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

FORM 10-K

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

For the fiscal year ended December 31, 2019

OR

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

Commission File Number: **001-36798**

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	**(401) 846-7790**
(Address of Principal Executive Offices)	(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 x

The aggregate market value of the registrant's Common Stock held by non-affiliates at June 30, 2019 was approximately $27.3 million based on the Nasdaq closing price for such shares on that date. The registrant has no non-voting common equity.

As of March 23, 2020, 45,077,335 shares of Common Shares, $.0001 par value per share were outstanding.

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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 ("Contract of Affreightment"), 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.

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, during most of the year 2019, the Company operated 20 vessels which were wholly-owned or partially-owned through joint ventures. The Company uses this fleet to transport approximately 25 million tons of cargo annually to nearly 250 ports around the world, averaging approximately 48 vessels in service daily in 2019 and 45 during 2018.

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.

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.*** COA is an agreement providing for the transportation between specified points for a specific quantity of cargo over a specific time period but without designating specific vessels or voyage schedules, thereby allowing flexibility in scheduling since no vessel designation is required. COAs can either have a fixed rate or a market-related rate. 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, eight Supramax and one Handymax Ice-Class 1A bulk carriers.

- ***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. 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.

- ***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 40 years of experience in the drybulk shipping industry. Other members of its management team and key employees, Mark Filanowski, Mads Boye Petersen, Peter Koken, Neil McLaughlin, 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 wide 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 and a temporary port used in Greenland to load the northernmost dry bulk cargo ever carried. 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 23, 2020, the Company operates its fleet of 18 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 Friendship	Supramax	58,738	2011	Nantong Cosco Kawasaki HI
m/v Bulk Independence	Supramax	56,548	2008	Yokohama
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 Spirit	Supramax	52,950	2009	Oshima Shipbuilding
m/v Bulk Pangaea	Panamax	70,165	1996	Sumitomo Shipbuilding
m/v Bulk PODS	Panamax	76,561	2006	Imabari SB Marugame

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 48 vessels at any one time during 2019 and 45 in 2018. In 2019, the Company owned interests in 20 vessels and chartered in another 177 for one or more voyages. In 2018, the Company owned interests in 20 vessels and chartered in another 159 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 23, 2020, 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)
Bulk Nordic Seven LLC (“Seven”)	Marshall Islands	100%	(G)
Bulk Nordic Eight LLC (“Eight”)	Marshall Islands	100%	(G)
Bulk Nordic Nine LLC (“Nine”)	Marshall Islands	100%	(G)
Bulk Nordic Ten LLC (“Ten”)	Marshall Islands	100%	(G)
Nordic Bulk Partners LLC (“NBP”)	Marshall Islands	75%	(L)
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)
Bulk Independence Corp. ("Bulk Independence")	Marshall Islands	100%	(G)
Bulk Friendship Corp. ("Bulk Friendship")	Marshall Islands	100%	(G)
Bulk Beothuk Corp. (“Bulk Beothuk”)	Marshall Islands	100%	(G)
Venture Barge (U.S) Corp. ("VBC")	Delaware	50%	(M)
Venture Logistics NL Inc. ("VLNL")	Canada	50%	(M)
Flintstone Ventures Limited ("FVL")	Newfoundland and Labrador	100%	(N)
Seamar Management S.A.	Greece	51%	(O)
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)
Patriot Stevedoring & Logistics, LLC	Massachusetts	50%	(P)
Bay Stevedoring LLC	Delaware	100%	(Q)
Pangaea Logistics Solutions (US) LLC	Delaware	100%	(R)
King George Slag LLC ("KGS")	Delaware	25%	(S)

(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 this entity is to own or lease bulk carriers through wholly-owned subsidiaries.
(M) The primary purpose of VBC/VLNL is to own and operate the deck barge Miss Nora G. Pearl.
(N) The primary purpose of FVL is the carriage of specialized cargo.
(O) This entity is the technical manager of 12 vessels owned and operated by the Company.
(P) The primary purpose of the company is to manage and operate the Brayton Point Commerce Center Marine Terminal.
(Q) The primary purpose of the company is to manage and operate a port terminal in Louisiana.
(R) The primary purpose of the company is to manage U.S.-based business activities.
(S) The primary purpose of the company is to buy, sell, and distribute cement and cement related materials and general construction aggregates.

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 70 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. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels, or certain exhaust gas cleaning systems. Ships are now required to obtain bunker delivery notes and International Air Pollution Prevention ("IAPP") Certificates from their flag states that specify sulfur content. Additionally, at MEPC 73, amendments to Annex VI to prohibit the carriage of bunkers above 0.5% Sulphur on ships were adopted and will take effect March 1, 2020, with the exception of vessels fitted with exhaust gas cleaning equipment ("scrubbers") which can carry fuel of higher sulfur content. These regulations subject ocean-going vessels to stringent emissions controls, and may cause us to incur substantial costs, including those related to the purchase, installation and operation of scrubbers and the purchase of compliant fuel oil.

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

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges, individually or in the aggregate, result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. 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 five special survey in 2020 at an aggregate total cost of approximately $5.7 million. The Company expects to perform three intermediate surveys in 2020 at an aggregate total cost of approximately $1.5 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.

<u>Risks Relating to the Company's Industry</u>

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 2019 due to increased demand from China and 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 2019, 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.

Demand for our vessels is dependent upon economic growth in the world's economies, seasonal and regional changes in demand, changes in the capacity of the global drybulk fleet and the sources and supply of drybulk cargo transported by sea. Given the large number of new drybulk vessels currently on order with shipyards, the capacity of the global drybulk vessels fleet seems likely to increase and economic growth may not resume in areas that have experienced a recession or continue in other areas. As such, adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

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;
- speed of vessels being operated; and
- 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.

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

In the current global economy, operating businesses are faced with tightening credit, weak demand for goods and services, and weak international liquidity conditions. There has similarly been a general decline in the willingness by banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it has been negatively affected by this decline. In particular, lower demand for drybulk cargoes as well as diminished trade credit available for the delivery of such cargoes have led to decreased demand for drybulk vessels, creating downward pressure on charter rates and vessel values. Any further weakening in global economic conditions may have a number of adverse consequences for drybulk and other shipping sectors, including, among other things:

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

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

An increase in interest rates could adversely affect our cash flow and financial condition.

We are also subject to market risks relating to changes in LIBOR rates because we have significant amounts of floating rate debt outstanding. Moreover, in the recent past, concerns have been publicized that some of the member banks surveyed by the British Bankers' Association ("BBA") in connection with the calculation of LIBOR may have been underreporting or otherwise manipulating the inter-bank lending rate applicable to them. A number of BBA member banks entered into settlements with their regulators and law enforcement agencies with respect to alleged LIBOR manipulation, and investigations by regulators and governmental authorities in various jurisdictions are ongoing. In addition, on July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. It is not currently possible to predict the effect of any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. If LIBOR or any alternative reference rate were to increase significantly, the amount of interest payable on our outstanding indebtedness could increase significantly and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

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, 2019 and 2018.

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.

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.

World events could affect our operations and financial results.

Past terrorist attacks, as well as the threat of future terrorist attacks around the world, continue to cause uncertainty in the world’s financial markets and may affect our business, operating results and financial condition. Continuing conflicts, instability and other recent developments in the Middle East and elsewhere, and the presence of U.S. or other armed forces in Afghanistan and Syria, 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. Any of these occurrences could have a material adverse impact on our business, financial condition and results of operations.

We face risks attendant to changes in economic and regulatory conditions around the world.

We face risks attendant to changes in economic environments, changes in interest rates, instability in the banking and securities markets and trade regulations around the world, among other factors. Major market disruptions and adverse changes in market conditions and regulatory climate in China, the United States and worldwide may adversely affect our business or impair our ability to borrow amounts under any future financial arrangements.

For example, the economic slowdown in the Asia-Pacific region, especially in China, could negatively affect global economic markets and the market for drybulk shipping. Chinese drybulk imports have accounted for the majority of global drybulk transportation growth annually over the last decade, with recent demand growth driven by stronger iron ore and coal imports into China. Before the global economic financial crisis that began in 2008, China had one of the world’s fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. The growth rate of China’s GDP for the year ended December 31, 2019, was 6.1%, down from a growth rate of 6.6% for the year ended December 31, 2018, but remaining well below pre-2008 levels. China and other countries in the Asia Pacific region may continue to experience slowed or even negative economic growth in the future. Our financial condition and results of operations, as well as our future prospects, would likely be hindered by a continuing or worsening economic downturn in any of these countries or geographic regions. Furthermore, there is a rising threat of a Chinese financial crisis resulting from massive personal and corporate indebtedness and “trade wars”. The International Monetary Fund has warned that continuing trade tensions, including significant tariff increases, between the United States and China are expected to result in a 0.8% cumulative reduction of global GDP in 2020. We cannot assure you that the Chinese economy will not experience a significant contraction in the future.

The United States, the European Union and other parts of the world have likewise experienced relatively slow growth and weak economic trends since 2008. Over the past several years, the credit markets in the United States and Europe have remained contracted, deleveraged and less liquid, and the U.S. federal and state governments and European authorities have implemented governmental action and/or new regulation of the financial markets and may implement additional regulations in the future. While credit conditions are beginning to stabilize, global financial markets have been, and continue to be, disrupted and volatile. Specifically, concerns persist regarding the debt burden of certain European countries and their ability to meet future financial obligations. Potential adverse developments in the outlook for European countries, or market perceptions concerning these and related issues, could reduce the overall demand for drybulk cargoes and for our service, which could negatively affect our financial position, results of operations and cash flow.

Further, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. In particular, leaders in the United States have indicated the United States may seek to implement more protective trade measures. The current U.S. President was elected on a platform promoting trade protectionism. The results of the presidential election have thus created significant uncertainty about the future relationship between the United States and China and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. On January 23, 2017, the U.S. President signed an executive order withdrawing the United States from the Trans-Pacific Partnership, a global trade agreement intended to include the United States, Canada, Mexico, Peru and a number of Asian countries. Protectionist developments, or the perception they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Moreover, increasing trade protectionism may cause an increase in (i) the cost of goods exported from regions globally, particularly the Asia-Pacific region, (ii) the length of time required to transport goods and (iii) the risks associated with exporting goods. Such increases may significantly affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs.

While global economic conditions have generally improved, renewed adverse and developing economic and governmental factors, together with the concurrent volatility in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition and cash flows and could cause the price of our common shares to decline. An extended period of deterioration in the outlook for the world economy could reduce the overall demand for our services and could also adversely affect our ability to obtain financing on acceptable terms or at all.

Changes in the economic and political environment in China and policies adopted by the government to regulate its economy may have a material adverse effect on our business, financial condition and results of operations.

The Chinese economy differs from the economies of western countries in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, bank regulation, currency and monetary policy, rate of inflation and balance of payments position. Prior to 1978, the Chinese economy was a “planned economy”. Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Annual and five-year State Plans are adopted by the Chinese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through State Plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a “market economy” and enterprise reform. Limited price reforms were undertaken with the result that prices for certain commodities are principally determined by market forces. In addition, economic reforms may include reforms to the banking and credit sector and may produce a shift away from the export-driven growth model that has characterized the Chinese economy over the past few decades. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. The level of imports to and exports from China could be adversely affected by the failure to continue market reforms or changes to existing pro-export economic policies. The level of imports to and exports from China may also be adversely affected by changes in political, economic and social conditions (including a slowing of economic growth) or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions, internal political instability, changes in currency policies, changes in trade policies and territorial or trade disputes. A decrease in the level of imports to and exports from China could adversely affect our business, operating results and financial condition.

