-fact of such party as being a true and correct copy thereof, or certification by such director, officer, authorized person or attorney-in-fact that no such consents are required.
9. Copies of any mandates or other documents required in connection with the opening or operation of the Earnings Accounts, certified as of a date reasonably near the date of the relevant Drawdown Notice by a director, an officer, an authorized person or an attorney-in-fact of the relevant Borrower as being a true and correct copy thereof, if not delivered in connection with a prior Advance.
10. Documentary evidence that the capital structure of each of the Borrowers and the Guarantor, is satisfactory to and in the sole discretion of the Agent.
11. Documentary evidence that the agent for service of process named in Clause 32 of this Agreement has accepted its appointment, if not

delivered in connection with a prior Advance.

12. If the Agent so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Agent.

## PART B

The following are the documents referred to in Clause 9.1(b):

1. A duly executed original of each Finance Document (and of each document required to be delivered by each Finance Document) other than those referred to in Part A(1) above or those executed and delivered in connection with a prior Advance.
  - i. If the relevant Drawdown Date is more than five (5) Business Days after the date of the relevant Drawdown Notice, a bringdown certificate of each of the Security Parties certifying as of the relevant Drawdown Date as to the absence of any amendments to the documents of such person referred to in paragraphs 3, 4 and 5 of Part A since the date of the relevant Drawdown Notice.
    1. Certification by the Borrowers as of the date of the relevant Drawdown Date as to the matters described in Clauses 9.1(d) and (e).
    2. Documentary evidence that:
      - (a) each Ship is definitively registered in the name of the relevant Borrower under an Approved Flag, if not delivered in connection with a prior Advance;
      - (b) each Mortgage has been registered against the relevant Ship as a valid first preferred ship mortgage in accordance with the laws of the Republic of Panama, if not delivered in connection with a prior Advance;
      - (c) The Mortgage Amendment has been registered against BULK ENDURANCE in accordance with the laws of the Republic of Panama;
      - (d) the Security Interests intended to be created by each of the Finance Documents have been duly perfected under applicable law, if not delivered in connection with a prior Advance;
      - (e) each Ship is in the absolute and unencumbered ownership of the relevant Borrower save as contemplated by the Finance Documents, if not delivered in connection with a prior Advance;
      - (f) the relevant Ship is insured in accordance with the provisions of Clause 12.2 of this Agreement and all requirements therein in respect of insurances have been complied with, if not delivered in connection with a prior Advance; and
      - (g) each Ship maintains the highest class for vessels of its type with the Classification Society free of any recommendations and qualifications (which status shall be established by a Confirmation of Class Certificate issued by the Classification Society and dated a date reasonably near the Drawdown Date (*NB: a "Class Statement" or similar instrument shall not be acceptable for purposes of this clause*)), if not delivered in connection with a prior Advance.
3. A Valuation of the Fair Market Value of the BULK PRIDE, addressed to the Agent and the Lenders, stated to be for the purposes of this Agreement and dated not more than 14 days before the Drawdown Date, which evidences a Fair Market Value for the BULK PRIDE of not less than 73% of Tranche C and Tranche D.
4. Documentary evidence that the relevant Borrower has sent an instruction letter in the form of Schedule 9 hereto to the Classification Society as required under Clause 14.4 and that the Classification Society has executed the undertaking in the form of Schedule 10 hereto as required by Clause 14.4, if not delivered in connection with a prior Advance.
5. The following documents establishing that the relevant Ship will, as from the relevant Drawdown Date, be managed by an Approved Manager on terms acceptable to the Agent:
  - (d) a copy of the relevant Approved Management Agreement, certified as of the relevant Drawdown Date by a director, an officer, an authorized person or an attorney-in-fact of the relevant Borrower as being a true and correct copy thereof, if not delivered in connection with a prior Advance;
  - (e) a Manager's Undertaking executed by the relevant Approved Manager in favor of the Agent, if not delivered in connection with a prior Advance; and
  - (f) copies of the relevant Approved Manager's Document of Compliance and of the relevant Ship's ISSC and Safety Management Certificate (together with any other details of the applicable safety management system which the Agent requires), certified as of the relevant Drawdown Date by a director, an officer, an authorized person or an attorney-in-fact of the Approved Manager as being a true and correct copy thereof, if not delivered in connection with a prior Advance.
6. A favorable opinion from an independent insurance consultant acceptable to the Agent on such matters relating to the insurances for the Ships as the Agent may require, if not delivered in connection with a prior Advance.
7. A certificate that the relevant Ship is free from Asbestos/Glass Wool and nuclear products (to be provided by the relevant Borrower on

