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, 2018

☐ **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	**98-1205464**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
c/o Phoenix Bulk Carriers (US) LLC	
109 Long Wharf, Newport, RI	**02840**
(Address of Principal Executive Offices)	(Zip Code)

(401) 846-7790
(Registrant’s Telephone Number, Including Area Code)

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

Title of each class	Name of each exchange on which registered
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 x	Smaller reporting company x
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
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, 2018 was approximately $22.5 million based on the Nasdaq closing price for such shares on that date. The registrant has no non-voting common equity.

As of March 20, 2019, there were 44,504,090 shares of Common Shares, $.0001 par value per share, outstanding.

Documents Incorporated by Reference: See Item 15.

PANGAEA LOGISTICS SOLUTIONS, LTD.
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In this Annual Report on Form 10-K (this "Form 10-K"), references to "the Company," "we," "us" and "our" refer to Pangaea Logistics Solutions Ltd and its subsidiaries.

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. The Company participated in the development and expansion of a major port on the United States' east coast and delivered approximately 3.6 million tons of construction material to the port under 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 20 vessels which are wholly-owned or partially-owned through joint ventures. The Company uses this fleet to transport approximately 26 million tons of cargo annually to nearly 250 ports around the world, averaging approximately 45 vessels in service daily in 2018 and 53 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 20 bulk carriers. The current fleet includes six Ice-Class 1A Panamax, two Ice-Class 1C Ultramax, three Panamax, seven Supramax and two Handymax Ice-Class 1A bulk carriers. The Company took delivery of the seventh Supramax in February 2019.

- ***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 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 Utramax vessels and its Korean built Ice-Class 1A Handymax vessels. The ice-class fleet has historically produced margins that are superior to the average market rate. More than half 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 loans provided by its Founders, 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 39 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.

As of March 20, 2019, the Company operates its fleet of 20 owned or partially owned vessels, which are described in the table below:

Vessel Name	Type	DWT	Year Built	Yard
m/v Bulk Endurance	Ultramax (Ice Class 1C)	59,450	2017	Oshima Shipbuilding
m/v Bulk Destiny	Ultramax (Ice Class 1C)	59,450	2017	Oshima Shipbuilding
m/v Nordic Oasis	Panamax (Ice Class 1A)	76,180	2016	Oshima Shipbuilding
m/v Nordic Olympic	Panamax (Ice Class 1A)	76,180	2015	Oshima Shipbuilding
m/v Nordic Odin	Panamax (Ice Class 1A)	76,180	2015	Oshima Shipbuilding
m/v Nordic Oshima	Panamax (Ice Class 1A)	76,180	2014	Oshima Shipbuilding
m/v Nordic Orion	Panamax (Ice Class 1A)	75,603	2011	Oshima Shipbuilding
m/v Nordic Odyssey	Panamax (Ice Class 1A)	75,603	2010	Oshima Shipbuilding
m/v Bulk Pride	Supramax	58,749	2008	Tsuneishi Group (Zhoushan) Shipbuilding Inc.
m/v Bulk Trident	Supramax	52,514	2006	Tsuneishi Heavy Industries (Cebu)
m/v Bulk Freedom	Supramax	52,454	2005	Tsuneishi Shipbuilding Co. Ltd.
m/v Bulk Newport	Supramax	52,587	2003	Shin Kurushima Toyohashi
m/v Bulk Beothuk	Supramax	50,992	2002	Oshima Shipbuilding
m/v Bulk Juliana	Supramax	52,510	2001	Shin Kurushima Toyohashi
m/v Bulk Spirit [(1)]	Supramax	52,950	2009	Oshima Shipbuilding
m/v Bulk Patriot	Panamax	73,700	1999	Sumitomo Shipbuilding
m/v Bulk Pangaea	Panamax	70,165	1996	Sumitomo Shipbuilding
m/v Bulk PODS	Panamax	76,561	2006	Imabari SB Marugame
m/v Nordic Bothnia	Handymax (Ice Class 1A)	43,706	1995	Daewoo
m/v Nordic Barents	Handymax (Ice Class 1A)	43,702	1995	Daewoo

[(1)] The Company took delivery of this vessel in February 2019.

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, a wholly-owned subsidiary of the Company, 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 45 vessels at any one time during 2018 and 53 in 2017. In 2018, the Company owned interests in 20 vessels and chartered in another 159 for one or more voyages. In 2017, the Company owned interests in 18 vessels and chartered in another 198 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 March 20, 2019, 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 Ventures (Cyprus) Limited ("NBV")	Cyprus	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)
Bulk PODS Ltd. (Bulk PODS")	Marshall Islands	100%	(G)
Bulk Spirit Ltd. ("Bulk Spirit")	Marshall Islands	100%	(G)
Nordic Bulk Carriers Singapore Pte. Ltd.	Singapore	100%	(H)
Narragansett Bulk Carriers (US) Corp.	Rhode Island	100%	(H)

(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 these entities is to provide logistics services to customers by chartering, managing and operating ships. NBV 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.

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. The Baltic Dry Index ("BDI"), is a composite of the Capesize, Panamax and Supramax timecharter averages. It is considered a proxy for dry bulk shipping stocks as well as a general shipping market bellwether.

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 2018 due to increased demand from China and a fewer newbuilding deliveries, which constrict the supply of tonnage and inflate rates. Going forward, rising protectionism and uncertainty concerning a trade war over tariffs may dampen growth in demand for some products, however, some analysts predict volumes will not change and may increase tonne-miles by disrupting historical trade patterns.

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 2018, 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 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.

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.

Newbuilding activity increased dramatically in 2017 and over $10 billion was committed in the first quarter of 2018, but enthusiasm for newbuild orders began to wane in the second quarter. The recent increase in scrapping of vintage tonnage suggests the dry bulk fleet as a whole may grow at a slower pace than demand.

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 for the years ended December 31, 2018 and 2017.

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.

In the quarters ended March 31, 2017, June 30, 2017 and June 30, 2018, we identified potential impairment indicators 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. 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 at these dates.

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. 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 has decrease since the height of Somali piracy in 2010, sea piracy incidents continue to occur, predominantly in the Gulf of Guinea on Sub-Saharan Africa's west 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 Venezuela, the Middle East, Ukraine, 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 Venezuela, North Korea and the Middle East 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, 2018, two customers accounted for 19% of total revenue and all of our top ten customers, representing 38% 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, 2018, 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 a "non-accelerated filer" 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 may choose to rely on scaled disclosure requirements available to smaller reporting companies. On June 28, 2018, the Commission adopted amendments to the definition of “smaller reporting company” that became effective on September 10, 2018. Under the new definition, generally, a company qualifies as a “smaller reporting company” if it has public float of less than $250 million; or it has less than $100 million in annual revenues and no public float or public float of less than $700 million.

The scaled disclosure requirements for smaller reporting companies permit us to include less extensive narrative disclosure than required of other reporting companies, particularly in the description of executive compensation and to provide audited financial statements for two fiscal years, in contrast to other reporting companies, which must provide audited financial statements for three fiscal years.

In addition to the accommodations that are available to smaller reporting companies, there are also different requirements that apply to “non-accelerated filers” and “accelerated filers.” Generally, if a smaller reporting company has no public float or public float of less than $75 million, it will be a non-accelerated filer. A non-accelerated filer is not required to provide an auditor attestation of management's assessment of internal control over financial reporting, which is generally required for SEC reporting companies under Sarbanes-Oxley Act Section 404(b), and, in contrast to other reporting companies, has more time to file its periodic reports. If a smaller reporting company has public float of $75 million or more, it will be an accelerated filer. Among other requirements, accelerated filers are required to provide an auditor’s attestation of management’s assessment of internal control over financial reporting required under Sarbanes-Oxley Act Section 404(b).

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 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 that is also a non-accelerated filer, 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 and non-accelerated filer, we may take advantage of an exemption from the auditor attestation requirement. Once we are no longer a smaller reporting company and non-accelerated filer, 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 2 to 23 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 11 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, Neil McLaughlin 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 have been traded on The Nasdaq Capital Market under the symbol PANLsince our common shares began public trading on October 3, 2014.The Company's internet address is *www.pangaeals.com.*

Holders

As of March 20, 2019, the Company estimates that 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, 2018 and 2017, 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 $4.1 million at December 31, 2018.

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,	
	2018	**2017**
Selected Data from the Consolidated Statements of Operations		
Voyage revenue	**$ 319,753**	$ 337,683
Charter revenue	**53,217**	47,405
Total revenue	**372,970**	385,088
Charter expense	**145,146**	160,578
Voyage expense	**116,958**	132,853
Vessel operating expenses	**39,830**	36,436
Total cost of transportation and service revenue	**301,934**	329,867
Net revenue [1]	**71,036**	55,221
Other operating expenses	**34,105**	30,778
Loss on sale and leaseback of vessels	**860**	9,275
Income from operations	**36,071**	15,168
Total other expense, net	**(12,089)**	(6,068)
Net income	**23,982**	9,100
Income attributable to noncontrolling interests	**(6,225)**	(1,288)
Net income attributable to Pangaea Logistics Solutions Ltd.	**$ 17,757**	$ 7,812
Selected Data from the Consolidated Balance Sheets		
Cash	**$ 53,615**	$ 34,532
Total assets	**$ 453,475**	$ 423,297
Total secured debt, including obligations under capital leases	**$ 166,552**	$ 163,396
Total shareholders' equity	**$ 233,367**	$ 210,656
Selected Data from the Consolidated Statements of Cash Flows		
Net cash provided by operating activities	**$ 40,135**	$ 29,223
Net cash used in investing activities	**$ (17,510)**	$ (64,554)
Net cash provided by financing activities	**$ (5,042)**	$ 47,539
Adjusted EBITDA [2]	**$ 54,552**	$ 40,058
Shipping Days [3]		
Voyage days	**12,708**	15,422
Time charter days	**3,543**	3,924
Total shipping days	**16,251**	19,346
TCE Rates ($/day) [4]	**$ 14,019**	$ 11,605

(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.