We may not be able to obtain financing on acceptable terms, which may negatively impact our planned growth.

As a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the ability to obtain money from the credit markets has become more difficult as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, we cannot be certain that financing will be available if needed and to the extent required, on acceptable terms. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

Acts of piracy on ocean-going vessels could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia and, in particular, the Gulf of Guinea region off Nigeria, which experienced increased incidents of piracy in 2019. Sea piracy incidents continue to occur, increasingly in the Sulu Sea and the Gulf of Guinea, with drybulk vessels and tankers particularly vulnerable to such attacks. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping. The perception that our vessels are a potential piracy or terrorist target could have a material adverse impact on our business, financial condition and results of operations.

Further, if these piracy attacks occur in regions in which our vessels are deployed that insurers characterize as “war risk” zones or by the Joint War Committee as “war and strikes” listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain, if available at all. In addition, crew costs, including costs that may be incurred to the extent we employ on-board security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking 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, results of operations, cash flows and financial condition, and this may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

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

We conduct most of our operations outside of the United States, and our business, results of operations, cash flows, financial condition and ability to pay dividends, if any, in the future may be adversely affected by changing economic, political and government conditions in the countries and regions where our vessels are employed or registered. Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political conflicts, including the current political instability in the Middle East and the South China Sea region and other geographic countries and areas, geopolitical events such as Brexit, terrorist or other attacks, and war (or threatened war) or international hostilities, such as those between the United States and North Korea. Terrorist attacks such as those in Paris on November 13, 2015, Manchester on May 22, 2017, as well as the frequent incidents of terrorism in the Middle East, 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 the Middle East, including increased tensions between the U.S. and Iran, as well as the presence of U.S. or other armed forces in Iraq, Syria, 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. As a result of the above, insurers have increased premiums and reduced or restricted coverage for losses caused by terrorist acts generally. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs. Additionally, Brexit, or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations.

Further, governments may turn and have turned to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. In particular, leaders in the United States and China have implemented certain increasingly protective trade measures. The results of the 2016 presidential election and the potential results of the upcoming 2020 presidential election in the United States have created significant uncertainty about the future relationship between the United States, China and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. For example, in March 2018, President Trump announced tariffs on imported steel and aluminum into the United States that could have a negative impact on international trade generally and, in January 2019, the United States announced expanded sanctions against Venezuela, which may have an effect on its oil output and, in turn, affect global oil supply. There have also been continuing trade tensions, including significant tariff increases, between the United States and China. Protectionist developments, or the perception that they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Moreover, increasing trade protectionism may cause an increase in (i) the cost of goods exported from regions globally, (ii) the length of time required to transport goods and (iii) the risks associated with exporting goods. Such increases may significantly affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs, which could have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations, financial condition and our ability to pay any cash distributions to our stockholders.

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

In the past, political instability has also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia.

In addition, public health threats, such as the novel coronavirus, influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate, including China, could adversely impact our operations, the timing of completion of scheduled dry-dockings and ballast water treatment system installation projects, as well as the operations of our customers.

Any of these occurrences could have a material adverse impact on our future performance, results of operations, cash flows and financial position.

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

Our operations are subject to risks related to outbreaks of infectious diseases. For example, the recent outbreak of coronavirus COVID-19, or the Coronavirus, a virus causing potentially deadly respiratory tract infections originating in China, may negatively affect economic conditions and the demand for drybulkers regionally as well as globally and otherwise impact our operations and the operations of our customers and suppliers. Governments in affected countries are imposing travel bans, quarantines and other emergency public health measures. Those measures, though temporary in nature, may continue and increase depending on developments in the virus' outbreak. As a result of these measures, our vessels may not be able to call on ports, or may be restricted from disembarking from ports, located in regions affected by Coronavirus. Although our operations have not been materially affected by the Corona virus outbreak to date, the ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore we cannot predict the impact it may have on our future operations, which could be material and adverse.

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.

If our vessels call on ports located in countries or territories that are subject to sanctions or embargoes imposed by the U.S. government, the European Union, the United Nations, or other governments, it could result in monetary fines or penalties imposed on us and may adversely affect our reputation and the market for our securities

On our charterers' instructions and without our consent, 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. If such activities result in a sanctions violation, we could be subject to monetary fines, penalties, or other sanctions, and our reputation and the market for our ordinary shares could adversely affected. Although we endeavor to take precautions reasonably designed to mitigate such activities, including relevant provisions in charter agreements forbidding the use of our vessels in trade that would violate economic sanctions, there can be no assurance that we will maintain such compliance, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations.

The sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. Current or future counterparties of ours may be affiliated with persons or entities that are or may be in the future the subject of sanctions imposed by the U.S. administration, the EU, and/or other international bodies. If we determine that such sanctions require us to terminate existing or future contracts to which we or our subsidiaries are party or if we are found to be in violation of such applicable sanctions, our results of operations may be adversely affected or we may suffer reputational harm.

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. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our securities may adversely affect the price at which our securities trade. Additionally, some investors may decide to divest their interest, or not to invest, in our company simply because we do business with companies that do business in sanctioned countries or territories. 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.

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

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

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

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

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.

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

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

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, 2019, one customer accounted for approximately 11% of total revenue and all of our top ten customers, representing 41% 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 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 finance 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 $18 million

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, 2019, 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. 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 by entering into bunker hedging contracts. 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 9 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 finance 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, finance 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.

Exposure to currency exchange rate fluctuations will result in fluctuations in our cash flows and operating results.

We may generate our revenues and incur some of our operating expenses and general and administrative expenses in currencies other than the U.S. dollar. This difference could lead to fluctuations in our revenues and vessel operating expenses, which would affect our financial results. Expenses incurred in foreign currencies increase when the value of the U.S. dollar falls, which would reduce our profitability. Our operating results could suffer as a result.

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.

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 PANL since our common shares began public trading on October 3, 2014.The Company's internet address is *www.pangaeals.com.*

Holders

As of March 23, 2020, the Company estimates that there were approximately 1,005 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. The Company paid a quarterly cash dividend of $0.035 per common share commencing in June 2019. The Company did not declare any dividends on our common shares during 2018. 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 of $0.6 million at December 31, 2019.

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)

	As of and for the years ended December 31,	
	2019	**2018**
Selected Data from the Consolidated Statements of Operations		
Voyage revenue	**$ 365,715**	$ 319,753
Charter revenue	**46,483**	53,217
Total revenue	**412,198**	372,970
Voyage expense	**165,479**	145,146
Charter hire expense	**132,950**	116,958
Vessel operating expenses	**45,266**	39,830
Total cost of transportation and service revenue	**343,695**	301,934
Vessel depreciation and amortization	**18,394**	17,508
Gross Profit	**50,109**	53,528
Other operating expenses	**17,379**	16,484
Loss on impairment of vessels	**4,751**	—
Loss on sale of vessels	**4,585**	—
Loss on sale and leaseback of vessels	**—**	860
Income from operations	**23,258**	36,071
Total other expense, net	**(6,209)**	(12,089)
Net income	**17,049**	23,982
Income attributable to noncontrolling interests	**(5,391)**	(6,225)
Net income attributable to Pangaea Logistics Solutions Ltd.	**$ 11,658**	$ 17,757
Net income from continuing operations per common share information		
Basic income per share	**$ 0.27**	$ 0.42
Diluted income per share	**$ 0.27**	$ 0.42
Weighted-average common shares Outstanding - basic	**42,752,413**	42,248,776
Weighted-average common shares Outstanding - diluted	**43,267,178**	42,783,586
Cash dividends declared per share	**$ 0.105**	$ —
Adjusted EBITDA [1]	**$ 51,123**	$ 54,552
Shipping Days [2]		
Voyage days	**14,199**	12,708
Time charter days	**3,177**	3,543
Total shipping days	**17,376**	16,251
TCE Rates ($/day) [3]	**$ 14,199**	$ 14,019
Selected Data from the Consolidated Balance Sheets		
Cash	**$ 50,555**	$ 53,615
Total assets	**$ 479,903**	$ 453,475
Total secured debt, including obligations under finance leases	**$ 176,688**	$ 166,552
Total shareholders' equity	**$ 243,072**	$ 233,367
Selected Data from the Consolidated Statements of Cash Flows		
Net cash provided by operating activities	**$ 44,459**	$ 40,135
Net cash used in investing activities	**$ (46,602)**	$ (17,510)
Net cash used in financing activities	**$ (916)**	$ (5,042)

Amounts in the table above have been calculated based on unrounded numbers. Accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

(1) 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.

(2) 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).

(3) 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 gross profit to net transportation and service revenue and income from operations to Adjusted EBITDA is as follows:

(in thousands)	Years Ended December 31,	
	2019	2018
Net Transportation and Service Revenue [4]		
Gross Profit	**$ 50,109**	$ 53,528
Add:		
Vessel Depreciation and Amortization	**18,394**	17,508
Net transportation and service revenue	**$ 68,503**	$ 71,036
Adjusted EBITDA		
Income from operations	**$ 23,258**	$ 36,071
Depreciation and amortization	**18,529**	17,621
Loss on sale of vessel	**4,585**	—
Loss on impairment of vessels	**$ 4,751**	$ —
Loss on sale and leaseback of vessels	**$ —**	$ 860
Adjusted EBITDA	**$ 51,123**	$ 54,552

Amounts in the table above have been calculated based on unrounded numbers. Accordingly, certain amounts may not appear to recalculate due to the effect of rounding.

(4) Net transportation and service revenue represents total revenue less the total direct costs of transportation and services, which includes charter hire, voyage and vessel operating expenses. Net transportation and service revenue is included because it is used by management and certain investors to measure performance by comparison to other logistic service providers. Net transportation and service 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 transportation and service revenue used here may not be comparable to an operating measure used by other companies.

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. Demurrage revenue 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 9 - 23 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, which tend to be cyclical. The carrying value of each group of vessels classified as held and used 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 assets 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 time charter equivalent "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. Measurement of the impairment loss is based on the fair value of the asset as provided by third parties.

At December 31, 2019, the Company had accepted an offer to sell the m/v Bulk Patriot below the carrying amount of the vessel, to be delivered in the first quarter of 2020. As a result, a loss on impairment of the vessel for an amount totaling $4.8 million, which is equal to the excess of the carrying amount of the asset over the agreed upon sale value less estimated costs to sell, is included in the consolidated statements of operations. The vessel has been classified as held for sale as of December 31, 2019. The Company identified additional potential triggering events that resulted from the loss recognized on the sale of vessels in the fourth quarter of 2019 of $4.6 million.

As a result, the Company evaluated each asset group for impairment by estimating the total undiscounted cash flows expected to result from the use of the asset group and its eventual disposal. The estimated undiscounted future cash flows were higher than the carrying amount of each asset group in the Company's fleet and as such, no other loss on impairment was recognized. No impairment indicator exists during the nine months ended September 30, 2019.