a best efforts basis but only if available to the Borrower), if not delivered in connection with a prior Advance.

8. A copy of the Builder's Certificate or Bill of Sale, together with the Protocol of Delivery and Acceptance, with respect to the relevant Ship, certified as of the relevant Drawdown Date by a director, an officer, an authorized person or an attorney-in-fact of the relevant Borrower as being a true and correct copy thereof, if not delivered in connection with a prior Advance.
9. A copy of the chartering description of the relevant Ship.
10. A favorable opinion of Watson Farley & Williams LLP, New York and Marshall Islands counsel for the Creditor Parties, in form, scope and substance satisfactory to the Creditor Parties.
11. Favorable legal opinions from lawyers appointed by any of the Security Parties or the Agent on such matters concerning the laws of such relevant jurisdictions as the Agent may require (including without limitation Bermuda and Panama).

## SCHEDULE 5

### TRANSFER CERTIFICATE

**The Transferor and the Transferee accept exclusive responsibility for ensuring that this Certificate and the transaction to which it relates comply with all legal and regulatory requirements applicable to them respectively.**

To: [Name of Agent] for itself and for and on behalf of the Borrowers, the Security Trustee and each Lender, as defined in the Amended and Restated Loan Agreement referred to below.

[Date]

1. This Certificate relates to an Amended and Restated Loan Agreement dated as of December [●], 2017 (the "**Loan Agreement**") among (1) Bulk Nordic Six Ltd. and Bulk Pride Corp. (the "**Borrowers**"), (2) the banks and financial institutions named therein as Lenders, (3) NIBC Bank N.V. as Arranger, (4) NIBC Bank N.V. as Swap Bank, (5) NIBC Bank N.V. as Agent and (6) NIBC Bank N.V. as Security Trustee for a loan facility of up to \$29,500,000.
2. In this Certificate, terms defined in the Loan Agreement shall, unless the contrary intention appears, have the same meanings when used in this Certificate and:  
  
    "**Relevant Parties**" means the Agent, the Borrowers, the Arranger, the Swap Bank, the Security Trustee and each Lender;  
  
    "**Transferor**" means [full name] of [lending office];  
  
    "**Transferee**" means [full name] of [lending office].
3. The effective date of this Certificate is [1], **provided that** this Certificate shall not come into effect unless it is signed by the Agent on or before that date.
4. [The Transferor assigns to the Transferee absolutely all rights and interests (present, future or contingent) which the Transferor has as Lender under or by virtue of the Agreement and every other Finance Document in relation to [1]% of its Contribution, which percentage represents \$[1].
5. [By virtue of this Certificate and Clause 27 of the Agreement, the Transferor is discharged [entirely from its Commitment which amounts to \$[1]] [from [1]% of its Commitment, which percentage represents \$[1]] and the Transferee acquires a Commitment of \$[1].]
6. The Transferee undertakes with the Transferor and each of the Relevant Parties that the Transferee will observe and perform all the obligations under the Finance Documents which Clause 27 of the Agreement provides will become binding on it upon this Certificate taking effect.
7. The Agent, at the request of the Transferee (which request is hereby made) accepts, for the Agent itself and for and on behalf of every other Relevant Party, this Certificate as a Transfer Certificate taking effect in accordance with Clause 27 of the Agreement.
8. The Transferor:
  - (a) warrants to the Transferee and each Relevant Party that:
    - (i) the Transferor has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which are required in connection with this transaction; and
    - (ii) this Certificate is valid and binding as regards the Transferor;
  - (a) warrants to the Transferee that the Transferor is absolutely entitled, free of encumbrances, to all the rights and interests covered by the