(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.

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

	Years Ended December 31,	
	2018	2017
Net Revenue		
Income from operations	**$ 36,071**	$ 15,169
General and administrative	**16,484**	15,163
Depreciation and amortization	**17,621**	15,615
Loss on sale and leaseback of vessels	**860**	9,275
Net Revenue	**$ 71,036**	$ 55,222
Adjusted EBITDA (in millions)		
Income from operations	**$ 36,071**	$ 15,169
Depreciation and amortization	**17,621**	15,615
Loss on sale and leaseback of vessel	**860**	9,275
Adjusted EBITDA	**$ 54,552**	$ 40,059

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, the fair value of derivative instruments and the fair value used to calculate the loss on sale and leaseback transactions..

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. A contract is accounted for when it has approval and commitment from both parties, the rights and payment terms are identified, the contract has commercial substance and collectability of consideration is probable.
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. 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.

During the quarters ended June 30, 2018 and 2017 and at March 31, 2017, 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 in these periods.

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, 2018.

(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	$ 25,095
m/v Nordic Odyssey	April 2012	PMX-1A	32,691	24,283
m/v Nordic Oshima	September 2014	PMX-1A	33,709	28,898
m/v Nordic Odin	February 2015	PMX-1A	32,625	29,322
m/v Nordic Olympic	February 2015	PMX-1A	32,600	29,152
m/v Nordic Oasis	January 2016	PMX-1A	32,600	30,417
m/v Bulk Pangaea	December 2009	PMX	26,500	15,231
m/v Bulk Patriot	October 2011	PMX	15,350	10,131
m/v Bulk Juliana	April 2012	SMX	14,750	10,651
m/v Bulk Trident	September 2012	SMX	17,010	12,665
m/v Bulk Beothuk	February 2013	SMX	14,197	6,529
m/v Bulk Newport	September 2013	SMX	15,546	13,965
m/v Bulk Freedom	June 2017	SMX	9,016	8,467
m/v Bulk Pride	December 2017	SMX	14,023	13,532
m/v Nordic Bothnia	January 2014	HMX-1A	7,640	4,371
m/v Nordic Barents	March 2014	HMX-1A	7,640	4,322
m/v Bulk Destiny	January 2017	UMX - 1C	24,000	22,308
m/v Bulk Endurance	January 2017	UMX - 1C	28,000	26,021
Miss Nora G. Pearl	November 2017	Deck Barge	2,695	2,995
m/v Bulk PODS	August 2018	PMX	$ 14,010	$ 14,075
m/v Bulk Spirit [1]	February 2019	SMX	$ 13,000	$ 1,950
Total			$ 419,965	$ 334,380

[1] On October 26, 2018, the Company entered into an agreement to purchase a 2009 built Supramax (m/v Bulk Spirit) for $13 million. The Carrying Amount represents the deposit placed on the vessel prior to delivery.The vessel was delivered in February 2019.

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. As allowed by a practical expedient under ASC 842, a lessee is permitted to make an accounting policy election by class of underlying asset for leases with a term of 12 months or less, to forego recognizing a right-of-use asset and lease liability on its balance sheet. 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. In determining the estimated value of right-use assets and lease liabilities, the Company will consider the noncancelable period of the lease as well as periods for which it is reasonably certain that renewal options will be exercised. The Company will discount the estimated lease liability using the portfolio approach, the composition of which is its secured long-term debt facilities.

The Company expects to elect the "package of practical expedients" in the new standard, under which we are not required to reassess our prior conclusions regarding lease identification, classification and initial direct costs. We do not expect to elect the use-of-hindsight practical expedient; and the practical expedient pertaining to land easements will not apply to the Company.

In July 2018, the Financial Accounting Standards Board issued ASU 2018-11 to amend ASU 2016-02 and provided an additional (and optional) transition method to adopt the new lease standard. This transition method allows entities to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption instead of using the original modified retrospective transition method of adoption which required the restatement of all prior period financial statements. Under this new transition method, the comparative periods presented in the financial statements will continue to be in accordance with current GAAP (Topic 840, Leases). Management will adopt the new lease standard using this new transition method under ASU 2018-11.

The amendments in this Update also provide lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (Topic 606) and both of the following are met:

1. The timing and pattern of transfer of the nonlease component(s) and associated lease component are the same.
2. The lease component, if accounted for separately, would be classified as an operating lease.

The Company intends to elect this practical expedient when it adopts the lessor provisions of this Update. As a result, time charter arrangements using the Company's owned vessels will account for the operating lease component of charter-hire revenue and the vessel operating expense nonlease component as a single component. Accordingly, the lessor provisions under ASC 842 are not expected to have a material impact on the Company’s financial statements.

The Company does not expect the adoption of the lessee provisions of this guidance to have a material impact on its consolidated financial statements because the Company rarely charters-in vessels (lessee) for longer than one year and the Company intends to apply the practical expedient relating to leases with terms of 12 months or less. Furthermore, the Company has only one noncancelable office lease for which the noncancelable period is less than eight months and noncancelable office equipment leases which are not expected to create significant right to use assets or lease liabilities.

The Company will implement the new guidance effective January 1, 2019 and will provide the required disclosures under the standard in its Form 10-Q filing for the quarterly period ending March 31, 2019.

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.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses. For most financial assets, such as trade and other receivables, loans and other instruments, this standard changes the current incurred loss model to a forward-looking expected credit loss model, which generally will result in the earlier recognition of allowances for losses. The new standard is effective for our company at the beginning of 2020. Entities are required to apply the provisions of the standard through a cumulative-effect adjustment to retained earnings as of the effective date. We are currently evaluating the impact of the standard on our consolidated 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 can be volatile. However 2018 benefited from steady demand from China, an increase in coal activity, and continued demand for minor bulks. In addition the market saw fewer newbuilding deliveries which led to higher rates in the dry bulk market, after several challenging years. Average published market rates increased 18% year over year and the Baltic Dry Index (“BDI”), a measure of dry bulk market performance, averaged 1,345 for 2018, up from an average of 1,137 for 2017. The Company's average TCE rates increased 22% in 2018 over the average for 2017, and exceeded the published market rates by an average of 25% over the two year period.

2018 Highlights

- Net income attributable to Pangaea Logistics Solutions Ltd. of $17.8 million as compared to $7.8 million for the year ended December 31, 2017.
- Income from operations of $36.1 million, up from $16.0 million for 2017.
- Cash flow from operations of $40.1 million, compared to $29.2 million for the prior year.
- Pangaea's TCE rates increased 20% to $14,019 from $11,649 in 2017 while the market average for the year was approximately $10,997.
- At December 31, 2018, Pangaea had $56.1 million in cash, restricted cash and cash equivalents.

Results of Operations

Fiscal Year Ended December 31, 2018 Compared to Fiscal Year Ended December 31, 2017

Revenues

Pangaea's revenues are derived predominantly from voyage charters and time charters. Total revenue for the fiscal year ended December 31, 2018, was $373.0 million compared to $385.9 million, for the same period in 2017. The number of shipping days decreased 16% to 16,251 in the fiscal year ended December 31, 2018, from 19,346 for the same period in 2017. The revenue decrease was due to a reduction in the number of total shipping days after two long-term contracts completed in 2017. The reduction was offset by the improvement in market rates stemming from increased demand while worldwide dry bulk fleet growth increased at a lower rate, which has the result of pushing up market rates. The Baltic Dry Index ("BDI"), a measure of dry bulk market performance, reached its highest level in five years in the second quarter of 2018.

Components of revenue are as follows:

Voyage revenues for the fiscal year ended December 31, 2018, decreased 6% to $319.8 million from $338.5 million for the same period in 2017. The decrease in voyage revenues was driven by an 18% decrease in voyage days, following the completion of two long-term contracts in 2017, however, the decrease in days was offset by higher TCE rates, minimizing the impact of the reduction. Voyage days were 12,708 in the year ended December 31, 2018 and 15,422 in the same period last year. TCE rates were up 20%, as noted above.

Charter revenues increased 12%, to $53.2 million for the year ended December 31, 2018 up from $47.4 million for the year ended December 31, 2017. The increase in charter revenues was driven by the increase in market rates, as measured by published rates and the BDI, which both increased by approximately 18% year over year. The number of time charter days decreased to 3,543 for the year ended December 31, 2018 from 3,924 for the same period in 2017. 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.

Voyage Expenses

Voyage expenses for the fiscal year ended December 31, 2018 were $145.1 million compared to $160.6 million for the year ended 2017, a decrease of approximately 10%. The decrease in voyage expenses was due in part to the 18% decrease in voyage days, which was offset by an increase in oil prices in the first three quarters of 2018. The total cost of bunkers consumed in the year ended December 31, 2018 increased approximately 6% from the same period of 2017.

Charter Expenses

The Company charters in vessels from other shipowners to supplement its owned fleet. Charter expenses paid to third party shipowners decreased to $117.0 million for the fiscal year ended December 31, 2018 from $132.9 million for the year ended December 31, 2017. The 12% decrease in charter expenses was due to the 29% decrease in chartered in days, which were 9,650 in 2018 as compared to 13,505 in 2017. This was offset by an increase in charter hire market rates, as measured by published rates and the BDI, which increased by approximately 18% year over year. The decrease in expenses caused by the reduction in days was offset by the increase in market rates, as discussed above, which increases the Company's cost to charter in vessels from other owners.