During the fourth quarter ended December 31, 2018, the Company did not identify any potential impairment indicators. During the quarter ended June 30, 2018, 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 that period.

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, 2019.

(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	$ 23,689
m/v Nordic Odyssey	April 2012	PMX-1A	32,691	22,897
m/v Nordic Oshima	September 2014	PMX-1A	33,709	28,325
m/v Nordic Odin	February 2015	PMX-1A	32,625	28,095
m/v Nordic Olympic	February 2015	PMX-1A	32,600	27,932
m/v Nordic Oasis	January 2016	PMX-1A	32,600	29,191
m/v Bulk Pangaea	December 2009	PMX	26,500	14,988
m/v Bulk Patriot (1)	October 2011	PMX	15,350	4,435
m/v Bulk Trident	September 2012	SMX	17,010	12,096
m/v Bulk Beothuk	February 2013	SMX	14,197	6,590
m/v Bulk Newport	September 2013	SMX	15,546	12,976
m/v Bulk Freedom	June 2017	SMX	9,016	8,270
m/v Bulk Pride	December 2017	SMX	14,023	12,996
m/v Nordic Barents (2)	March 2014	HMX-1A	7,640	3,885
m/v Bulk Destiny	January 2017	UMX - 1C	24,000	21,485
m/v Bulk Endurance	January 2017	UMX - 1C	28,000	25,038
Miss Nora G. Pearl	November 2017	Deck Barge	3,833	3,610
m/v Bulk PODS	August 2018	PMX	14,010	13,445
m/v Bulk Spirit	February 2019	SMX	13,000	12,867
m/v Bulk Independence	May 2019	SMX	14,393	14,001
m/v Bulk Friendship	September 2019	SMX	14,447	14,053
Total			$ 427,553	$ 340,864

(1) On October 28, 2019, the Company signed a memorandum of agreement to sell the Bulk Patriot for $4.4 million after brokerage commissions. The Company recorded an impairment charge of $4.8 million, and recorded the carrying amount of the vessel as vessels held for sale in its Consolidated Balance Sheet as of December 31, 2019.

(2) On December 31, 2019, the Company entered into a memorandum of agreement to sell the m/v Nordic Barents, a 1995-built Handymax vessel, to a third party for $4.4 million less broker commission payable to a third party. The sale was completed on February 7, 2020. The vessel assets were classified as held for sale in the Consolidated Balance Sheet as of December 31, 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 Issued Accounting Pronouncements Not Yet Adopted

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 the Company at the beginning of 2023. Entities are required to apply the provisions of the standard through a cumulative-effect adjustment to retained earnings as of the effective date. The Company is currently assessing the new guidance and its impact on its consolidated financial statements, and it intends to adopt the guidance when it becomes effective in the first quarter of 2023.

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.

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. Overall the Baltic Dry Index ("BDI"), a measure of dry bulk market performance, averaged 1,329 for 2019, down from an average of 1,345 for 2018. Although the average Baltic Dry Index ("BDI") remained flat for 2019 as compared to the average for 2018, there was seasonal volatility within 2019 that saw BDI reach a low of 595 in February and a multi-year high of 2,518 in September. More specifically, and reflecting the composition of the Company's fleet, the average published market rates for Supramax and Panamax vessels decreased approximately 8% from an average of 10,997 in 2018 to 10,093 in 2019. Conversely, the Company's average TCE rates increased 1% in 2019 over the average for 2018, and exceeded the published market rates by an average of 41% for 2019.

2019 Highlights

- Net income attributable to Pangaea Logistics Solutions Ltd. of $11.7 million as compared to $17.8 million for the year ended December 31, 2018.
- Income from operations of $23.3 million, down from $36.1 million for 2018.
- Earnings per share were $0.27 as compared to $0.42 for the year ended December 31, 2018.
- Cash flow from operations of $44.5 million, compared to $40.1 million for the prior year.
- Pangaea's TCE rates increased 1% to $14,199 from $14,019 in 2018 while the market average for the year was approximately $10,093 per day.
- At December 31, 2019, Pangaea had $53.1 million in cash, restricted cash and cash equivalents.

Results of Operations

Fiscal Year Ended December 31, 2019 Compared to Fiscal Year Ended December 31, 2018

Revenues

Pangaea’s revenues are derived predominantly from voyage charters and time charters. Total revenue for the fiscal year ended December 31, 2019, was $412.2 million compared to $373.0 million, for the same period in 2018. The number of shipping days increased 7% to 17,376 in the fiscal year ended December 31, 2019, from 16,251 for the same period in 2018. The revenue increase was due to an increase in the number of total shipping days.

Components of revenue are as follows:

Voyage revenues for the fiscal year ended December 31, 2019, increased 14% to $365.7 million from $319.8 million for the same period in 2018. The increase in voyage revenues was driven by a 12% increase in voyage days. Voyage days were 14,199 in the year ended December 31, 2019 and 12,708 in the same period last year. TCE rates were up 1%, as noted above.

Charter revenues decreased 13%, to $46.5 million for the year ended December 31, 2019 from $53.2 million for the year ended December 31, 2018. The decrease in charter revenues was driven by the decrease in time charter days and market rates, as measured by published rates and the BDI, which both decreased by approximately 8% and 1% respectively year over year. The number of time charter days decreased to 3,177 for the year ended December 31, 2019 from 3,543 for the same period in 2018. The decrease in time charter days is primarily due to the utilization of our fleet on voyage charters to serve client cargo demand, as opposed to spot time charters. The optionality of our chartering strategy allows the Company to selectively release excess tonne-days, if any, into the market under time charters arrangements.

Voyage Expenses

Voyage expenses for the fiscal year ended December 31, 2019 were $165.5 million compared to $145.1 million for the year ended 2018, an increase of approximately 14%. The increase in voyage expenses was primarily due the 12% increase in voyage days. The total cost of bunkers consumed in the year ended December 31, 2019 increased approximately 9% from the same period of 2018, which was slightly lower than the increase in voyage days due to a lower average price of fuel in 2019 compared to 2018. The benchmark, Brent crude oil, averaged $64 per barrel in 2019 compared to $71 per barrel in 2018 a decline of approximately 9%.

Charter Expenses

The Company charters in vessels, typically on short term basis, from other shipowners to supplement its owned fleet. Charter expenses paid to third party shipowners increased to $133.0 million for the year ended December 31, 2019 from $117.0 million for the year ended December 31, 2018. The 14% increase in charter expenses was due to the 5% increase in chartered in days, which were 10,095 in 2019 as compared to 9,650 in 2018. Although the market was relatively flat on average in 2019 as compared to 2018, the performance of certain voyage charters requiring the Company to charter in additional vessels coincided with the BDI reaching a multi-year high in September resulting in an increase in charter expenses paid. This reflects the Company's ability to adapt to changing market conditions by adjusting the chartered-in profile to meet its client's cargo commitments.

Vessel Operating Expenses

Vessel operating expenses increased 14%, from $39.8 million in the year ended December 31, 2018 to $45.3 million for the year ended December 31, 2019. The increase is partially due to the acquisition of three vessels during 2019, which increased the total number of owned days to 7,521 in 2019 versus 7,216 in 2018 a 4% increase year over year, as well as increases in expensed drydock, and lubricant expense during the 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 less technical management fee per day were $5,466 for the year ended December 31, 2019 and $4,945 for the year ended December 31, 2018.

General and Administrative Expenses

General and administrative expenses increased from $16.5 million for the year ended December 31, 2018 to $17.4 million for the year ended December 31, 2019. This is primarily due to an increase in incentive compensation and increase in non-cash compensation expense of $1.7 million, which was up from $1.2 million in 2018.

Depreciation and Amortization

Depreciation and amortization expense increased $0.9 million or 5.2% due to the 4% increase in ownership days to 7,521 up from 7,216 in 2018. These additional days are for new vessels, as noted above, which were acquired as part of a fleet renewal plan.

Loss on sale of vessels

The Company recorded a loss of $4.6 million on the sales of the m/v Bulk Juliana and m/v Bulk Bothnia in the year ended December 31, 2019. No loss on the sale of vessels occurred in the year ended December 31, 2018.

Loss on sale and charter-back of vessels

The Company recorded a loss of $0.9 million on the sale and subsequent leaseback of the m/v Bulk Trident in the year ended December 31, 2018.

Impairment of vessel assets

On October 28, 2019, the Company entered into a memorandum of agreement for the sale of m/v Bulk Patriot below the carrying amount of the vessel, to be delivered in the first quarter of 2020. As a result, the Company recorded a loss on impairment of the vessel totaling $4.8 million, which is equal to the excess of the carrying amount of the asset over the agreed upon sale value. Refer to Note 11, "Subsequent Events" for further detail regarding the sale.

Income from Operations

Income from operations was down 36% for the year ended December 31, 2019, to $23.3 million from $36.1 million for the year ended December 31, 2018. This is primarily due to the impairment charge of vessels and loss on sale of vessels in 2019.

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, 2019, the Company recorded an unrealized gain on derivative instruments of $2.8 million, representing the unrealized gain in value of open fuel swaps due to an increase in fuel prices during 2019. The change in fair value of the forward freight agreements, or FFAs, was not material at the end December 31, 2019.

Liquidity and Capital Resources

Liquidity and Cash Needs

The Company has historically financed its capital requirements with cash flow from operations, the issuance of common stock, proceeds from related party debt, proceeds from non controlling interests, and proceeds from long-term debt and finance 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 2019 and 2018, the Company took advantage of sale-leaseback financing arrangements to generate $25.6 million and $27.8 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, 2019 and 2018, the Company had working capital of $36.1 million and $34.5 million, respectively.

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 $44.5 million in 2019, and $40.1 million in 2018; its excess of cash and cash restricted by facility agents over the current portion of secured long-term debt and finance 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, availability of borrowings, and contributions from non controlling interests 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 at December 31, 2019 includes: nine Panamax drybulk carriers (six of which are Ice-Class 1A); eight Supramax drybulk carriers, one Handymax Ice-Class 1A drybulk carrier; 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, 2019 and 2018:

(in millions)		**2019**		**2018**
Net cash provided by operating activities	$	44.5	$	40.1
Net cash used in investing activities	$	(46.6)	$	(17.5)
Net cash used in financing activities	$	(0.9)	$	(5.0)

Operating Activities.

Net cash provided by operating activities during the year ended December 31, 2019 was $44.5 million, compared to net cash provided by operating activities of $40.1 million during the year ended December 31, 2018. The increase is predominantly due to the increase in net income after adjusting for non-cash losses attributable to impairment of vessels and loss on sale of vessels, 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.

Investing Activities.

Net cash used in investing activities was $46.6 million for 2019, which consists primarily of the $41.4 million paid for the acquisition of three vessels, offset by proceeds from the sale of two vessels for $10.4 million. In addition, the Company paid $15.7 million in deposits for the four newbuild vessels under construction.

Net cash used in investing activities was $17.5 million for 2018, which consists primarily of $17.1 million paid to acquire vessels.

Financing Activities.