assignment in paragraph 4; and

- (b) undertakes with the Transferee that the Transferor will, at its own expense, execute any documents which the Transferee reasonably requests for perfecting in any relevant jurisdiction the Transferee's title under this Certificate or for a similar purpose.
9. The Transferee:
- (f) confirms that it has received a copy of the Agreement and each of the other Finance Documents;
- (g) agrees that it will have no rights of recourse on any ground against the Transferor, the Agent, the Security Trustee or any Lender in the event that:
- (i) any of the Finance Documents prove to be invalid or ineffective;
- (ii) the Borrowers or any other Security Party fails to observe or perform its obligations, or to discharge its liabilities, under any of the Finance Documents;
- (iii) it proves impossible to realize any asset covered by a Security Interest created by a Finance Document, or the proceeds of such assets are insufficient to discharge the liabilities of the Borrowers or any other Security Party under any of the Finance Documents;
- (h) agrees that it will have no rights of recourse on any ground against the Agent, the Security Trustee or any Lender in the event that this Certificate proves to be invalid or ineffective;
- (i) warrants to the Transferor and each Relevant Party that:
- (i) it has full capacity to enter into this transaction and has taken all corporate action and obtained all consents which it needs to take or obtain in connection with this transaction; and
- (ii) that this Certificate is valid and binding as regards the Transferee; and
- (j) confirms the accuracy of the administrative details set out below regarding the Transferee.
10. The Transferor and the Transferee each undertake with the Agent and the Security Trustee severally, on demand, fully to indemnify the Agent and/or the Security Trustee in respect of any claim, proceeding, liability or expense (including all legal expenses) which they or either of them may incur in connection with this Certificate or any matter arising out of it, except such as are shown to have been mainly and directly caused by the gross negligence or willful misconduct of the Agent's or the Security Trustee's own officers or employees.
11. The Transferee shall repay to the Transferor on demand so much of any sum paid by the Transferor under paragraph 10 as exceeds one-half of the amount demanded by the Agent or the Security Trustee in respect of a claim, proceeding, liability or expense which was not reasonably foreseeable at the date of this Certificate; but nothing in this paragraph shall affect the liability of each of the Transferor and the Transferee to the Agent or the Security Trustee for the full amount demanded by it.
12. The Transferee confirms that, immediately following the effective date of this Certificate, the Transferee will be a FATCA [Exempt Party] [Non-Exempt Party].

[Name of Transferor] [Name of Transferee]

By: \_\_\_\_\_ By: \_\_\_\_\_  
Name: Name:  
Title: Title:  
Date: Date:

## AGENT

Signed for itself and for and on behalf of itself  
as Agent and for every other Relevant Party

[Name of Agent]

By: \_\_\_\_\_  
Name:

Title:  
Date:

## Administrative Details of Transferee

Name of Transferee:

Lending Office:

Contact Person

(Loan Administration Department):

Telephone:

Fax:

Contact Person

(Credit Administration Department):

Telephone:

Fax:

Account for payments:

**Note:** This Transfer Certificate alone may not be sufficient to transfer a proportionate share of the Transferor's interest in the security constituted by the Finance Documents in the Transferor's or Transferee's jurisdiction. It is the responsibility of each Lender to ascertain whether any other documents are required for this purpose.