Vessel Operating Expenses

Vessel operating expenses increased 9%, from $36.4 million in the year ended December 31, 2017 to $39.8 million for the year ended December 31, 2018. The increase is due to the acquisition of one vessel in June 2017 and another in December 2017, which were owned the full year in 2018, and to the vessel purchased in August 2018. The total number of owned days was 7,216 in 2018 versus 6,767 in 2017. This includes 493 days for two vessels hired under bareboat charters for which the Company paid the operating expenses. Vessel operating expenses expressed on a per day basis increased slightly to $5,520 in 2018, from $5,384 in the prior year. These operating expenses include management fees paid to third party technical managers for ice-class vessels and to the Company's joint venture technical manager for the other vessels. Vessel operating expenses also 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 and expensed drydocking costs of $0.2 million.

General and Administrative Expenses

General and administrative expenses increased from $15.2 million for the year ended December 31, 2017 to $16.5 million for the year ended December 31, 2018. This is primarily due to an increase in salary and related expenses incurred for additional staff in all three of the Company's offices and to non-cash compensation expense of $1.2 million, which was up from $1.1 million in 2017.

Depreciation and Amortization

Depreciation and amortization expense increased $2.0 million (12.8%) due to the 7% increase in ownership days to 6,767 up from 7,216 in 2017. These additional days are for new vessels, as noted above, which were acquired for fleet operations. In addition, approximately $0.8 million of unamortized drydocking costs were written off during the period.

Loss on sale and charter-back of vessels

The Company incurred losses of $9.3 million on the sales and subsequent leasebacks of the m/v Bulk Destiny and the m/v Bulk Beothuk in the year ended December 31, 2017 and $0.9 million of loss on the sale and leaseback of the m/v Bulk Trident in the the year ended December 31, 2018.

Income from Operations

Income from operations was up 125% for the year ended December 31, 2018, to $36.1 million from $16.0 million for the year ended December 31, 2017. This is predominantly due to the improvement in market rates, as discussed above, and to the reduction in losses associated with sale and leaseback transactions of approximately $8.4 million. Net revenue was up 27% over that of the same period in 2017 and both gross and operating margins increased by more than 5%.

Unrealized (Loss) Gain on Derivative Instruments

The Company assesses risk associated with fluctuating future freight rates and bunker prices, when appropriate, actively hedges identified economic risk that may impact the operating income of long-term cargo contracts with forward freight agreements or bunker swaps. The usage of such derivatives can lead to fluctuations in the Company’s reported results from operations on a period-to-period basis. For the year ended December 31, 2018, the company recorded an unrealized loss on derivative instruments of $3.9 million, representing the unrealized loss in value of open fuel swaps due to a drastic drop in fuel prices at the end of the fourth quarter of 2018. 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 during the period.

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 capital primarily to fund operations, vessel acquisitions, and the repayment of debt and the associated interest expense. In 2018 and 2017, the Company took advantage of sale-leaseback financing arrangements to generate $27.8 million and $28.0 million, respectively, 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 deteriorate, 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, 2018 and 2017, the Company had working capital of $34.5 million and $13.0 million, respectively. Current liabilities include dividends payable to the Founders and their affiliated entities of $4.1 million and $7.2 million, respectively, at December 31, 2018 and 2017. 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 $40.1 million in 2018, $29.2 million in 2017 and $19.2 million in 2016; 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. The Company believes that future operating cash flows together with cash on hand and availability of borrowings will be sufficient to meet our future operating and capital expenditure cash requirements for the next 12 months and the foreseeable future. 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: nine 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).

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 will be $0.5 million to $0.7 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, 2018 and 2017:

(In millions of U.S. dollars)		**2018**		**2017**
Net cash provided by operating activities	$	40.1	$	29.2
Net cash used in investing activities	$	(17.5)	$	(64.6)
Net cash provided by (used in) financing activities	$	(5.0)	$	45.4

Net Cash Provided by Operating Activities. Net cash provided by operating activities during the year ended December 31, 2018 was $40.1 million, compared to net cash provided by operating activities of $29.2 million during the year ended December 31, 2017. The increase is predominantly due to the increase in net income, and to changes in operating assets and 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, 2018 was $17.5 million compared to $64.6 million for the year ended December 31, 2017. In 2018, the Company invested $17.1 million to acquire vessels. In 2017, the Company invested $64.0 million to acquire vessels, including $37.1 million on newbuildings delivered in January 2017.

Net Cash (Used in) Provided by Financing Activities. Net cash used in financing activities during the year ended December 31, 2018 was $5.0 million, compared to net cash provided by financing activities of $45.4 million for the year ended December 31, 2017. In 2017, cash provided through long-term debt was approximately $34.0 million, net of financing fees. During the years ended December 31, 2018 and 2017, net cash used to repay long-term debt was $21.1 million and $25.3 million, respectively. Cash provided by capital lease financing arrangements totaled $27.8 million in 2018 and $28.0 million in 2017. 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,	
	2018	2017
Bulk Trident Secured Note[1]	**$ —**	$ 3,452,500
Bulk Juliana Secured Note[1]	**—**	1,521,095
Bulk Phoenix Secured Note	**2,702,374**	4,473,805
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)	**62,325,000**	69,825,000
Term Loan Facility of USD 13,000,000 (Nordic Bulk Barents Ltd. and Nordic Bulk Bothnia Ltd.)	**4,489,100**	5,793,460
Bulk Nordic Oasis Ltd. Loan Agreement (2)	**17,000,000**	18,500,000
The Amended Senior Facility - Dated December 21, 2017 (3)	**25,626,665**	28,803,333
Bulk Freedom Loan Agreement	**4,450,000**	5,150,000
109 Long Wharf Commercial Term Loan	**812,867**	922,466
Phoenix Bulk Carriers (US) LLC Automobile Loan	**—**	23,090
Total	**117,406,006**	138,464,749
Less: unamortized bank fees	**(1,903,994)**	(1,869,780)
	115,502,012	136,594,969
Less: current portion	**(20,127,742)**	(18,979,335)
Secured long-term debt, net	**$ 95,374,270**	$ 117,615,634

(1) See Senior Secured Post-Delivery Term Loan Facility below.

(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) This 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, which have since been repaid. Final payment on the Bulk Juliana Secured Note was made on July 19, 2018. The Bulk Trident Secured Note was repaid on June 7, 2018 in conjunction with the sale and leaseback of the vessel (Note 10).

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, 2018 and December 31, 2017, the Company was in compliance with these covenants.

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% (5.19% at December 31, 2018). 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% (5.04% at December 31, 2018).

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, 2018 and December 31, 2017, 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% (5.29% at December 31, 2018). 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, 2018 and December 31, 2017.

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, 2018 and December 31, 2017, 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% (8.79% at December 31, 2018).

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% (5.54% at December 31, 2018). 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% (8.79% at December 31, 2018).

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, 2018 and December 31, 2017, the Company was in compliance with these covenants.

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%. On June 14, 2018, the Company elected to fix rates for the following four quarterly periods. The rate at December 31, 2018 is 6.09%, increasing quarterly to 6.51% for the installment due June 14, 2019.

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, 2018, 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% (4.79% at December 31, 2018). 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, 2018 and December 31, 2017, 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 January 2018 and the loan was repaid.

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

	Years ending December 31,
2019	$ 20,127,742
2020	21,990,674
2021	37,237,224
2022	37,675,900
2023	109,600
Thereafter	264,866
	$ 117,406,006

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, 2017	Activity	**December 31, 2018**
Included in trade accounts receivable on the consolidated balance sheets:			
Trade receivables due from King George Slag[(i)]	$ —	$ 627,629	**$ 627,629**
Included in accounts payable and accrued expenses on the consolidated balance sheets:			
Trade payables due to Seamar [(ii)]	$ 1,421,920	$ 550,015	**$ 1,971,935**
Included in current related party debt on the consolidated balance sheets:			
Loan payable – 2011 Founders Note	$ 4,325,000	$ (1,730,000)	**$ 2,595,000**
Interest payable – 2011 Founders Note [(iii)]	684,597	(401,851)	**282,746**
Promissory Note	2,000,000	(2,000,000)	**—**
Total current related party debt	$ 7,009,597	$ (4,131,851)	**$ 2,877,746**

i. King George Slag LLC is a joint venture of which the Company owns 25%.
ii. Seamar Management S.A. ("Seamar")
iii. Paid in cash

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 $2 million outstanding balance on the Note was repaid on February 6, 2018.

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 $2,595,000 and $4,325,000 at December 31, 2018 and 2017, respectively.

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, 2018 and 2017, the Company incurred technical management fees of $3,015,600 and $2,746,200 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, 2018 and 2017, (including amounts due for vessel operating expenses), were $1,971,935 and $1,421,920, respectively.

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

	2013 common stock dividend	2013 Odyssey and Orion dividend	Total
Balance at December 31, 2016	$ 6,411,540	$ 904,803	$ 7,316,343
Converted to common shares	(77,942)	—	(77,942)
Balance at December 31, 2017	6,333,598	904,803	7,238,401
Paid in cash	**(2,270,000)**	**(904,803)**	**(3,174,803)**
Balance at December 31, 2018	**$ 4,063,598**	**$ —**	**$ 4,063,598**

Contractual Obligations

The following sets forth the Company's long-term contractual obligations as of December 31, 2018.

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Secured long-term debt	$ 117,406,006	$ 20,127,742	$ 96,903,798	$ 219,200	$ 155,266
Capital lease obligations	$ 63,688,418	$ 8,346,216	$ 27,219,938	$ 28,122,264	$ —

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, 2018 or 2017.

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, 2018 and 2017, the Company had exposure to interest rate fluctuation on $36.4 and $46.4 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, 2018 and 2017 by approximately $0.4 million.. 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. There were no interest rate swaps outstanding as of December 31, 2018 or 2017.

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, 2018 and 2017, the Company entered into FFAs that were not designated for hedge accounting. The aggregate fair value of these FFAs at December 31, 2018 was a liability of approximately $0.1 million. The aggregate fair value of these FFAs at December 31, 2017 was an asset of approximately $0.3 million.