Net cash used in financing activities was $0.9 million for 2019, which consists of $14.0 million of proceeds from secured credit facilities and $25.6 million of proceeds from finance lease arrangements; $3.0 million payments of financing fees; $2.6 million repayments of related party debt; repayments of $20.6 million on credit facilities and repayments of $6.6 million on financing arrangements; $8.1 million of dividends paid on common stock and $4.7 million of dividends paid on non-controlling interests; the Company received $5.2 million from the non-controlling interest contribution.

Net cash used in financing activities was $5.0 million for 2018, which consists of $27.8 million of proceeds from financing arrangements; $0.7 million payments of financing fees; $4.1 million of repayments on related party debt; $21.1 million repayments of credit facilities and $3.5 million repayments of financing arrangements; $2.3 million of dividends paid on common stock and $0.9 million of dividends paid on non-controlling interests.

Borrowing Activities

Long-term debt consists of the following:

	December 31, 2019		December 31, 2018
Bulk Phoenix Secured Note		—	2,702,374
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)		**54,825,000**	62,325,000
Term Loan Facility of USD 13,000,000 (Nordic Bulk Barents Ltd. and Nordic Bulk Bothnia Ltd.)		—	4,489,100
Bulk Nordic Oasis Ltd. Loan Agreement (2)		**15,500,000**	17,000,000
The Amended Senior Facility - Dated May 13, 2019 (formerly The Amended Senior Facility - Dated December 21, 2017) (3)		**35,949,997**	25,626,665
Bulk Freedom Loan Agreement		**3,800,000**	4,450,000
109 Long Wharf Commercial Term Loan		**703,266**	812,867
Total		**110,778,263**	117,406,006
Less: unamortized bank fees		**(4,137,872)**	(1,903,994)
		106,640,391	115,502,012
Less: current portion		**(22,990,674)**	(20,127,742)
Secured long-term debt, net	**$**	**83,649,717**	$ 95,374,270

(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 m/v Bulk Independence 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, refer to Note 10 "Commitments and Contingencies" for additional information.

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. The final balloon payment of $1,816,659 was paid on July 19, 2019. The interest rate was fixed at 5.09%.

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

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

The agreement requires repayment of the advances as follows:

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

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

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

Interest on 50% of the advances to Odyssey and Orion was fixed at 4.24% in March 2017. Interest on the remaining advances to Odyssey and Orion is floating at LIBOR plus 2.40% (4.36% at December 31, 2019). 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% (4.15% at December 31, 2019).

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, 2019 and December 31, 2018, 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 Nordic Bothnia on January 23, 2014 and the m/v Nordic Barents on March 7, 2014. The loan is secured by mortgages on the m/v Nordic Barents and m/v Nordic Bothnia and is guaranteed by the Company.

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. The term loan was fully repaid on June 2019.

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, 2019 and December 31, 2018, the Company was in compliance with this covenant.

The Amended Senior Facility - Dated May 13, 2019 (previously identified as The Amended Senior Facility - Dated December 21, 2017)

On May 13, 2019, the Company, through its wholly owned subsidiaries, Bulk Endurance, Bulk Pride and Bulk Independence entered into the Second Amendatory Agreement, (the "Second Amendment"), amending and supplementing the First Amendatory Agreement dated December 17, 2017. The Second Amendment advanced $14,000,000 under Tranche E in respect to the m/v Bulk Independence, extended maturity dates on Tranche A, B, and C to May 2024, and reduced applicable interest rate margin on Tranche A, B, and C to 1.70% for the first eight quarters following the drawdown of Tranche E, and 2.40% thereafter.

Bulk Endurance Tranche A and B

The amended agreement advanced $19,500,000 in respect of the m/v Bulk Endurance on January 7, 2017, in two tranches. The agreement requires repayment of Tranche A, totaling $16,000,000, in three equal quarterly installments of $100,000 beginning on April 7, 2017 and 27 equal quarterly installments of $266,667. A balloon payment of $8,766,658 is due with the final installment in May 2024. Interest on this advance was fixed at 3.69% through March 2021, fixed at 4.39% through December 2021, and fixed at 3.46% thereafter. The agreement also advanced $3,500,000 under Tranche B, which is payable in 28 equal quarterly installments of $65,000 beginning on September 27, 2017, and a balloon payment of $1,745,000 due with the final installment in May 2024. Interest on this advance is floating at LIBOR plus 1.70% (3.80% at December 31, 2019) through March 2021, and thereafter at Libor plus 2.4%.

Bulk Pride Tranche C and D

The amended agreement advanced $10,000,000 in respect of the m/v Bulk Pride on December 21, 2017, in two tranches. The agreement requires repayment of Tranche C, totaling $8,500,000, in 26 equal quarterly installments of $275,000 beginning in March 2018 and a balloon payment of $1,350,000 due with the final installment in May 2024. Interest on this advance was fixed at 4.69% through March 2021, fixed at 5.39% through December 2021, and fixed at 3.6% thereafter. The gross carrying value of the debt was $6,300,000 as of December 31, 2019, which excludes debt issuance costs. The agreement also advanced $1,500,000 under Tranche D, which is payable in 4 equal quarterly installments of $375,000 beginning in September 2018. Tranche D was fully repaid in June 2019.

Bulk Independence Tranche E

The amended agreement advanced $14,000,000 under Tranche E in respect of the m/v Bulk Independence on May 13, 2019, which requires repayment of 20 equal quarterly installments of $250,000 beginning in September 2019 and a balloon payment of $9,000,000 due with the final installment in May 2024. Interest on this advance was fixed at 3.48% through March 31, 2020, fixed at 2.84% thruough December 31, 2021 and fixed at 3.54% thereafter.

The loan is secured by first preferred mortgages on the m/v Bulk Endurance, the m/v Bulk Pride and the m/v Bulk Independence, 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, 2019 and December 31, 2018, 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. The facility bears interest at LIBOR plus a margin of 3.75% (5.64% at December 31, 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, 2019 and 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% (3.69% at December 31, 2019). 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, 2019 and December 31, 2018, the Company was in compliance with these covenants.

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

	Years ending December 31,
2020	$ 22,990,674
2021	33,140,563
2022	28,602,568
2023	3,536,268
2024	22,352,925
Thereafter	155,265
	$ 110,778,263

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 $18.0 million.

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.

Other Long-Term Liabilities

In September 2019, the Company entered into an LLC agreement for the formation of NBP, that, at inception is owned 75% by the Company and 25% by an independent third party. NBP was established for the purpose of constructing and owning four new-build ice class post panamax vessels. During the construction phase of the vessel, the third party has committed to contribute additional funding and ultimately own 50% of NBP at the time of delivery of the new-build ice class post panamax vessels. The agreement contains both a put and call option provisions. Accordingly, the Company may be obligated, pursuant to the put option, or entitled to, pursuant to the call option, to purchase the third party's interest in NBP beginning anytime after September 2026. The put option and call option are at fixed prices which are not significantly different from each other, starting at $4.0 million per vessel on the fourth anniversary from completion and delivery of each vessel and declining to $3.7 million per vessel on or after the seventh anniversary from completion and delivery of each vessel. If neither put nor call option is exercised, the Company is obligated to purchase the vessels from NBP at a fixed price. Pursuant to ASC 480, *Distinguishing Liabilities from Equity*, the Company has recorded the third party's interest in NBP of $4.8 million in Long term liabilities - Other at December 31, 2019. Earnings attributable to the third party's interest in NBP are recorded in Interest expense, net.

Related Party Transactions

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

	December 31, 2018	Activity	**December 31, 2019**
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	$ (170,000)	**$ 457,629**
Included in accounts payable and accrued expenses on the consolidated balance sheets:			
Trade payables due to Seamar (ii)	$ 1,971,935	$ 3,707,833	**$ 5,679,768**
Included in current related party notes payable on the consolidated balance sheets:			
Loan payable – 2011 Founders Note	$ 2,595,000	$ (2,595,000)	**$ —**
Interest payable – 2011 Founders Note	282,746	50,241	**332,987**
Promissory Note	—	—	**—**
Total current related party notes payable	$ 2,877,746	$ (2,544,759)	**$ 332,987**

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

In November 2014, the Company entered into a $5 million Promissory Note (the "Note") with Bulk Invest Ltd., a company controlled by shareholders collectively referred to as the Founders. The $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 $2,595,000 was repaid in full as of December 31, 2019.

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, 2019 and 2018, the Company incurred technical management fees of $3,364,200 and $3,072,000 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, 2019 and 2018, (including amounts due for vessel operating expenses), were $5,679,768 and $1,971,935, respectively.

Accrued dividends consist of the following:

	2013 common stock dividend [2]	2013 Odyssey and Orion dividend [2]	Dividends earned on Restricted shares [1]	Total
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
Accrued dividend	**—**	**—**	**4,658,576**	**4,658,576**
Paid in cash	**(3,585,239)**	**—**	**(4,504,974)**	**(8,090,213)**
Balance at December 31, 2019	**$ 478,359**	**$ —**	**$ 153,602**	**$ 631,961**

[1] Accrued dividends on unvested restricted shares under the Company's incentive compensation plan.
[2] Payable to related parties.

Contractual Obligations

The following sets forth the Company's long-term contractual obligations as of December 31, 2019.

		Payments due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Secured long-term debt	$ 110,778,263	$ 22,990,674	$ 65,279,399	$ 22,352,925	$ 155,265
Finance lease obligations	$ 85,725,256	$ 17,197,435	$ 40,967,325	$ 14,490,451	$ 13,070,045
Other - Note 11	$ 4,828,364	$ —	$ —	$ —	$ 4,828,364

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, 2019 or 2018.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES

Not applicable for a smaller reporting company.

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, 2019, 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, 2019.

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, 2019.

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	63	Chairman of the Board and Chief Executive Officer
Mark L. Filanowski	65	Chief Operating Officer and Director
Gianni Del Signore	37	Chief Financial Officer
Carl Claus Boggild	63	President and Director
Anthony Laura	67	Director
Richard T. du Moulin	73	Director
Paul Hong	50	Director
Nam Trinh	38	Director
Eric S. Rosenfeld	62	Director
David D. Sgro	43	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 2022

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, 2019, 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, 2019, 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, 2019 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, 2019. The following table sets forth the total compensation for the fiscal years ended December 31, 2019 and 2018:

Name and Principal Position	Year	Salary and Compensation	Bonus	All Other Compensation[(1)]	Total
Edward Coll	2019	$ 250,000	$ 1,250,000	$ 6,125	$ 1,506,125
Chief Executive Officer	2018	$ 250,000	$ 1,000,000	$ 6,000	$ 1,256,000
(Principal Executive Officer)					
Mark L. Filanowski	2019	$ 200,000	$ 400,000	$ 6,120	$ 606,120
Chief Operating Officer	2018	$ 200,000	$ 350,000	$ 6,000	$ 556,000
Gianni Del Signore	2019	$ 200,000	$ 200,000	$ 43,596	$ 443,596
Chief Financial Officer	2018	$ 175,000	$ 200,000	$ 40,969	$ 415,969
(Principal 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, 2019, 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	12/31/19	50,000	$ 147,500
Chief Operating Officer	01/02/19	45,000	$ 126,450
	03/15/18	15,825	$ 49,058
	01/06/17	22,523	$ 75,002
		133,348	$ 398,010
Gianni DelSignore	12/31/19	55,000	$ 162,250
Chief Financial Officer	01/02/19	50,000	$ 140,500
	03/15/18	9,500	$ 29,450
	01/06/17	17,000	$ 56,610
	12/31/15	15,000	$ 39,600
	05/01/15	20,833	$ 46,249
		167,333	$ 474,659

Retirement Benefits, Termination, Severance and Change in Control Payments

As of December 31, 2019, 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.