## SCHEDULE 6

### DESIGNATION NOTICE

To: NIBC BANK N.V., as Agent  
Carnegieplein 4  
2517 KJ  
The Hague  
The Netherlands

Attention: [1]

Facsimile: [1]

Email: [1]

[Date]

Dear Sirs

**Amended and Restated Loan Agreement dated as of December [●], 2017 (as amended or supplemented, the “Loan Agreement”) made between (i) ourselves as Borrowers, (ii) the Lenders named therein, (iii) the Swap Bank named therein, (iv) yourselves as Arranger, Agent and (vi) yourselves as Security Trustee.**

We refer to:

12. The Loan Agreement;

13. the Master Agreement dated [1] made between ourselves and [1]; and

14. a Confirmation delivered pursuant to the said Master Agreement dated [1] and addressed by [1] to us.

In accordance with the terms of the Loan Agreement, we hereby give you notice of the said Confirmation and hereby confirm that the Transaction evidenced by it will be designated as a “Designated Transaction” for the purposes of the Loan Agreement and the Finance Documents.

Yours faithfully,

.....  
Bulk Nordic Six Ltd.  
Bulk Pride Corp.

## **SCHEDULE 7**

### **LIST OF APPROVED BROKERS**

Affinity (Shipping) LLP  
Arrow Sale & Purchase (UK) Ltd  
Braemar Seascope Ltd  
Clarksons Platou  
Fearnleys AS  
Howe Robinson

## **SCHEDULE 8**

### **INTENTIONALLY OMITTED**

## **SCHEDULE 9**

### **FORM OF LETTER OF INSTRUCTION TO CLASSIFICATION SOCIETY**

To: [1]

Date: [1]

Dear Sirs:

**Name of ship:** m.v. ["BULK ENDURANCE"] ["BULK PRIDE"] (the "Ship")

**Flag:** PANAMA

**IMO Number:** [9782003][9440916]

**Name of Owner:** [BULK NORDIC SIX LTD.] [BULK PRIDE CORP.] (the "Owner")

**Name of mortgagee:** NIBC BANK N.V. (the "Mortgagee")

We refer to the Ship, which is registered in the ownership of the Owner, and which has been entered in and classed by [1] (the "Classification Society").

The Mortgagee has agreed to provide financing to the Owner upon condition that, among other things, the Owner issues to the Mortgagee this letter of instruction to the Classification Society in the form presented by the Mortgagee.

The Owner and the Mortgagee irrevocably and unconditionally instruct and authorise the Classification Society (notwithstanding any previous instructions whatsoever which the Owner may have given to the Classification Society to the contrary) as follows:

- 1 to send to the Mortgagee, following receipt of a written request from the Mortgagee, certified true copies of all original certificates of class and other class records held by the Classification Society in relation to the Ship;
- 2 to allow the Mortgagee (or its agents), at any time and from time to time, to inspect the original class and related records of the Owner and the Ship at the offices of the Classification Society and to take copies of them and, to the extent possible, to grant the Mortgagee electronic access to such records;
- 3 to notify the Mortgagee immediately by email to Jan-Willem Schellingerhout ([Jan-Willem.Schellingerhout@nibc.com](mailto:Jan-Willem.Schellingerhout@nibc.com)) and Willem Jongbloed ([Willem.Jongbloed@nibc.com](mailto:Willem.Jongbloed@nibc.com)) if the Classification Society:
  - (a) receives notification from the Owner or any other person that the Ship's classification society is to be changed;



- (b) imposes a condition of class or issues a class recommendation in respect of the Ship;
  - (c) becomes aware of any facts or matters which may result or have resulted in a change, suspension, discontinuance, withdrawal or expiry of the Ship's class under the rules or terms and conditions of the Owner's or the Ship's membership of the Classification Society;
- 4 following receipt of a written request from the Mortgagee:
- (a) to confirm that the Owner is not in default of any of its contractual obligations or liabilities to the Classification Society and, without limiting the foregoing, that it has paid in full all fees or other charges due and payable to the Classification Society; or
  - (b) if the Owner is in default of any of its contractual obligations or liabilities to the Classification Society, to specify to the Mortgagee in reasonable detail the facts and circumstances of such default, the consequences thereof, and any remedy period agreed or allowed by the Classification Society.