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, 2018 and 2017, 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, 2018 was a liability of approximately $3.2 million. The aggregate fair value of these fuel swaps were assets of approximately $0.4 million at December 31, 2017.

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, 2018, 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, 2018.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting during 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, 2018.

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	62	Chairman of the Board and Chief Executive Officer
Mark L. Filanowski	64	Chief Operating Officer and Director
Gianni Del Signore	36	Chief Financial Officer
Carl Claus Boggild	62	President and Director
Anthony Laura	66	Director
Richard T. du Moulin	72	Director
Paul Hong	49	Director
Nam Trinh	37	Director
Eric S. Rosenfeld	61	Director
David D. Sgro	42	Director

Class I Directors with Terms Expiring in 2021

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 Trasafra 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. Mr. 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, 2018, 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;
- 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; and
- 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.

Compensation Committee Interlocks and Insider Participations

As of December 31, 2018, 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, 2018 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, 2018. The following table sets forth the total compensation for the fiscal years ended December 31, 2018 and 2017:

Name and Principal Position	Year	Salary and Compensation	Bonus	All Other Compensation[1]	Total
Edward Coll	2018	$ 250,000	$ 1,000,000	$ 6,000	$ 1,256,000
Chief Executive Officer	2017	$ 250,000	$ 700,000	$ 6,000	$ 956,000
(Principal Executive Officer)					
Mark L. Filanowski	2018	$ 200,000	$ 350,000	$ 6,000	$ 556,000
Chief Operating Officer	2017	$ 200,000	$ 250,000	$ 6,000	$ 456,000
Gianni Del Signore	2018	$ 175,000	$ 200,000	$ 40,969	$ 415,969
Chief Financial Officer	2017	$ 166,667	$ 150,000	$ 4,500	$ 321,167
(Principal Financial Officer)					
Anthony Laura	2017	$ 133,338	$ 120,000	$ 6,000	$ 259,338
Former Chief Financial Officer					

[1] All other compensation includes employer matching contribution to the 401(k) plan and vesting of restricted share grants.

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, 2018, the Company's named executive officers held the following outstanding equity or equity-based awards, all of which are earned:

	Stock Award Grant Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
Mark Filanowski Chief Operating Officer	01/02/18	15,825	$ 47,950
	01/06/17	22,523	$ 68,245
		38,348	$ 116,195
Gianni DelSignore Chief Financial Officer	01/02/18	9,500	$ 28,785
	01/06/17	17,000	$ 51,510
	12/31/15	10,000	$ 30,300
	05/01/15	13,889	$ 30,834
		50,389	$ 141,429

Retirement Benefits, Termination, Severance and Change in Control Payments

As of December 31, 2018, 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 2018:

Name [1]	**Fees Earned or Paid in Cash**	**Stock Awards**[2]	**Total**
Richard DuMoulin	$ 50,000	$ 85,000	$ 135,000
Nam Trinh[3]	$ 50,000	$ 85,000	$ 135,000
Paul Hong[3]	$ —	$ 85,000	$ 85,000
Eric Rosenfeld	$ 50,000	$ 85,000	$ 135,000
David Sgro	$ 50,000	$ 85,000	$ 135,000

(1) Information for Messrs. Coll, Boggild, Filanowski and Laura, who served as a members of our board of directors in 2018, is not included in this table because they did not receive additional compensation for services rendered as members of our board of directors.

(2) This column represents the grant date fair value of 29,617 shares of our common stock granted to each of our non-employee directors on February 16, 2018. 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, 2018, Messrs. Du Moulin, Rosenfeld and Sgro each held a total of 104,573 shares of our common stock all of which were vested and unrestricted.

(3) Messrs. Trinh and Hong entered into transfer agreements through which shares issued to them were transferred to Pangaea One Acquisition Holdings XIV, LLC ("POAH"). As of December 31, 2018, POAH held a total of 163,414 shares granted under the Plan, all of which were vested and unrestricted.

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	—	—	793,692
Equity compensation plans not approved by shareholders	—	—	—
Total	—	—	793,692

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 20, 2019 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.

Name and Address of Beneficial Owner (1)	*Amount and Nature of Beneficial Ownership*	*Approximate Percentage of Beneficial Ownership (2)*
Directors and Executive Officers:		
Edward Coll (3) 41 Sigourney Road Portsmouth, RI 02871	8,349,971	18.91%
Lagoa Investments (4) c/o Phoenix Bulk Carriers (US) LLC 109 Long Wharf Newport, RI 02840	8,259,999	18.71%
Gianni DelSignore* 257 Wickham Rd. North Kingstown, RI 02852	134,555	—%
Richard T. du Moulin* 52 Elm Avenue Larchmont, NY 10538	130,409	—%
Mark L. Filanowski* 71 Arrowhead Way Darien, CT 06820-5507	160,882	—%
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	842,541	1.91%
David D. Sgro* (6) 777 Third Ave, 37th Floor New York, NY 10017	278,618	—%
Nam Trinh* c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	—	—%
All Directors and Officers as a Group	18,156,975	41.13%
Five Percent Holders:		
Edward Coll	8,349,971	18.91%
Lagoa Investments	8,259,999	18.71%
Peter Yu (7) c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	14,156,303	32.06%
Pangaea One (Cayman), L.P. c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	3,297,254	7.47%
Pangaea One Parallel Fund, L.P. c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	3,081,156	6.98%

*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 44,149,254 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, 2018 and 2017, the Company incurred an aggregate of $649,036 and $672,367 in audit fees, respectively.

Audit-related fees

During each of the years ended December 31, 2018 and 2017, 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, 2018 and 2017, our independent registered public accounting firm did not render any tax services to us.

All Other Fees

During the years ended December 31, 2018 and 2017, 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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Pangaea Logistic 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, 2018 and 2017, 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, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, 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 20, 2019

Pangaea Logistics Solutions Ltd.
Consolidated Balance Sheets

	December 31, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	$ **53,614,735**	$ 34,531,812
Accounts receivable (net of allowance of $2,357,130 and $2,135,877 at December 31, 2018 and 2017, respectively)	**28,481,787**	21,089,425
Bunker inventory	**19,222,087**	15,356,712
Advance hire, prepaid expenses and other current assets	**12,187,551**	12,032,272
Total current assets	**113,506,160**	83,010,221
Restricted cash	**2,500,000**	4,000,000
Fixed assets, net	**281,891,685**	306,292,655
Vessels under capital lease	**55,576,777**	29,994,212
Total assets	$ **453,474,622**	$ 423,297,088
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable, accrued expenses and other current liabilities	$ **31,897,507**	$ 29,181,276
Related party debt	**2,877,746**	7,009,597
Deferred revenue	**14,717,072**	5,815,924
Current portion of long-term debt	**20,127,742**	18,979,335
Current portion of capital lease obligation	**5,364,963**	1,785,620
Dividends payable	**4,063,598**	7,238,401
Total current liabilities	**79,048,628**	70,010,153
Secured long-term debt, net	**95,374,270**	117,615,634
Obligations under capital lease	**45,684,727**	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, 43,998,560 and 43,794,526 shares issued and outstanding at December 31, 2018 and 2017, respectively	**4,400**	4,379
Additional paid-in capital	**155,946,452**	154,943,728
Retained Earnings (Accumulated deficit)	**5,737,199**	(9,596,785)
Total Pangaea Logistics Solutions Ltd. equity	**161,688,051**	145,351,322
Non-controlling interests	**71,678,946**	65,304,320
Total stockholders' equity	**233,366,997**	210,655,642
Total liabilities and stockholders' equity	$ **453,474,622**	$ 423,297,088

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

Pangaea Logistics Solutions Ltd.
Consolidated Statements of Income

	Years ended December 31,	
	2018	2017
Revenues:		
Voyage revenue	**$ 319,753,056**	$ 338,540,738
Charter revenue	**53,217,317**	47,404,826
Total revenue	**372,970,373**	385,945,564
Expenses:		
Voyage expense	**145,146,359**	160,577,816
Charter hire expense	**116,958,024**	132,852,712
Vessel operating expenses	**39,830,110**	36,435,959
General and administrative	**16,483,991**	15,163,352
Depreciation and amortization	**17,620,725**	15,614,571
Loss on sale and leaseback of vessels	**860,426**	9,275,042
Total expenses	**336,899,635**	369,919,452
Income from operations	**36,070,738**	16,026,112
Other (expense) income:		
Interest expense, net	**(8,694,481)**	(7,954,126)
Interest expense, related party	**(202,748)**	(316,250)
Unrealized (loss) gain on derivative instruments	**(3,868,948)**	360,316
Other income	**677,085**	984,603
Total other expense, net	**(12,089,092)**	(6,925,457)
Net income	**23,981,646**	9,100,655
Income attributable to noncontrolling interests	**(6,224,626)**	(1,287,861)
Net income attributable to Pangaea Logistics Solutions Ltd.	**$ 17,757,020**	$ 7,812,794
Earnings per common share:		
Basic	**$ 0.42**	$ 0.20
Diluted	**$ 0.42**	$ 0.20
Weighted average shares used to compute earnings per common share		
Basic	**42,248,776**	38,414,383
Diluted	**42,783,586**	38,925,745

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						
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Pangaea Logistics Solutions Ltd. Equity	Non-Controlling Interest	Total Stockholders' Equity
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
Recognized cost for restricted stock issued as compensation	**—**	**—**	**—**	**—**	**1,200,214**	**—**	**1,200,214**	**—**	**1,200,214**
Issuance of restricted shares, net of forfeitures	**—**	**—**	**204,034**	**21**	**(146,678)**	**—**	**(146,657)**	**—**	**(146,657)**
Change in accounting pronouncement (Note 3)	**—**	**—**	**—**	**—**	**—**	**(2,423,036)**	**(2,423,036)**	**—**	**(2,423,036)**
Contribution from noncontrolling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**150,000**	**150,000**
Fees incurred for issuance of common shares	**—**	**—**	**—**	**—**	**(50,812)**	**—**	**(50,812)**	**—**	**(50,812)**
Net income	**—**	**—**	**—**	**—**	**—**	**17,757,020**	**17,757,020**	**6,224,626**	**23,981,646**
Balance at December 31, 2018	**—**	**$ —**	**43,998,560**	**$ 4,400**	**$ 155,946,452**	**$ 5,737,199**	**$ 161,688,051**	**$ 71,678,946**	**$ 233,366,997**