Our director compensation policy provides that each director elected or appointed to the Board is granted a RSU award with a grant-date fair value of approximately $85,000, calculated in accordance with ASC 718. Refer to Note 9, "Common Stock and Non-Controlling Interest", to our financial statements contained herein.

The following table sets forth compensation paid to or earned by our non-employee directors during 2019:

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

(1) Information for Messrs. Coll, Boggild, Filanowski and Laura, who served as a member of our board of directors in 2019, is not included in this table because they did not receive additional compensation for services rendered as members of our board of directors.

(2) Represents the grant-date fair value calculated in accordance with ASC 718. Refer to Note 9, "Common Stock and Non-Controlling Interest" for additional information.

(3) As of December 31, 2019, Messrs. Trinh and Hong transferred their shares to Pangaea One Acquisition Holdings XIV, LLC ("POAH") through the transfer agreements.

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	—	—	1,242,500
Equity compensation plans not approved by shareholders	—	—	—
Total	—	—	1,242,500

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 August 12, 2019, the Company's shareholders approved an amendment and restatement of the 2014 Plan that was adopted by the Board on May 14, 2019. The PANGAEA LOGISTICS SOLUTIONS LTD. 2014 SHARE INCENTIVE PLAN (as amended and restated by the Board of Directors on May 14, 2019), (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 4,500,000. There are 1,242,500 shares available for future issuance under the equity compensation plans.

Security Ownership of Certain Beneficial Owners

The following table sets forth information regarding the beneficial ownership of our common stock as of March 23, 2020 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	18.52%
Lagoa Investments [(4)] c/o Phoenix Bulk Carriers (US) LLC 109 Long Wharf Newport, RI 02840	8,276,232	18.36%
Anthony Laura 2420 NW 53rd Street Boca Raton, FL 33496	1,841,246	4.08%
Gianni DelSignore* 257 Wickham Rd. North Kingstown, RI 02852	197,555	0.44%
Richard T. du Moulin* 52 Elm Avenue Larchmont, NY 10538	162,876	0.36%
Mark L. Filanowski [(5)] * 71 Arrowhead Way Darien, CT 06820-5507	239,382	0.53%
Eric S. Rosenfeld [(6)] 777 Third Ave, 37th Floor New York, NY 10017	875,008	1.94%
David D. Sgro* [(7)] 777 Third Ave, 37th Floor New York, NY 10017	311,085	0.69%
All Directors and Officers as a Group	20,253,355	44.93%
Five Percent Holders:		
Edward Coll	8,349,971	18.52%
Lagoa Investments	8,276,232	18.36%
Peter Yu [(8)] c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	14,350,167	31.83%
Pangaea One (Cayman), L.P. c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	3,297,254	7.31%
Pangaea One Parallel Fund, L.P. c/o Cartesian Capital Group, LLC 505 Fifth Avenue, 15th Floor New York, NY 10017	3,081,156	6.84%

*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 45,077,335 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 Mark Filanowski include 35,500 common shares held by his family members.

(6) 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.

(7) 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.

(8) 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, 2019 and 2018, the Company incurred an aggregate of $622,145 and $649,036 in audit fees, respectively.

Audit-related fees

During each of the years ended December 31, 2019 and 2018, the Company incurred audit-related fees of $45,000 and $46,800, respectively, 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, 2019 and 2018, our independent registered public accounting firm did not render any tax services to us.

All Other Fees

During the years ended December 31, 2019 and 2018, there were no fees billed for services provided by our independent registered public accounting firm other than those set forth above.

Pre-Approval of Audit and Non-Audit Services

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

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

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Contents

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. (a Bermuda Corporation) and subsidiaries (the “Company”) as of December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, 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 23, 2020

Pangaea Logistics Solutions Ltd.
Consolidated Balance Sheets

	December 31, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	**$ 50,555,091**	$ 53,614,735
Accounts receivable (net of allowance of $1,908,841 and $2,357,130 at December 31, 2019 and 2018, respectively)	**28,309,402**	28,481,787
Bunker inventory	**21,001,010**	19,222,087
Advance hire, prepaid expenses and other current assets	**18,770,825**	12,187,551
Vessels held for sale, net	**8,319,152**	—
Total current assets	**126,955,480**	113,506,160
Restricted cash	**2,500,000**	2,500,000
Fixed assets, net	**281,474,857**	281,891,685
Investment in newbuildings in-process	**15,357,189**	—
Finance lease right of use assets, net	**53,615,305**	55,576,777
Total assets	**$ 479,902,831**	$ 453,474,622
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable, accrued expenses and other current liabilities	**$ 39,973,635**	$ 31,897,507
Related party notes payable	**332,987**	2,877,746
Deferred revenue	**14,376,394**	14,717,072
Current portion of long-term debt	**22,990,674**	20,127,742
Current portion of finance lease liabilities	**12,549,208**	5,364,963
Dividends payable	**631,961**	4,063,598
Total current liabilities	**90,854,859**	79,048,628
Secured long-term debt, net	**83,649,717**	95,374,270
Finance lease liabilities	**57,498,217**	45,684,727
Long-term liabilities - other - Note 11	**4,828,364**	—
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, $0.0001 par value, 100,000,000 shares authorized, 44,886,122 and 43,998,560 shares issued and outstanding at December 31, 2019 and 2018, respectively	**4,489**	4,400
Additional paid-in capital	**157,504,895**	155,946,452
Retained Earnings	**12,736,580**	5,737,199
Total Pangaea Logistics Solutions Ltd. equity	**170,245,964**	161,688,051
Non-controlling interests	**72,825,710**	71,678,946
Total stockholders' equity	**243,071,674**	233,366,997
Total liabilities and stockholders' equity	**$ 479,902,831**	$ 453,474,622

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

Pangaea Logistics Solutions Ltd.
Consolidated Statements of Income

	Years ended December 31,	
	2019	2018
Revenues:		
Voyage revenue	**$ 365,714,864**	$ 319,753,056
Charter revenue	**46,482,955**	53,217,317
Total revenue	**412,197,819**	372,970,373
Operating expenses:		
Voyage expense	**165,478,629**	145,146,359
Charter hire expense	**132,950,418**	116,958,024
Vessel operating expenses	**45,266,464**	39,830,110
General and administrative	**17,378,681**	16,483,991
Depreciation and amortization	**18,529,476**	17,620,725
Loss on impairment of vessels	**4,751,143**	—
Loss on sale of vessels	**4,584,796**	—
Loss on sale and leaseback of vessels	**—**	860,426
Total operating expenses	**388,939,607**	336,899,635
Income from operations	**23,258,212**	36,070,738
Other (expense) income:		
Interest expense, net	**(9,227,784)**	(8,694,481)
Interest expense, related party	**(50,241)**	(202,748)
Unrealized gain (loss) on derivative instruments	**2,753,834**	(3,868,948)
Other income	**314,847**	677,085
Total other expense, net	**(6,209,344)**	(12,089,092)
Net income	**17,048,868**	23,981,646
Income attributable to noncontrolling interests	**(5,390,910)**	(6,224,626)
Net income attributable to Pangaea Logistics Solutions Ltd.	**$ 11,657,958**	$ 17,757,020
Earnings per common share:		
Basic	**$ 0.27**	$ 0.42
Diluted	**$ 0.27**	$ 0.42
Weighted average shares used to compute earnings per common share		
Basic	**42,752,413**	42,248,776
Diluted	**43,267,178**	42,783,586

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

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

	Common Stock						
	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, 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
Issuance of common shares, net of fees	—	—	(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
Recognized cost for restricted stock issued as compensation	**—**	**—**	**1,737,315**	**—**	**1,737,315**	**—**	**1,737,315**
Issuance of restricted shares, net of forfeitures	**887,562**	**89**	**(178,872)**	**—**	**(178,783)**	**—**	**(178,783)**
Contribution from noncontrolling interest	**—**	**—**	**—**	**—**	**—**	**422,519**	**422,519**
Distribution to Non-Controlling Interests						**(4,666,665)**	**(4,666,665)**
Common Stock Dividend	**—**	**—**	**—**	**(4,658,577)**	**(4,658,577)**	**—**	**(4,658,577)**
Net income	**—**	**—**	**—**	**11,657,958**	**11,657,958**	**5,390,910**	**17,048,868**
Balance at December 31, 2019	**44,886,122**	**$ 4,489**	**$ 157,504,895**	**$ 12,736,580**	**$ 170,245,964**	**$ 72,825,710**	**$ 243,071,674**

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,	
	2019	2018
Operating activities		
Net income	$ **17,048,868**	$ 23,981,646
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization expense	**18,529,476**	17,620,725
Amortization of deferred financing costs	**727,020**	693,788
Amortization of prepaid rent	**118,597**	121,937
Unrealized (gain)/loss on derivative instruments	**(2,753,834)**	3,868,948
Income from equity method investee	**(156,137)**	(224,001)
Earnings attributable to noncontrolling interest recorded as interest expense	**44,950**	—
Provision for doubtful accounts	**898,357**	268,990
Loss on impairment of vessels	**4,751,143**	—
Loss on sales of vessels	**4,584,796**	—
Loss on sales and leaseback of vessels	**—**	860,426
Drydocking costs	**(1,633,771)**	(2,135,670)
Recognized cost for restricted stock issued as compensation	**1,737,315**	1,200,214
Change in operating assets and liabilities:		
Accounts receivable	**(725,972)**	(7,661,352)
Bunker inventory	**(2,425,497)**	(3,865,375)
Advance hire, prepaid expenses and other current assets	**(6,247,268)**	1,624,441
Accounts payable, accrued expenses and other current liabilities	**10,301,367**	(392,160)
Deferred revenue	**(340,678)**	4,172,392
Net cash provided by operating activities	**44,458,732**	40,134,949
Investing activities		
Purchase of vessels and vessel improvements	**(41,350,536)**	(17,126,213)
Proceeds from sale of vessels	**10,388,723**	—
Deposits on newbuildings in-process	**(15,357,189)**	—
Purchase of building and equipment	**(283,244)**	(414,922)
Proceeds from sale of equipment	**—**	31,594
Net cash used in investing activities	**(46,602,246)**	(17,509,541)
Financing activities		
Payments on related party notes payable	**(2,595,000)**	(4,131,851)
Proceeds from long-term debt	**14,000,000**	—
Payments of financing and issuance costs	**(2,960,899)**	(728,041)
Payments of long-term debt	**(20,627,742)**	(21,058,742)
Proceeds from finance leases	**25,600,000**	27,750,000
Payments on finance lease obligation	**(6,602,265)**	(3,501,589)
Dividends paid to non-controlling interests	**(4,666,665)**	(904,803)
Common stock accrued dividends paid	**(8,090,213)**	(2,270,000)
Cash paid for incentive compensation shares relinquished	**(179,279)**	(146,647)
Contributions from noncontrolling interests recorded as long-term liability	**4,783,414**	—
Contributions from noncontrolling interests	**422,519**	—
Proceeds from private placement of common stock, net of issuance costs	**—**	(50,812)
Net cash used in financing activities	**(916,130)**	(5,042,485)
Net (decrease)/increase in cash, cash equivalents and restricted cash	**(3,059,644)**	17,582,923
Cash, cash equivalents and restricted cash at beginning of period	**56,114,735**	38,531,812
Cash, cash equivalents and restricted cash at end of period	$ **53,055,091**	$ 56,114,735
Supplemental cash flow items:		
Cash paid for interest	$ **9,250,743**	$ 8,636,458

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.