Notwithstanding the above instructions given for the benefit of the Mortgagee, the Owner shall continue to be responsible to the Classification Society for the performance and discharge of all its obligations and liabilities relating to or arising out of or in connection with the contract it has with the Classification Society, and nothing in this letter should be construed as imposing any obligation or liability on the Mortgagee to the Classification Society in respect thereof. The instructions and authorisations which are contained in this notice shall remain in full force and effect until the Owner and the Mortgagee together give you notice in writing revoking them.

The Owner undertakes to reimburse the Classification Society in full for any costs or expenses it may incur in complying with the instructions and authorisations referred to in this letter.

This letter and any non-contractual obligations arising from or connected with it are governed by New York law.

.....  
For and on behalf of  
**[BULK NORDIC SIX LTD.][BULK PRIDE CORP.]**

.....  
For and on behalf of  
**NIBC BANK N.V.**

## **SCHEDULE 10**

### **FORM OF CLASSIFICATION SOCIETY LETTER OF UNDERTAKING**

To: **[BULK NORDIC SIX LTD.][BULK PRIDE CORP.]**  
and  
**NIBC BANK N.V.**

Dated: [1]

Dear Sirs:

**Name of ship:** m.v. **[“BULK ENDURANCE”][“BULK PRIDE”]** (the “Ship”)  
**Flag:** PANAMA  
**IMO Number:** [9782003][9440916]  
**Name of Owner:** **[BULK NORDIC SIX LTD.][BULK PRIDE CORP.]** (the “Owner”)  
**Name of mortgagee:** **NIBC BANK N.V.** (the “Mortgagee”)

We [1], hereby acknowledge receipt of a letter (a copy of which is attached hereto) dated [1] sent to us by the Owner and the Mortgagee (together the “**Instructing Parties**”) regarding the Ship.

In consideration of the agreement by the Mortgagee to approve the selection of [1] (the receipt and adequacy of which is hereby acknowledged), we undertake to comply with the instructions of the Instructing Parties contained in such letter.

This letter and any non-contractual obligations arising out of or in connection with it shall be governed by New York law.

Yours faithfully

For and on behalf of  
[1]

**Watson Farley & Williams**  
**New York**

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 21, 2018, with respect to the consolidated financial statements included in the Annual Report of Pangaea Logistics Solutions Ltd. on Form 10-K for the year ended December 31, 2017. We consent to the incorporation by reference of said report in the Registration Statements of Pangaea Logistics Solutions Ltd. on Form S-3 (File No. 333-222476) and Forms S-8 (File No. 333-214557 and File No. 333-201333).

/s/ GRANT THORNTON LLP

Hartford, Connecticut  
March 21, 2018

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

## PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Edward Coll, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2017, of Pangaea Logistics Solutions Ltd.;
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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant'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 registrant's internal control over financial reporting.

Date: March 21, 2018

/s/ Edward Coll

Edward Coll

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER****PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gianni DelSignore, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2017, of Pangaea Logistics Solutions Ltd.;
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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant'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 registrant's internal control over financial reporting.

Date: March 21, 2018

/s/ Gianni DelSignore

Gianni DelSignore

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Pangaea Logistics Solutions Ltd. (the “Company”) on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Edward Coll, 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, to the best of my knowledge:

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.

Date: March 21, 2018

/s/ Edward Coll

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Edward Coll

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Pangaea Logistics Solutions Ltd. (the “Company”) on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gianni DelSignore, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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.

Date: March 21, 2018

/s/ Gianni DelSignore

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Gianni DelSignore

Chief Financial Officer

(Principal Financial Officer)