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,	
	2018	2017
Operating activities		
Net income	**$ 23,981,646**	$ 9,100,655
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization expense	**17,620,725**	15,614,571
Amortization of deferred financing costs	**693,788**	681,279
Amortization of prepaid rent	**121,937**	121,938
Unrealized loss (gain) on derivative instruments	**3,868,948**	(360,316)
Income from equity method investee	**(224,001)**	(256,478)
Provision for doubtful accounts	**268,990**	543,621
Loss on sale and leaseback of vessels	**860,426**	9,275,042
Drydocking costs	**(2,135,670)**	(3,775,393)
Recognized cost for restricted stock issued as compensation	**1,200,214**	1,074,038
Change in operating assets and liabilities:		
Accounts receivable	**(7,661,352)**	(5,642,755)
Bunker inventory	**(3,865,375)**	(2,153,775)
Advance hire, prepaid expenses and other current assets	**1,624,441**	(1,368,584)
Accounts payable, accrued expenses and other current liabilities	**(392,160)**	6,976,446
Deferred revenue	**4,172,392**	(607,058)
Net cash provided by operating activities	**40,134,949**	29,223,231
Investing activities		
Purchase of vessels and vessel improvements	**(17,126,213)**	(64,029,798)
Purchase of building and equipment	**(414,922)**	—
Proceeds from sale of equipment	**31,594**	306,968
Purchase of non-controlling interest in consolidated subsidiary	**—**	(830,906)
Net cash used in investing activities	**(17,509,541)**	(64,553,736)
Financing activities		
Payments on related party debt	**(4,131,851)**	—
Proceeds from long-term debt	**—**	35,000,000
Payments of financing and issuance costs	**(728,041)**	(1,022,549)
Payments of long-term debt	**(21,058,742)**	(25,329,458)
Proceeds from sale and leaseback of vessels	**27,750,000**	28,000,000
Payments on capital lease obligation	**(3,501,589)**	(1,198,721)
Dividends paid to non-controlling interests	**(904,803)**	—
Common stock accrued dividends paid	**(2,270,000)**	(1,001,424)
Cash paid for incentive compensation shares relinquished	**(146,647)**	—
Contributions from noncontrolling interests	**—**	1,359,990
Proceeds from private placement of common stock, net of issuance costs	**(50,812)**	9,631,530
Net cash (used in) provided by financing activities	**(5,042,485)**	45,439,368
Net increase in cash, cash equivalents and restricted cash	**17,582,923**	10,108,863
Cash, cash equivalents and restricted cash at beginning of period	**38,531,812**	28,422,949
Cash, cash equivalents and restricted cash at end of period	**$ 56,114,735**	$ 38,531,812

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,	
	2018	2017
Disclosure of noncash items		
Conversion of related party debt to noncontrolling interest	**$ —**	$ 9,278,800
Conversion of dividend into common stock	**$ —**	$ 4,285,000
Cash paid for interest	**$ 8,636,458**	$ 6,978,754

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 three Panamax, two Ultramax Ice Class 1C, six Supramax, and two Handymax Ice Class 1A drybulk vessels, which includes four 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 had a deposit on a Supramax at December 31, 2018. This vessel was delivered in February 2019.

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, 2018 and 2017, 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 provide logistics services to its customers, and 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.

- Narragansett Bulk Carriers (US) Corp. - a corporation organized in July 2012 under the laws of Rhode Island. The primary purpose of this corporation is to manage and operate ocean-going vessels.

- 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 Ventures (Cyprus) Limited (“NBV”) – a corporation that was duly organized in April 2009 under the laws of Cyprus. NBV is the holding company of 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 Carriers Singapore Pte. Ltd. ("NBS") - a corporation that was duly organized in March 2014 under the laws of Singapore. NBS focuses on chartering and operating bulk carriers trading in a wide range of commodities; and is a wholly-owned subsidiary of NBC.

- 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 focuses on the carriage of specialized cargo.

- Bulk PODS Ltd. (“Bulk PODS”) – a corporation that was duly organized under the laws of the Marshall Islands. Bulk PODS was established in April 2018 for the purpose of acquiring the m/v Bulk PODS.

- Bulk Spirit Ltd. (“Bulk Spirit”) – a corporation that was duly organized under the laws of the Marshall Islands. Bulk Spirit was established in October 2018 for the purpose of acquiring the m/v Bulk Spirit.

At December 31, 2018 and 2017, 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, 2018 and 2017 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 through time charter arrangements with NBC covering all of its owned vessels. Accordingly, the Company has consolidated NBHC for the years ended December 31, 2018 and 2017. 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.

On January 1, 2018, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers (ASC 606). 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. We account for a contract when it has approval and commitment from both parties, the rights and payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The performance obligations under our contracts are transportation services, which are received and consumed by our customers over time, as we perform the services. Revenues are recognized using the input method, proportionate to the days elapsed since the service commencement compared to the total days anticipated to complete the service. Under the new standard, voyage revenue is recognized over the period between load port and discharge port. Costs to fulfill contracts for voyages for which loading has not commenced are recognized as assets and amortized pro rata over the period between load and discharge. Costs to obtain a contract are expensed as incurred, as provided by a practical expedient, since all such costs are expected to be amortized over less than one year. The Company adopted ASC 606 using the modified retrospective transition method applied to voyage contracts that were not substantially complete at the end of 2017. The Company recorded a $2.4 million adjustment to decrease retained earnings at the beginning of 2018, which reflects the cumulative impact of adopting this standard. Comparative financial statements have not been restated and are reported under the accounting standards in effect for those periods.

A reconciliation as of and for the year ended December 31, 2018, as reported under ASC 606 to the prior accounting standards, for each of the financial statement line items impacted, is provided below:

	As of December 31, 2018		
Consolidated Balance Sheets	**As Reported**	**Effect of ASC 606 Adoption**	**Under Prior Accounting**
Advance hire, prepaid expenses and other current assets	12,187,551	1,307,848	10,879,703
Total current assets	113,506,160	1,307,848	112,198,312
Total assets	453,474,622	1,307,848	452,166,774
Deferred revenue	14,717,072	1,716,420	13,000,652
Total current liabilities	79,048,628	1,716,420	77,332,208
Accumulated deficit	5,737,199	(408,572)	6,145,771
Total liabilities and stockholders' equity	453,474,622	1,307,848	452,166,774

	For the Twelve Months Ended December 31, 2018		
Consolidated Statements of Cash Flows	**As Reported**	**Effect of ASC 606 Adoption**	**Under Prior Accounting**
Net Income	23,981,646	2,014,463	21,967,183
Change in operating assets and liabilities:			
Advance hire, prepaid expenses and other current assets	1,624,441	997,872	626,569
Deferred Revenue	4,172,392	(3,012,335)	7,184,727

Consolidated Statements of Operations	For the Twelve Months Ended December 31, 2018		
	As Reported	Effect of ASC 606 Adoption	Under Prior Accounting
Voyage revenue	$ 319,753,056	$ 3,012,335	$ 316,740,721
Total revenues	372,970,373	3,012,335	369,958,038
Voyage expense	145,146,359	137,915	145,008,444
Charter hire expense	116,958,024	859,957	116,098,067
Total Expenses	336,899,635	997,872	335,901,763
Income from Operations	36,070,738	2,014,463	34,056,275
Net Income	23,981,646	2,014,463	21,967,183
Net income attributable to Pangaea Logistics Solutions Ltd.	$ 17,757,020	$ 2,014,463	$ 15,742,557
Earnings per common share, basic	$ 0.42	$ 0.05	$ 0.37
Earnings per common share, diluted	$ 0.42	$ 0.05	$ 0.37

Assets and liabilities related to our voyage contracts with customers are reported on a contract-by-contract basis at the end of each reporting period. Contract assets include accounts receivable for amounts billed and currently due from customers, which are reported at their net estimated realizable value. The Company maintains reserves against its accounts receivable for potential credit losses, which were immaterial for the years ended December 31, 2018 and 2017, respectively. Other contract assets include unbilled revenue which arises when revenue is recognized in advance of billing for certain voyage contracts and hire paid to shipowners in advance. Contract liabilities consist of deferred revenue which arises when amounts are billed to or collected from customers in advance of revenue recognition.

ASC 606 requires the recognition of an asset for costs to fulfill contracts that: (1) relate directly to the contract; (2) are expected to generate resources that will be used to satisfy our performance obligation under the contract; and (3) are expected to be recovered through revenue generated under the contract. Contract fulfillment costs are expensed to voyage expenses as we satisfy our performance obligations. These costs consist primarily of bunker and charter hire costs incurred prior to loading and are amortized pro rata over the period between load and discharge. At December 31, 2018 and January 1, 2018, deferred contract fulfillment costs amounted to $1.3 million and $2.3 million, respectively, and are included in advance hire, prepaid expenses and other current assets on the consolidated balance sheets. For the year ended December 31, 2018, we recognized expense of $8.1 million associated with the amortization of deferred contract costs.

Under ASC 606, deferred revenue represents the consideration received for undelivered performance obligations. The Company recorded an additional $1.7 million and $4.7 million of deferred revenue on voyages in progress as of December 31, 2018 and January 1, 2018, respectively, due to the adoption of ASC 606 because this revenue can no longer be recognized until the vessel arrives in the load port.