At December 31, 2019 the Company owned three Panamax, two Ultramax Ice Class 1C, eight Supramax, and one Handymax Ice Class 1A drybulk vessels, and financed four vessels under finance lease obligations. The Company also owned one-third of Nordic Bulk Holding Company Ltd. (“NBHC”), a consolidated joint venture with a fleet of six Panamax Ice Class 1A drybulk vessels and had a 50% interest in the owner of a deck barge.

The Company sold two vessels in the first quarter of 2020. Refer to Note 13 for further discussion.

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, 2019 and 2018, 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 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, 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.

- Bulk Independence Ltd. (“Bulk Independence”) – a corporation that was duly organized under the laws of the Marshall Islands. Bulk Independence was established in May 2019 for the purpose of acquiring the m/v Bulk Independence.

- Bulk Friendship Ltd. (“Bulk Friendship”) – a corporation that was duly organized under the laws of the Marshall Islands. Bulk Friendship was established in September 2019 for the purpose of acquiring the m/v Bulk Friendship.

- Bulk Nordic Seven LLC. (“Bulk Seven”) – a corporation that was duly organized under the laws of the Marshall Islands. Bulk Seven was established in April 2019 for the purpose of entering into new shipbuilding contract.

- Bulk Nordic Eight LLC. (“Bulk Eight”) – a corporation that was duly organized under the laws of the Marshall Islands. Bulk Eight was established in April 2019 for the purpose of entering into a new shipbuilding contract.

- Bulk Nordic Nine LLC. (“Bulk Nine”) – a corporation that was duly organized under the laws of the Marshall Islands. Bulk Nine was established in August 2019 for the purpose of entering into a new shipbuilding contract.

- Bulk Nordic Ten LLC. (“Bulk Ten”) – a corporation that was duly organized under the laws of the Marshall Islands. Bulk Nine was established in August 2019 for the purpose of entering into a new shipbuilding contract.

At December 31, 2019 and 2018, 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, 2019 and 2018 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, 2019 and 2018. 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 Logistics NL Inc. ("VLNL") - a corporation that was duly organized in the St. John’s, Canada on October 19, 2018. VLNL was established for the purpose of owning and operating a deck barge.

- Nordic Bulk Partners LLC. (“NBP”) – a corporation that was duly organized under the laws of the Marshall Island. NBP was established in September 2019 for the purpose of providing funding to Bulk Seven, Bulk Eight, Bulk Nine, and Bulk Ten for the construction of four newbuilding vessels and subsequently at completion and delivery of the newbuilding vessels owning Bulk Seven, Bulk Eight, Bulk Nine, and Bulk Ten. Bulk Seven, Bulk Eight, Bulk Nine and Bulk Ten are corporations that were duly organized under the laws of the Marshall Islands in September 2019 for the purpose of constructing and owning Post-Panamax newbuilding vessels expected to be delivered in 2021. At December 31, 2019 the Company had a 75% ownership interest in NBP, the remainder of which is owned by a third-party. At delivery of the newbuilding vessels NBP will ultimately be owned 50% by Pangaea and 50% by a third-party.

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.

Principles of 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 interest and redeemable noncontrolling interests 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 and redeemable noncontrolling interests in the accompanying consolidated balance sheets.

As part of the Company’s consolidation process, all intercompany balances and transactions are eliminated in 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 percentage completion of spot voyages, the establishment of the allowance for doubtful accounts and the estimate of salvage value used in determining vessel depreciation expense.

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. Demurrage revenue 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 and do not fall under the scope of ASC 606, as defined below, 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. The contract fulfillment costs consist primarily of the fuel consumption that is incurred by the Company from the latter of the end of the previous vessel employment and the contract date until the arrival at the loading port in addition to any port expenses incurred prior to arrival at the load port, as well as any charter hire expenses for third party vessels that are chartered-in. The fuel consumption and any port expenses incurred prior to arrival at the load port during this period are capitalized and recorded in Bunker inventory and Advance hire, prepaid expenses and other current assets, respectively in the Consolidated Balance Sheets and are amortized ratably over the total transit time of the voyage from arrival at the loading port until the vessel departs from the discharge port and expensed as part of Voyage expense. Similarly, for any third party vessels that are chartered-in, the charter hire expenses during this period are capitalized and recorded in Advance hire, prepaid expenses and other current assets in the Consolidated Balance Sheets and are amortized and expensed as part of Charter hire expense.

On January 1, 2018, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers (ASC 606) using the modified retrospective method applied to contracts that were not completed as of January 1, 2018. The financial results for reporting periods beginning after January 1, 2018 are presented under the new guidance, while prior period amounts are not adjusted and will be continued to be reported under previous guidance. 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.

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 also 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, 2019 and 2018, respectively. Other contract assets include accrued receivables which arise 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 and are recognized within twelve months of the balance sheet date.

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, 2019, two customers accounted for 26% of the Company's trade accounts receivable. At December 31, 2018, there were two customers that accounted for 25% of the Company's trade accounts receivable.

At December 31, 2019, seventeen customers in the United States, fifteen customers in Switzerland and five customers in Canada accounted for 53% of accounts receivable. At December 31, 2018, ten customers in the United States and three customers in Canada accounted for 45% of accounts receivable.

For the year ended December 31, 2019, revenue from customers in each of the following countries accounted for at least 10% of total revenue; the United States (twenty-eight representing 24%), Canada (five representing 13%), and Switzerland (eighteen representing 10%). 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, 2019 one customer accounted for approximately 11% of total revenue. For the year ended December 31, 2018, two customers accounted for 10% 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,	
	2019	2018
Money market accounts – cash equivalents	**$ 32,150,342**	$ 13,819,043
Cash [(1)]	**18,404,749**	39,795,692
Total cash and cash equivalents	**$ 50,555,091**	$ 53,614,735
Restricted cash	**$ 2,500,000**	$ 2,500,000
Total cash, cash equivalents and restricted cash	**$ 53,055,091**	$ 56,114,735

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

Restricted cash at December 31, 2019 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).

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, 2019 and 2018, the Company has provided an allowance for doubtful accounts of $1,908,841 and $2,357,130 respectively, for amounts that are not expected to be fully collected. The provision for doubtful accounts was approximately $898,000 in 2019 and $269,000 in 2018. The Company wrote off approximately $1,347,000 and $48,000 during 2019 and 2018, 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 ("Contract of Affreightment"). 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:

	2019	2018
Advance hire	**$ 3,985,826**	$ 5,851,070
Prepaid expenses	**4,924,557**	1,276,901
Accrued receivables	**6,466,068**	2,479,800
Margin Deposit	**269,379**	1,820,656
Other current assets	**3,124,995**	759,124
Total	**$ 18,770,825**	$ 12,187,551

Vessels and Depreciation

Vessels are stated at cost, which includes contract price and acquisition costs. Significant improvements to vessels are capitalized; maintenance and repairs that do not improve or extend the lives of the vessels are expensed as incurred. Depreciation is provided using the straight-line method over the remaining estimated useful lives of the vessels (excluding the time a vessel is in dry dock), based on cost less salvage value. Each vessel's salvage value is equal to the product of its lightweight tonnage and an estimated scrap rate of $300 per ton, which was determined by reference to quoted rates and is reviewed annually. The Company estimates the useful life of its vessels to be 25 years to 30 years from the date of initial delivery from the shipyard. The remaining estimated useful lives of the current fleet are 9 - 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 because the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the pricing of new vessels, which tend to be cyclical. The carrying value of each group of vessels classified as held and used 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 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 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 time charter equivalent "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. Measurement of the impairment loss is based on the fair value of the asset as provided by third parties.

At December 31, 2019, the Company had accepted an offer to sell the m/v Bulk Patriot below the carrying amount of the vessel, to be delivered in the first quarter of 2020. As a result, a loss on impairment of the vessel for an amount totaling $4.8 million, which is equal to the excess of the carrying amount of the asset over the agreed upon sale value less estimated costs to sell, is included in the consolidated statements of operations. The vessel has been classified as held for sale as of December 31, 2019. The Company identified additional potential triggering events that resulted from the loss recognized on the sale of other vessels in the fourth quarter of 2019 of $4.6 million.

As a result, the Company evaluated each asset group for impairment by estimating the total undiscounted cash flows expected to result from the use of the asset group and its eventual disposal. The estimated undiscounted future cash flows were higher than the carrying amount of each asset group in the Company's fleet and as such, no other loss on impairment was recognized. No impairment indicator existed during the nine months ended September 30, 2019.

During the quarters ended March 31, 2018, September 30, 2018, and December 31, 2018; the Company did not identify any potential impairment indicators. During the quarter ended June 30, 2018, 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 each asset group in the Company's fleet and as such, no loss on impairment was recognized in that period.

Financing Costs

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.

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,	
	2019	2018
Debt issuance costs and bank fees paid to financial institutions	**$ 9,302,292**	$ 6,341,393
Less: accumulated amortization	**(5,164,419)**	(4,437,399)
Unamortized debt issuance costs and bank fees	**$ 4,137,873**	$ 1,903,994
Amortization included in interest expense	**$ 727,020**	$ 693,788

Accounts Payable and Accrued Expenses

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

	December 31,	
	2019	2018
Accounts payable	**$ 24,173,291**	$ 19,892,511
Accrued expenses	**14,883,555**	7,424,286
Derivative liabilities	**472,073**	3,225,907
Other accrued liabilities	**444,716**	1,354,803
Total	**$ 39,973,635**	$ 31,897,507

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 $458,000 and $356,000 is included within voyage expenses in the accompanying consolidated statements of income as of December 31, 2019 and 2018, 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, 2019 and 2018.

Where required, the Company complies with income tax filings in its various jurisdictions of operations. As of December 31, 2019 and 2018, the Company is not subject to U.S. federal or foreign examinations by tax authorities for years before 2014.

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 with no forfeiture rate applied. Compensation cost is amortized according to the vesting period indicated in the grant agreement. Total compensation cost recognized during the years ended December 31, 2019 and 2018 is approximately $1,737,000 and $1,200,000, respectively, which is included in general and administrative expenses in the consolidated statements of income.

Dividends

Dividends on common stock are recorded when declared by the Board of Directors. Refer to Note 9, "Common Stock and Non-controlling interest" for additional information related to common stock dividends.

Noncontrolling Interests

Noncontrolling interests represent ownership interests attributable to third parties in certain consolidated subsidiaries and VIEs. The portion of equity not owned by us in such entities is reflected as Noncontrolling interests within the equity section of the Consolidated Balance Sheets and, in the case of Redeemable noncontrolling interests, within the long-term liabilities section of the Consolidated Balance Sheets.