All voyages that were not substantially complete on January 1, 2018 were completed during the year ended December 31, 2018, therefore, all related voyage contract assets and liabilities from those voyages were recognized as expense and revenue, respectively, in the period.

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, 2018, two customers accounted for 25% of the Company's trade accounts receivable. At December 31, 2017, there were two customers that accounted for 32% of the Company's trade accounts receivable.

At December 31, 2018, ten customers in the United States and three customers in Canada accounted for 45% of accounts receivable. At December 31, 2017, fourteen customers in the United States and five customers in Canada accounted for 52% of accounts receivable.

For the year ended December 31, 2018, revenue from customers in each of the following countries accounted for at least 10% of total revenue; the United States (twenty-six representing 24%) and Canada (six representing 13%). 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, 2018 two customers accounted for approximately 10% (each) of total revenue. For the year ended December 31, 2017, one customers accounted for 12% of total revenue.

Cash, Cash Equivalents and Restricted Cash

On January 1, 2018, the Company adopted ASU No. 2016-18, *Statement of Cash Flows (ASC 230).* 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 new standard became effective for the Company on January 1, 2018. The amendments in this update were applied using a retrospective transition method to each period presented.

Cash and cash equivalents include short-term deposits with an original maturity of less than three months. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statement of cash flows:

	December 31,	
	2018	2017
Money market accounts – cash equivalents	**$ 13,819,043**	$ 21,009,821
Cash [1]	**39,795,692**	13,521,991
Total cash and cash equivalents	**$ 53,614,735**	$ 34,531,812
Restricted cash	**$ 2,500,000**	$ 4,000,000
Total cash, cash equivalents and restricted cash	**$ 56,114,735**	$ 38,531,812

[1] Consists of cash deposits at various major banks.

Restricted cash at December 31, 2018 consists of $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, 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).

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, 2018 and 2017, the Company has provided an allowance for doubtful accounts of $2,357,130 and $2,135,877 respectively, for amounts that are not expected to be fully collected. The provision for doubtful accounts was approximately $269,000 in 2018 and $544,000 in 2017. The Company wrote off approximately $48,000 and $3,160,000 during 2018 and 2017, 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:

	2018	2017
Advance hire	$ 5,851,070	$ 3,628,417
Prepaid expenses	1,276,901	460,445
Accrued receivables	2,479,800	6,153,212
Margin Deposit	1,820,656	912,981
Other current assets	759,124	877,217
Total	$ 12,187,551	$ 12,032,272

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 in is 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 2 - 23 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, 2018 and 2017, the Company did not identify any potential impairment indicator.

During the quarters ended June 30, 2018 and 2017 and at March 31, 2017, 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 in these periods.

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.

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 2018, the Company incurred financing costs of approximately $728,000. 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.

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 $455,000 were written off in conjunction with the repayment of the loan by Bulk Trident in June 2018, when the ship was sold and leased back from the buyer. Unamortized debt issuance costs of approximately $274,000 were written off in conjunction with 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,	
	2018	2017
Debt issuance costs and bank fees paid to financial institutions	**$ 6,341,393**	$ 6,068,806
Less: accumulated amortization	**(4,437,399)**	(4,199,026)
Unamortized debt issuance costs and bank fees	**$ 1,903,994**	$ 1,869,780
Amortization included in interest expense	**$ 693,788**	$ 681,279

Accounts Payable and Accrued Expenses

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

	December 31,	
	2018	2017
Accounts payable	**$ 19,892,511**	$ 15,686,235
Accrued expenses	**7,424,286**	11,923,445
Accrued interest	**540,886**	611,406
Derivative liabilities	**3,225,907**	—
Other accrued liabilities	**813,917**	960,190
Total	**$ 31,897,507**	$ 29,181,276

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 $356,000 and $428,000 is included within voyage expenses in the accompanying consolidated statements of operations as of December 31, 2018 and 2017, respectively.

Shipping income derived from sources outside the United States is not subject to any Unites 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 qualify 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 21% 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 ended December 31, 2018 and 2017.

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 years ended December 31, 2018 and 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, 2018 and 2017, 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, 2018 and 2017 is approximately $1,200,000 and $1,074,000, 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, 2018, the Company has four fully fixed rate debt facilities and four facilities which are fixed in part. At December 31, 2017, the Company has seven fully fixed rate debt facilities and three facilities of which fifty percent are 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,	
	2018	2017
Carrying amount of fixed rate long-term debt	**$ 80,964,690**	$ 92,096,979
Fair value of fixed rate long-term debt	**$ 81,412,986**	$ 93,417,008

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

The Company reclassified prior year income earned on the non-performance of COA's from other income to voyage revenue to conform to the current year's presentation. This reclassification 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. As allowed by a practical expedient under ASC 842, a lessee is permitted to make an accounting policy election by class of underlying asset for leases with a term of 12 months or less, to forego recognizing a right-of-use asset and lease liability on its balance sheet. 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. In determining the estimated value of right-use assets and lease liabilities, the Company will consider the noncancelable period of the lease as well as periods for which it is reasonably certain that renewal options will be exercised. The Company will discount the estimated lease liability using the portfolio approach, the composition of which is its secured long-term debt facilities.

The Company expects to elect the "package of practical expedients" in the new standard, under which we are not required to reassess our prior conclusions regarding lease identification, classification and initial direct costs. We do not expect to elect the use-of-hindsight practical expedient; and the practical expedient pertaining to land easements will not apply to the Company.

In July 2018, the Financial Accounting Standards Board issued ASU 2018-11 to amend ASU 2016-02 and provided an additional (and optional) transition method to adopt the new lease standard. This transition method allows entities to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption instead of using the original modified retrospective transition method of adoption which required the restatement of all prior period financial statements. Under this new transition method, the comparative periods presented in the financial statements will continue to be in accordance with current GAAP (Topic 840, Leases). Management will adopt the new lease standard using this new transition method under ASU 2018-11.

The amendments in this Update also provide lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (Topic 606) and both of the following are met:

1. The timing and pattern of transfer of the nonlease component(s) and associated lease component are the same.
2. The lease component, if accounted for separately, would be classified as an operating lease.

The Company intends to elect this practical expedient when it adopts the lessor provisions of this Update. As a result, time charter arrangements using the Company's owned vessels will account for the operating lease component of charter-hire revenue and the vessel operating expense nonlease component as a single component. Accordingly, the lessor provisions under ASC 842 are not expected to have a material impact on the Company’s financial statements.

The Company does not expect the adoption of the lessee provisions of this guidance to have a material impact on its consolidated financial statements because the Company rarely charters-in vessels (lessee) for longer than one year and the Company intends to apply the practical expedient relating to leases with terms of 12 months or less. Furthermore, the Company has only one noncancelable office lease for which the noncancelable period is less than eight months and noncancelable office equipment leases which are not expected to create significant right to use assets or lease liabilities.

The Company will implement the new guidance effective January 1, 2019 and will provide the required disclosures under the standard in its Form 10-Q filing for the quarterly period ending March 31, 2019.

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.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses. For most financial assets, such as trade and other receivables, loans and other instruments, this standard changes the current incurred loss model to a forward-looking expected credit loss model, which generally will result in the earlier recognition of allowances for losses. The new standard is effective for our company at the beginning of 2020. Entities are required to apply the provisions of the standard through a cumulative-effect adjustment to retained earnings as of the effective date. We are currently evaluating the impact of the standard on our consolidated 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, Bulk PODS, Bulk Spirit, NBH, Long Wharf, NBHC, BVH, FVL and VBC should be consolidated as VIEs at December 31, 2018 and 2017.

Bulk Pangaea, Bulk Patriot, Bulk Juliana, Bulk Atlantic, Bulk Trident, Bulk Phoenix, Bulk Barents, Bulk Bothnia, BVH, Bulk Freedom, Bulk Pride, Bulk PODS and Bulk Spirit 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, 2018 and 2017. The consolidation of all of these entities increased total assets by approximately $59.4 million and increased total liabilities by approximately $65.4 million at December 31, 2018. Total shareholders' equity decreased by approximately $6.0 million. 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.

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, 2018 and 2017. The consolidation of NBH increased total assets by approximately $27.2 million and $22.6 million and increased total liabilities by approximately $22.1 million and $21.3 million at December 31, 2018 and 2017, respectively. Total shareholders' equity increased by approximately $5.1 million and $1.3 million at December 31, 2018 and 2017, 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, 2018 and 2017. The consolidation of Long Wharf increased total assets by approximately $2.1 million and $2.2 million and increased total liabilities by approximately $2.3 million and $2.4 million at December 31, 2018 and 2017, respectively. Total shareholders' equity decreased by approximately $0.2 million and $0.2 million at December 31, 2018 and 2017, 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, 2018 and 2017. The consolidation of NBHC increased total assets by approximately $154.6 million and $154.6 million and increased total liabilities by approximately $76.8 million and $86.2 million at December 31, 2018 and 2017, respectively. Total shareholders' equity increased by approximately $7.6 million and $4.5 million at December 31, 2018 and 2017. 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 $70.2 million and $63.9 million at December 31, 2018 and 2017.

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, 2018 and 2017. The consolidation of BVH increased total assets by approximately $40.7 million and $42.6 million and increased total liabilities by approximately $35.6 million and $38.0 million at December 31, 2018 and 2017, respectively. Total shareholders' equity increased by approximately $5.1 million at December 31, 2018 and $4.6 million at December 31, 2017.