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; the functional currency of the Company is the US dollar. Accordingly, transactions denominated in currencies other than the functional currency are measured and recorded in the functional currency at the exchange rate in effect on the date of the transactions. 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, 2019, the Company has five fully fixed rate debt facilities and four facilities which are fixed in part. At December 31, 2018, the Company has four fully fixed rate debt facilities and four facilities of which are fixed in part. The aggregate carrying amounts and fair values of the long-term debt associated with the fixed rate borrowing arrangements are as follows:

	December 31,	
	2019	2018
Carrying amount of fixed rate long-term debt	**$ 90,245,646**	$ 80,964,690
Fair value of fixed rate long-term debt	**$ 92,279,147**	$ 81,412,986

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.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncement

At the beginning of the first quarter of 2019, the Company adopted the Financial Accounting Standards Board's (the "FASB") Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), and additional ASUs issued to clarify and update the guidance in ASU 2016-02 (collectively, the "new leases standard"), which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. The Company adopted the new leases standard utilizing the modified retrospective transition method, under which amounts in prior periods presented were not restated. At transition, the Company elected the package of practical expedients permitted under the transition guidance within the standard, which eliminates the reassessment of past leases, classification and initial direct costs. The Company did not elect to use hindsight to reassess lease terms or impairment at the adoption date because the practical expedient pertaining to land easements did not apply to the Company.

The amendments in this Update also provide lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component if both of the following are met:

1. The timing and pattern of transfer of the non-lease 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 elected to use this practical expedient when it adopted the lessor provisions of this Update as the Company believes both criteria noted above are met. As a result, the operating lease component and the vessel operating expense non-lease component in a time charter are reported as a single component.

During time charter agreements, the charterers have substantive decision-making rights to direct how and for what purpose the vessel is used. As such, the Company had identified that time charter agreements contain a lease. Accordingly, the Company accounts for amounts earned under these agreements in accordance with Topic 842. During time charter agreements, the Company is responsible for operating and maintaining the vessels. These costs are recorded as vessel operating expense in the Consolidated Statements of Income.

At December 31, 2019, the Company had nine vessels chartered to customers under time charters that contain leases. These nine leases varied in original length from 26 days to 70 days. At December 31, 2019, lease payments due under these arrangements totaled approximately $2,132,000 and each of the time charters were due to be completed in sixty-five days or less. The Company does not have any sales-type or direct financing leases.

Adoption of the lessee provisions of this guidance did not have a material impact on the Company's consolidated financial statements because the Company does not have any vessels chartered in (operating leases) for longer than one year and the practical expedient relating to leases with terms of 12 months or less was elected. Furthermore, the Company's finance lease right of use assets and finance lease liabilities were referred to as "assets under finance lease" and "obligations under finance leases" in prior period financial statements, but no other changes resulted from adoption of the standard. In addition, the Company has two non-cancelable office leases and non-cancelable office equipment leases and the lease assets and liabilities are not material.

Recently Issued Accounting Pronouncements Not Yet Adopted

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 the Company at the beginning of 2023. Entities are required to apply the provisions of the standard through a cumulative-effect adjustment to retained earnings as of the effective date. The Company is currently assessing the new guidance and its impact on its consolidated financial statements, and it intends to adopt the guidance when it becomes effective in the first quarter of 2023.

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, Bulk Independence, Bulk Friendship, NBH, Long Wharf, NBHC, BVH, NBP, FVL, VBC, and VNLN are the VIEs at December 31, 2019 and 2018. We consolidate a VIE when we have a variable interest in an entity for which we are the primary beneficiary such that we have (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the VIE. The results of operations and financial position of these VIEs are included in our consolidated financial statements.

The aggregate carrying values of the VIEs’ assets and liabilities, after elimination of any intercompany transactions and balances, in the consolidated balance sheets were as follows:

(Dollars in millions, figures may not foot due to rounding)	**December 31, 2019**					
	Ship-owning [1]	NBHC	NBC	Long Wharf	VLNL	NBP [3]
Total assets	$ 89.5	$ 147.0	$ 54.0	$ 2.0	$ 1.9	$ 19.1
Total liabilities	$ 116.6	$ 67.9	$ 40.9	$ 2.2	$ 0.2	$ 4.8
Total stockholders' (deficit)/equity	$ (27.0)	$ 79.1	$ 13.1	$ (0.1)	$ 1.7	$ 14.3
Non-controlling interest [2]	$ —	$ 71.0	$ —	$ —	$ 1.8	$ —

(Dollars in millions, figures may not foot due to rounding)	December 31, 2018					
	Ship-owning [1]	NBHC	NBC	Long Wharf	VBC	NBP [3]
Total assets	$ 100.0	$ 154.7	$ 27.2	$ 2.1	$ 1.6	$ —
Total liabilities	$ 101.0	$ 76.8	$ 22.1	$ 2.3	$ 0.2	$ —
Total stockholders' (deficit)/equity	$ (1.0)	$ 77.8	$ 5.0	$ (0.2)	$ 1.5	$ —
Non-controlling interest [2]	$ —	$ 70.2	$ —	$ —	$ 1.5	$ —

(1) Includes all wholly-owned subsidiaries, refer to Note 2 "Nature of Organization" for additional information.
(2) Non-controlling interest is held by third parties.
(3) NBP was established in September 2019 for the purpose of providing funding to Bulk Seven, Bulk Eight, Bulk Nine, and Bulk Ten for the construction of four newbuilding vessels and subsequently at completion and delivery of the newbuilding vessels owning Bulk Seven, Bulk Eight, Bulk Nine, and Bulk Ten.

NOTE 5 - FIXED ASSETS

At December 31, fixed assets consisted of the following:

	2019	2018
Vessels and vessel upgrades	**$ 341,705,712**	$ 338,469,378
Capitalized dry docking	**6,857,482**	11,609,896
	348,563,194	350,079,274
Accumulated depreciation and amortization	**(69,636,742)**	(71,276,800)
Vessels, vessel upgrades and capitalized dry docking, net	**278,926,452**	278,802,474
Land and building	**2,541,085**	2,541,085
Internal use software	**1,932,640**	2,414,650
Other fixed assets	**4,473,725**	4,955,735
Accumulated depreciation	**(1,925,320)**	(1,866,524)
Other fixed assets, net	**2,548,405**	3,089,211
Total fixed assets, net	**$ 281,474,857**	$ 281,891,685

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

	2019	2018
Vessels under finance lease	**$ 58,780,630**	$ 58,112,177
Accumulated depreciation and amortization	**(5,165,325)**	(2,535,400)
Vessels under finance lease, net	**$ 53,615,305**	$ 55,576,777

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

	December 31, 2019	2018
Owned vessels		
m/v BULK PANGAEA	**$ 14,988,076**	$ 15,231,305
m/v BULK PATRIOT (1)	**—**	10,130,797
m/v BULK JULIANA (2)	**—**	10,651,029
m/v NORDIC ODYSSEY	**22,897,029**	24,283,497
m/v NORDIC ORION	**23,688,812**	25,095,469
m/v BULK NEWPORT	**12,975,767**	13,965,092
m/v NORDIC BARENTS (3)	**—**	4,370,817
m/v NORDIC BOTHNIA (4)	**—**	4,322,490
m/v NORDIC OSHIMA	**28,325,078**	28,897,931
m/v NORDIC OLYMPIC	**27,931,771**	29,321,599
m/v NORDIC ODIN	**28,094,764**	29,151,529
m/v NORDIC OASIS	**29,190,935**	30,416,651
m/v BULK ENDURANCE	**25,037,775**	26,020,505
m/v BULK FREEDOM	**8,269,777**	8,467,058
m/v BULK PRIDE	**12,996,311**	13,531,561
MISS NORA G. PEARL	**3,609,851**	2,995,144
m/v BULK SPIRIT(5)	**12,867,060**	1,950,000
m/v BULK INDEPENDENCE	**14,000,946**	—
m/v BULK FRIENDSHIP	**14,052,500**	—
	$ 278,926,452	$ 278,802,474
Vessels under finance lease (6)		
m/v BULK DESTINY	**$ 21,484,733**	$ 22,307,701
m/v BULK BEOTHUK	**6,589,537**	6,528,981
m/v BULK TRIDENT	**12,095,727**	12,664,906
m/v BULK PODS	**13,445,308**	14,075,189
	$ 53,615,305	$ 55,576,777

(1) On October 28, 2019, the Company entered into a memorandum of agreement to sell the Bulk Patriot, a 1996-built Panamax vessel, to a third party for $4.5 million less a 4.0% broker commission payable to a third party. The sale was completed on February 27, 2020. The vessel assets were classified as held for sale in the Consolidated Balance Sheet as of December 31, 2019.

(1) On November 13, 2019, the Company sold the m/v Bulk Juliana.

(2) On December 31, 2019, the Company entered into a memorandum of agreement to sell the m/v Nordic Barents, a 1995-built Handymax vessel, to a third party for $4.4 million less broker commission payable to a third party. The sale was completed on February 7, 2020. The vessel assets were classified as held for sale in the Consolidated Balance Sheet as of December 31, 2019.

(3) On December 24, 2019, the Company sold the m/v Nordic Bothnia.

(4) On October 26, 2018, the Company entered into an agreement to purchase a 2009 built Supramax (m/v Bulk Spirit) for $13.0 million, and placed a deposit of $1.95 million. The vessel was delivered in February 2019.

(5) Refer to Note 10, "Commitments and Contingencies," of our Financial Statements for additional information related to the vessels under finance lease.

The Company capitalized dry-docking costs on two vessels in 2019 and 2018. 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, 2019 and 2018, 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 $269,000 and $1,821,000 on deposit in two margin accounts at December 31, 2019 and at December 31, 2018, respectively. 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, 2019 and 2018.

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 2019 and 2018, 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, 2019 and 2018 are liabilities of approximately $322,000 and $3,166,000, respectively, which are included in other current liabilities on the consolidated balance sheets. The change in the aggregate fair value of the fuel swaps during the years ended December 31, 2019 and 2018 resulted in a gain of approximately $2,844,000 and a loss of approximately $3,543,000, respectively, which are included in unrealized gain (loss) 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, 2019 and 2018, the Company entered into FFAs that were not designated for hedge accounting. The aggregate fair value of these FFAs at December 31, 2019 and 2018 were liabilities of approximately $150,000 and $60,000, respectively. The change in the aggregate fair value of the FFAs during the years ended December 31, 2019 and 2018 resulted in a loss of approximately $90,000 and $326,000, respectively, which are included in unrealized gain/(loss) 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, 2019	Level 1	Level 2	Level 3
Margin accounts	$ 269,379	$ 269,379	$ —	$ —
Fuel swap contracts	$ (322,313)	$ —	$ (322,313)	$ —
Forward freight agreements	$ (149,760)	$ —	$ (149,760)	$ —

	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)	$ —

The estimated fair values of the Company's forward freight agreements 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, 2018	Activity	**December 31, 2019**
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	$ (170,000)	**$ 457,629**
Included in accounts payable and accrued expenses on the consolidated balance sheets:			
Trade payables due to Seamar (ii)	$ 1,971,935	$ 3,707,833	**$ 5,679,768**
Included in current related party notes payable on the consolidated balance sheets:			
Loan payable – 2011 Founders Note	$ 2,595,000	$ (2,595,000)	**$ —**
Interest payable – 2011 Founders Note	282,746	50,241	**332,987**
Promissory Note	—	—	**—**
Total current related party notes payable	$ 2,877,746	$ (2,544,759)	**$ 332,987**

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

In November 2014, the Company entered into a $5 million Promissory Note (the "Note") with Bulk Invest Ltd., a company controlled by shareholders collectively referred to as the Founders. The $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 $2,595,000 at December 31, 2018 was repaid in full as of December 31, 2019.