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 2018 or 2017. The consolidation of these entities increased assets by approximately $1.6 million, increased liabilities by approximately $0.2 million, decreased shareholders' equity by $23,000 and increased non-controlling interest by approximately $1.5 million at December 31, 2018. The consolidation of these entities increased assets by approximately $1.4 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:

	2018	2017
Vessels and vessel upgrades	$ **338,469,378**	$ 352,874,660
Capitalized dry docking	**11,609,896**	10,230,173
	350,079,274	363,104,833
Accumulated depreciation and amortization	**(71,276,800)**	(59,893,556)
Vessels, vessel upgrades and capitalized dry docking, net	**278,802,474**	303,211,277
Land and building	**2,541,085**	2,541,085
Internal use software	**2,414,650**	1,922,140
Other fixed assets	**4,955,735**	4,463,225
Accumulated depreciation	**(1,866,524)**	(1,381,847)
Other fixed assets, net	**3,089,211**	3,081,378
Total fixed assets, net	$ **281,891,685**	$ 306,292,655

At December 31, vessels under capital leases consisted of the following:

	2018	2017
Vessels under capital lease	**$ 58,112,177**	$ 30,878,062
Accumulated depreciation and amortization	**(2,535,400)**	(883,850)
Vessels under capital lease, net	**$ 55,576,777**	$ 29,994,212

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

	December 31, 2018	December 31, 2017
Owned vessels		
m/v BULK PANGAEA	**$ 15,231,305**	$ 16,398,650
m/v BULK PATRIOT	**10,130,797**	11,111,437
m/v BULK JULIANA	**10,651,029**	11,411,052
m/v NORDIC ODYSSEY	**24,283,497**	25,634,743
m/v NORDIC ORION	**25,095,469**	26,467,928
m/v BULK TRIDENT[1]	**—**	14,195,098
m/v BULK NEWPORT	**13,965,092**	13,139,242
m/v NORDIC BARENTS	**4,370,817**	4,846,522
m/v NORDIC BOTHNIA	**4,322,490**	4,787,388
m/v NORDIC OSHIMA	**28,897,931**	30,122,172
m/v NORDIC OLYMPIC	**29,151,529**	30,548,435
m/v NORDIC ODIN	**29,321,599**	30,371,285
m/v NORDIC OASIS	**30,416,651**	31,608,785
m/v BULK ENDURANCE	**26,020,505**	27,030,918
m/v BULK FREEDOM	**8,467,058**	8,834,746
m/v BULK PRIDE	**13,531,561**	14,007,731
MISS NORA G. PEARL	**2,995,144**	2,695,145
m/v BULK SPIRIT[2]	**1,950,000**	—
	278,802,474	303,211,277
Other fixed assets, net	**3,089,211**	3,081,378
Total fixed assets, net	**$ 281,891,685**	$ 306,292,655
Vessels under capital lease		
m/v BULK DESTINY[5]	**$ 22,307,701**	**$ 23,153,850**
m/v BULK BEOTHUK[4]	**6,528,981**	**6,840,362**
m/v BULK TRIDENT[1]	**12,664,906**	**—**
m/v BULK PODS[3]	**14,075,189**	**—**
	$ 55,576,777	**$ 29,994,212**

[1] On June 7, 2018, the m/v Bulk Trident was sold and simultaneously chartered back under a bareboat charter accounted for as a capital lease, the terms of which are discussed in Note 10.

[2] On October 26, 2018, the Company entered into an agreement to purchase a 2009 built Supramax (m/v Bulk Spirit) for $13 million., and placed a deposit of $2.0 million. The vessel was delivered in February 2019 (see Note 11).

[3] The Company acquired the 2006 built Panamax (m/v Bulk PODS) on August 1, 2018. The m/v Bulk PODS was sold on August 21, 2018 and simultaneously chartered back under a bareboat charter accounted for as a capital lease, the terms of which are discussed in Note 10.

[4] 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.

[5] 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.

The Company capitalized dry-docking costs on two vessels in 2018. 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.

NOTE 6 - MARGIN ACCOUNTS, DERIVATIVES AND FAIR VALUE MEASURES

Margin Accounts

During December 31, 2018 and 2017, 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. The Company had approximately $1,821,000 on deposit in two margin accounts at December 31, 2018, following a decline in the market value of its freight forward agreements ("FFAs") and fuel swaps. The Company had $913,000 on deposit in one margin account at December 31, 2017, following a decline in the market value of its FFAs. 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, 2018 and 2017.

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 2018 and 2017, 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, 2018 and 2017 are liabilities of approximately $3,166,000 and assets of approximately $377,000, respectively, which are included in other current liabilities and other current assets, respectively, on the consolidated balance sheets. The change in the aggregate fair value of the fuel swaps during the years ended December 31, 2018 and 2017 resulted in a loss of approximately $3,543,000 and a gain of approximately $74,000, respectively, which are included in unrealized (loss) 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 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 year ended December 31, 2018 and 2017, the Company entered into FFAs that were not designated for hedge accounting. The aggregate fair value of these FFAs at December 31, 2018 were liabilities of approximately $60,000. The aggregate fair value of these FFAs at December 31, 2017 were assets of approximately $266,000. The change in the aggregate fair value of the FFAs during the years ended December 31, 2018 and 2017 resulted in a loss of approximately $326,000 and a gain of approximately $287,000, respectively, which are included in unrealized (loss) 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, 2018	Level 1	Level 2	Level 3
Margin accounts	**$ 1,820,657**	**$ 1,820,657**	**$ —**	**$ —**
Fuel swap contracts	**$ (3,165,967)**	**$ —**	**$ (3,165,967)**	**$ —**
Forward freight agreements	**$ (59,940)**	**$ —**	**$ (59,940)**	**$ —**

	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	$	—

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, 2017	Activity	**December 31, 2018**
Included in trade accounts receivable and voyage revenue on the consolidated balance sheets and statements of income, respectively:			
Trade receivables due from King George Slag[(i)]	$ —	$ 627,629	**$ 627,629**
Included in accounts payable and accrued expenses on the consolidated balance sheets:			
Trade payables due to Seamar [(ii)]	$ 1,421,920	$ 550,015	**$ 1,971,935**
Included in current related party debt on the consolidated balance sheets:			
Loan payable – 2011 Founders Note	$ 4,325,000	$ (1,730,000)	**$ 2,595,000**
Interest payable – 2011 Founders Note [(iii)]	684,597	(401,851)	**282,746**
Promissory Note	2,000,000	(2,000,000)	**—**
Total current related party debt	$ 7,009,597	$ (4,131,851)	**$ 2,877,746**

i. King George Slag LLC is a joint venture of which the Company owns 25%.
ii. Seamar Management S.A. ("Seamar")
iii. Paid in cash

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 $2 million outstanding balance on the Note was repaid on February 6, 2018.

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 $2,595,000 and $4,325,000 at December 31, 2018 and 2017, respectively.

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, 2018 and 2017, the Company incurred technical management fees of $3,072,000 and $2,789,400 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, 2018 and 2017, (including amounts due for vessel operating expenses), were $1,971,935 and $1,421,920, respectively.

NOTE 8 - SECURED LONG-TERM DEBT

Long-term debt consists of the following:

	December 31,	
	2018	2017
Bulk Trident Secured Note[1]	**$ —**	$ 3,452,500
Bulk Juliana Secured Note[1]	**—**	1,521,095
Bulk Phoenix Secured Note	**2,702,374**	4,473,805
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)	**62,325,000**	69,825,000
Term Loan Facility of USD 13,000,000 (Nordic Bulk Barents Ltd. and Nordic Bulk Bothnia Ltd.)	**4,489,100**	5,793,460
Bulk Nordic Oasis Ltd. Loan Agreement (2)	**17,000,000**	18,500,000
The Amended Senior Facility - Dated December 21, 2017 [3]	**25,626,665**	28,803,333
Bulk Freedom Loan Agreement	**4,450,000**	5,150,000
109 Long Wharf Commercial Term Loan	**812,867**	922,466
Phoenix Bulk Carriers (US) LLC Automobile Loan	**—**	23,090
Total	**117,406,006**	138,464,749
Less: unamortized bank fees	**(1,903,994)**	(1,869,780)
	115,502,012	136,594,969
Less: current portion	**(20,127,742)**	(18,979,335)
Secured long-term debt, net	**$ 95,374,270**	$ 117,615,634

(1) See Senior Secured Post-Delivery Term Loan Facility below.

(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) This 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, which have since been repaid. Final payment on the Bulk Juliana Secured Note was made on July 19, 2018. The Bulk Trident Secured Note was repaid on June 7, 2018 in conjunction with the sale and leaseback of the vessel (Note 10).

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, 2018 and December 31, 2017, the Company was in compliance with these covenants.

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% (5.19% at December 31, 2018). 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% (5.04% at December 31, 2018).

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, 2018 and December 31, 2017, 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% (5.29% at December 31, 2018). 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, 2018 and December 31, 2017.

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, 2018 and December 31, 2017, 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% (8.79% at December 31, 2018).

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% (5.54% at December 31, 2018). 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% (8.79% at December 31, 2018).

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, 2018 and December 31, 2017, the Company was in compliance with these covenants.

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%. On June 14, 2018, the Company elected to fix rates for the following four quarterly periods. The rate at December 31, 2018 is 6.09%, increasing quarterly to 6.51% for the installment due June 14, 2019.

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, 2018, 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% (4.79% at December 31, 2018). 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, 2018 and December 31, 2017, 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 January 2018 and the loan was repaid.

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

	Years ending December 31,	
2019	$	20,127,742
2020		21,990,674
2021		37,237,224
2022		37,675,900
2023		109,600
Thereafter		264,866
	$	117,406,006

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 43,998,560 were issued as of December 31, 2018.

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, 2018, shares issued to members of our board of directors who are not our employees totaled 529,223, all of which are vested at December 31, 2018. There were 242,358 shares vested at December 31, 2017.

At December 31, 2018, shares issued to employees under the Amended Plan totaled 1,838,914 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, 2018 and 2017 totaled 376,991 and 16,000, respectively.

Total non-cash compensation cost recognized during the years ended December 31, 2018 and 2017 is approximately $1,200,214 and $1,074,038, 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, 2017	1,837,147	$	2.74
Granted	**302,385**		3.10
Vested	**(579,258)**		2.55
Forfeited	**(98,351)**		2.92
Nonvested at December 31, 2018	**1,461,923**	$	2.89

	Fiscal Years Ended December 31,	
	2018	2017
Fair value of restricted shares vested	**$ 1,478,051**	$ 570,011
Unrecognized compensation cost for restricted shares	**$ 3,445,031**	$ 3,909,212
Weighted average remaining period to expense for restricted shares (years)	**2.45**	**3.03**

Dividends

Dividends on common stock are recorded when declared by the Board of Directors. There were no dividends declared during the years ended December 31, 2018 and 2017.

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

	2013 common stock dividend	**2013 Odyssey and Orion dividend**	**Total**
Balance at December 31, 2016	$ 6,411,540	$ 904,803	$ 7,316,343
Converted to common shares	(77,942)	—	(77,942)
Balance at December 31, 2017	6,333,598	904,803	7,238,401
Paid in cash	**(2,270,000)**	**(904,803)**	**(3,174,803)**
Balance at December 31, 2018	**$ 4,063,598**	**$ —**	**$ 4,063,598**

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 $70,193,000 and $63,953,000 at December 31, 2018 and 2017, respectively.

Non-controlling interest attributable to VBC was approximately $1,499,000 and $1,352,000 at December 31, 2018 and 2017, respectively.

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 four vessels financed under sale and leaseback financing arrangements accounted for as capital leases. The selling price of the m/v Bulk Destiny to the 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 sheets at December 31, 2018 and 2017. The difference between the carrying amount and the fair value of the vessel of $4.3 million was recorded as loss on sale and leaseback 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 inception of the lease). The Company will own this vessel at the end of the lease term.

The selling price of the m/v Bulk Beothuk was $7,000,000 and the fair value was 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.

The selling price of the m/v Bulk Trident was $13,000,000 and the fair value was estimated to be the same. The Company simultaneously leased the vessel back from the buyer. The minimum lease payments fluctuate based on three-month LIBOR and are payable monthly over the eight-year lease term. The Company incurred a loss of $0.9 million on the sale and leaseback of the m/v Bulk Trident in 2018. The Company has the option to purchase the vessel at the end of the third year of the lease or thereafter, or in the case of default by the lessor, at any time during the lease term. Interest is floating at LIBOR plus 1.7% (4.02% including the margin, at inception of the lease). The Company will own this vessel at the end of the lease term.

The selling price of the m/v Bulk PODS was $14,750,000 and the fair value was estimated to be the same. The Company simultaneously leased the vessel back from the buyer. The minimum lease payments fluctuate based on three-month LIBOR and are payable monthly over the eight-year lease term. The Company has the option to purchase the vessel at the end of the third year of the lease or thereafter, or in the case of default by the lessor, at any time during the lease term. Interest is floating at LIBOR plus 1.7% (4.02% including the margin, at inception of the lease). 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 vessels' owner sold the m/v Bulk Progress on August 22, 2018 and the m/v Bulk Power on September 17, 2018. The Company agreed to release the owner from its commitment under the bareboat charters and has been compensated in the form of commission for the sales.

The Company leases office space for its Copenhagen operations. Since December 31, 2018, this lease continues on a month to month basis. The noncancelable period is six months, which represents the period for which it is reasonably certain that termination will not be exercised.

The Company leases office space for its Singapore operations At December 31, 2018, the remaining obligation under this lease is approximately $42,000.

Future minimum lease payments under capital leases with initial or remaining terms in excess of one year at December 31, 2018 were:

	Obligations under Capital Leases	
2019	$	8,346,216
2020		8,176,908
2021		8,032,955
2022		11,010,075
2023		6,354,695
Thereafter		21,767,569
Total minimum lease payments	$	63,688,418
Less amount representing interest		12,638,728
Present value of minimum lease payments		51,049,690
Less current portion		5,364,963
Long-term portion	$	45,684,727

NOTE 11 - SUBSEQUENT EVENTS

On October 26, 2018, the Company, through a wholly-owned subsidiary, signed a Memorandum of Agreement to purchase a Supramax bulk carrier (m/v Bulk Spirit) built in 2009, for approximately $13 million. The vessel, which was delivered in February 2019, was financed under a bareboat charter to be accounted for as a finance lease under ASC 842. The minimum lease payments are fixed at 5.1% for the first five years of the lease term and fluctuate based on three-month LIBOR after that time. Bareboat hire is payable monthly over the eight-year lease term. The Company has the option to purchase the vessel at the end of the second year of the lease or thereafter, or in the case of default by the lessor, at any time during the lease term. The Company will own this vessel at the end of the lease term (see Note 5).

Quarterly Data

(Unaudited)	2018				2017			
(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	**$ 70.3**	**$ 81.8**	**$ 81.8**	**$ 85.8**	$ 77.7	$ 80.2	$ 94.5	$ 86.1
Charter revenue	**8.7**	**15.0**	**13.5**	**16.1**	6.8	11.2	13.3	16.1
	79.0	**96.8**	**95.3**	**101.9**	84.5	91.4	107.8	102.2
Expenses:								
Voyage expense	**30.2**	**38.0**	**36.7**	**40.3**	41.3	38.6	44.3	39.2
Charter hire expense	**22.7**	**30.7**	**28.5**	**35.0**	23.2	33.2	34.8	38.9
Vessel operating expenses	**9.8**	**10.0**	**9.9**	**10.1**	8.6	9.1	9.1	9.6
General and administrative	**4.1**	**4.4**	**3.7**	**4.3**	3.5	3.1	4.8	3.7
Depreciation and amortization	**4.3**	**4.4**	**4.4**	**4.5**	3.9	3.7	3.9	4.0
Loss on sale and leaseback of vessels	**—**	**0.9**	**—**	**—**	4.3	4.9	0.1	—
Total expenses	**71.1**	**88.4**	**83.2**	**94.2**	84.8	92.6	97.0	95.4
Income from operations	**7.9**	**8.4**	**12.1**	**7.7**	(0.3)	(1.2)	10.8	6.8
Other income (expense):								
Interest expense, net	**(2.1)**	**(2.1)**	**(2.2)**	**(2.3)**	(1.6)	(2.2)	(2.1)	(2.0)
Interest expense related party debt	**(0.1)**	**(0.1)**	**—**	**—**	(0.1)	(0.1)	(0.1)	(0.1)
Unrealized (loss) gain on derivative instruments	**(0.6)**	**0.6**	**0.5**	**(4.3)**	2.0	(1.5)	(0.1)	(0.1)
Other expense	**0.4**	**—**	**—**	**0.2**	0.1	0.8	0.1	—
Total other expense, net	**(2.4)**	**(1.6)**	**(1.7)**	**(6.4)**	0.4	(3.0)	(2.2)	(2.2)
Net income	**5.5**	**6.8**	**10.4**	**1.3**	0.1	(4.2)	8.6	4.6
(Income) loss attributable to noncontrolling interests	**(1.2)**	**(1.1)**	**(2.1)**	**(1.8)**	1.4	(0.6)	(1.6)	(0.5)
Net income attributable to Pangaea Logistics Solutions Ltd.	**$ 4.3**	**$ 5.7**	**$ 8.3**	**$ (0.5)**	$ 1.5	$ (4.8)	$ 7.0	$ 4.1

Quarterly Data (continued)

(Unaudited)	2018				2017			
(Dollars in millions, except per share amounts)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Earnings (loss) per common share:								
Basic	**$ 0.10**	**$ 0.14**	**$ 0.20**	**$ (0.01)**	$ 0.04	$ (0.13)	$ 0.18	$ 0.10
Diluted	**$ 0.10**	**$ 0.13**	**$ 0.19**	**$ (0.01)**	$ 0.04	$ (0.13)	$ 0.17	$ 0.09
Weighted average shares used to compute earnings per common share								
Basic	**42,019,779**	**42,252,552**	**42,348,175**	**42,369,661**	35,280,806	35,539,186	40,796,867	41,941,300
Diluted	**42,655,038**	**42,763,925**	**42,878,449**	**42,369,661**	35,805,205	35,539,186	41,074,592	42,619,933

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 20, 2019.

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 20, 2019
/s/ Carl Claus Boggild Carl Claus Boggild	President (Brazil) and Director	March 20, 2019
/s/ Gianni DelSignore Gianni DelSignore	Chief Financial Officer, Principal Accounting Officer and Director	March 20, 2019
/s/ Anthony Laura Anthony Laura	Director	March 20, 2019
/s/ Nam Trinh Nam Trinh	Director	March 20, 2019
/s/ Paul Hong Paul Hong	Director	March 20, 2019
/s/ Richard T. du Moulin Richard T. du Moulin	Director	March 20, 2019
/s/ Mark L. Filanowski Mark L. Filanowski	Chief Operating Officer and Director	March 20, 2019
/s/ Eric S. Rosenfeld Eric S. Rosenfeld	Director	March 20, 2019
/s/ David D. Sgro David D. Sgro	Director	March 20, 2019

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	The Amended Senior Facility - Dated December 21, 2017	10-K	3/21/2018	
10.43	Bareboat Charter Party Dated 17 August 2018	10-Q	11/8/2018	
14.1	Code of Ethics	8-K	10/8/2014	
23.1	Consent of Independent Registered Public Accounting Firm			X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			X
31.2	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			X
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			X
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			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

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 20, 2019, 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, 2018. 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 20, 2019

Exhibit 31.1

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, 2018, 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 20, 2019

/s/ Edward Coll

Edward Coll
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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, 2018, 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 20, 2019

/s/ Gianni DelSignore

Gianni DelSignore
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**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, 2018, 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 20, 2019

/s/ Edward Coll
Edward Coll
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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, 2018, 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 20, 2019

/s/ Gianni DelSignore
Gianni DelSignore
Chief Financial Officer
(Principal Financial Officer)