At December 31, 2019 and 2018, the related party dividends payable were $478,359 and $4,063,598, respectively. Refer to Note 9, "Common Stock and Non-Controlling Interest," of the Company's Financial Statements for additional information.

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, 2019 and 2018, the Company incurred technical management fees of $3,364,200 and $3,072,000 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, 2019 and 2018, (including amounts due for vessel operating expenses), were $5,679,768 and $1,971,935, respectively.

NOTE 8 - SECURED LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2019	December 31, 2018
Bulk Phoenix Secured Note [1]	**—**	2,702,374
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)	**54,825,000**	62,325,000
Term Loan Facility of USD 13,000,000 (Nordic Bulk Barents Ltd. and Nordic Bulk Bothnia Ltd.)	**—**	4,489,100
Bulk Nordic Oasis Ltd. Loan Agreement (2)	**15,500,000**	17,000,000
The Amended Senior Facility - Dated May 13, 2019 (formerly The Amended Senior Facility - Dated December 21, 2017) [3]	**35,949,997**	25,626,665
Bulk Freedom Loan Agreement	**3,800,000**	4,450,000
109 Long Wharf Commercial Term Loan	**703,266**	812,867
Total	**110,778,263**	117,406,006
Less: unamortized bank fees	**(4,137,872)**	(1,903,994)
	106,640,391	115,502,012
Less: current portion	**(22,990,674)**	(20,127,742)
Secured long-term debt, net	**$ 83,649,717**	$ 95,374,270

(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, m/v Bulk Pride, and m/v Bulk Independence 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. The final balloon payment of $1,816,659 was paid on July 19, 2019. The interest rate was fixed at 5.09%.

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

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

The agreement requires repayment of the advances as follows:

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

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

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

Interest on 50% of the advances to Odyssey and Orion was fixed at 4.24% in March 2017. Interest on the remaining advances to Odyssey and Orion is floating at LIBOR plus 2.40% (4.36% at December 31, 2019). 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% (4.15% at December 31, 2019).

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, 2019 and December 31, 2018, 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 Nordic Bothnia on January 23, 2014 and the m/v Nordic Barents on March 7, 2014. The loan is secured by mortgages on the m/v Nordic Barents and m/v Nordic Bothnia and is guaranteed by the Company.

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. The term loan was fully repaid in June 2019.

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, 2019 and December 31, 2018, the Company was in compliance with this covenant.

The Amended Senior Facility - Dated May 13, 2019 (previously identified as The Amended Senior Facility - Dated December 21, 2017)

On May 13, 2019, the Company, through its wholly owned subsidiaries, Bulk Endurance, Bulk Pride and Bulk Independence entered into the Second Amendatory Agreement, (the "Second Amendment"), amending and supplementing the First Amendatory Agreement dated December 17, 2017. The Second Amendment advanced $14,000,000 under Tranche E in respect to the m/v Bulk Independence, extended maturity dates on Tranche A, B, and C to May 2024, and reduced applicable interest rate margin on Tranche A, B, and C to 1.70% for the first eight quarters following the drawdown of Tranche E, and 2.40% thereafter.

Bulk Endurance Tranche A and B

The amended agreement advanced $19,500,000 in respect of the m/v Bulk Endurance on January 7, 2017, in two tranches. The agreement requires repayment of Tranche A, totaling $16,000,000, in three equal quarterly installments of $100,000 beginning on April 7, 2017 and 27 equal quarterly installments of $266,667. A balloon payment of $8,766,658 is due with the final installment in May 2024. Interest on this advance was fixed at 3.69% through March 2021, fixed at 4.39% through December 2021, and fixed at 3.46% thereafter. The agreement also advanced $3,500,000 under Tranche B, which is payable in 28 equal quarterly installments of $65,000 beginning on September 27, 2017, and a balloon payment of $1,745,000 due with the final installment in May 2024. Interest on this advance is floating at LIBOR plus 1.70% (3.80% at December 31, 2019) through March 2021, and thereafter at LIBOR plus 2.4%.

Bulk Pride Tranche C and D

The amended agreement advanced $10,000,000 in respect of the m/v Bulk Pride on December 21, 2017, in two tranches. The agreement requires repayment of Tranche C, totaling $8,500,000, in 26 equal quarterly installments of $275,000 beginning in March 2018 and a balloon payment of $1,350,000 due with the final installment in May 2024. Interest on this advance was fixed at 4.69% through March 2021, fixed at 5.39% through December 2021, and fixed at 3.6% thereafter. The gross carrying value of the debt was $6,300,000 as of December 31, 2019, which excludes debt issuance costs. The agreement also advanced $1,500,000 under Tranche D, which is payable in 4 equal quarterly installments of $375,000 beginning in September 2018. Tranche D was fully repaid in June 2019.

Bulk Independence Tranche E

The amended agreement advanced $14,000,000 under Tranche E in respect of the m/v Bulk Independence on May 13, 2019, which requires repayment of 20 equal quarterly installments of $250,000 beginning in September 2019 and a balloon payment of $9,000,000 due with the final installment in May 2024. Interest on this advance was fixed at 3.48% through March 31, 2020, fixed at 2.84% through December 31, 2021 and fixed at 3.54% thereafter.

The loan is secured by first preferred mortgages on the m/v Bulk Endurance, the m/v Bulk Pride and the m/v Bulk Independence, 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, 2019 and December 31, 2018, 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. The facility bears interest at LIBOR plus a margin of 3.75% (5.64% at December 31, 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, 2019 and 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% (3.69% at December 31, 2019). 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, 2019 and December 31, 2018, the Company was in compliance with these covenants.

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

		Years ending December 31,
2020	$	22,990,674
2021		33,140,563
2022		28,602,568
2023		3,536,268
2024		22,352,925
Thereafter		155,265
	$	110,778,263

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 44,886,122 were issued as of December 31, 2019.

On August 12, 2019, the Company's shareholders approved an amendment and restatement of the 2014 Plan that was adopted by the Board on May 14, 2019. The PANGAEA LOGISTICS SOLUTIONS LTD. 2014 SHARE INCENTIVE PLAN (as amended and restated by the Board of Directors on May 14, 2019), (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 4,500,000.

At December 31, 2019, shares issued to employees under the Amended Plan totaled 2,597,297 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, 2019 and 2018 totaled 681,477 and 376,991, respectively.

Total non-cash compensation cost recognized during the years ended December 31, 2019 and 2018 is $1,737,315 and $1,200,214, respectively, which is included in general and administrative expenses in the consolidated statements of operations.

A summary of activity related to outstanding restricted securities for fiscal years 2019 and 2018 is presented in the table below:

	Restricted Shares		**Weighted-Average Grant-Date Fair Value Per Share**
Unvested shares at December 31, 2017	1,837,147	$	2.74
Granted	302,385	$	3.1
Vested	(579,258)	$	2.55
Forfeited	(98,351)	$	2.92
Unvested shares at December 31, 2018	1,461,923	$	2.89
Granted	958,480	$	2.94
Vested	(433,667)	$	2.83
Forfeited	(70,918)	$	3.20
Unvested shares at December 31, 2019	1,915,818	$	2.97

	Fiscal Years Ended December 31,			
		2019		2018
Fair value of restricted shares vested	**$**	**1,406,552**	$	1,478,051
Unrecognized compensation cost for restricted shares	**$**	**4,536,683**	$	3,445,031
Weighted average remaining period to expense restricted shares (years)		**3.14**		**2.45**

Dividends

Dividends on common stock are recorded when declared by the Board of Directors. Dividends were declared and paid quarterly commencing on May 2019. There were no dividends declared during the year ended December 31, 2018.

Dividends payable consist of the following:

	2013 common stock dividend (2)	2013 Odyssey and Orion dividend (2)	Dividends earned on Restricted shares (1)	Total
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
Accrued dividend	**—**	**—**	**4,658,576**	**4,658,576**
Paid in cash	**(3,585,239)**	**—**	**(4,504,974)**	**(8,090,213)**
Balance at December 31, 2019	**$ 478,359**	**$ —**	**$ 153,602**	**$ 631,961**

(1) Accrued dividends on unvested restricted shares under the Company's incentive compensation plan.
(2) Payable to related parties.

Noncontrolling 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. The non-controlling ownership interest attributable to NBHC and its wholly-owned shipowning subsidiaries amounts to approximately $71,003,000 and $70,193,000 at December 31, 2019 and 2018, respectively.

Non-controlling interest attributable to VBC was approximately $1,822,000 and $1,499,000 at December 31, 2019 and 2018, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Vessel Sales and Leasebacks Accounted for as Finance Leases (in accordance with ASC 840)

The Company's fleet includes four vessels financed under sale and leaseback financing arrangements accounted for as finance leases in accordance with ASC 840, prior to adoption of ASC 842 on January 1, 2019. These leases are secured by the assignment of earnings and insurances and by guarantees of the Company.

The selling price of the m/v Bulk Destiny to the new owner (lessor) was $21.0 million and the fair value of the vessel at the inception of the lease was $24.0 million. The difference between the selling price and the fair value of the vessel was recorded as prepaid rent and is being amortized over the 25 year estimated useful life of the vessel. Prepaid rent is included in finance lease right of use assets (previously "vessels under capital lease") on the consolidated balance sheet at December 31, 2019. Minimum lease payments fluctuate based on three-month LIBOR and are payable quarterly over the seven year lease term, with a purchase obligation of $11.2 million due with the final lease payment in January 2024. Interest is floating at LIBOR plus 2.75% (4.79% including the margin, at inception of the lease). The Company will own this vessel at the end of the lease term. The lease contains a minimum liquidity requirement, positive working capital of the leasee 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, 2019 and December 31, 2018, the Company was in compliance with these covenants.

The selling price of the m/v Bulk Beothuk was $7.0 million and the fair value was estimated to be the same. The lease is payable at $3,500 per day every fifteen days over the five year lease term, and a balloon payment of $4.0 million is due with the final lease payment in June 2022. The implied interest rate at inception was 11.83%. In January 2020 the Company completed an early buy-out of the lease for a purchase price of $5.5 million.

The selling price of the m/v Bulk Trident was $13.0 million 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% (3.61% including the margin, at December 31, 2019). The Company will own this vessel at the end of the lease term.

The selling price of the m/v Bulk PODS was $14.8 million 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% (3.61% including the margin, at December 31, 2019). The Company will own this vessel at the end of the lease term.

Vessel Acquisition Accounted for as a Finance Lease (in accordance with new accounting guidance - ASC 842, adopted January 1, 2019)

In February 2019, the Company acquired the m/v Bulk Spirit for $13.0 million, which is the estimated fair value and simultaneously entered into a failed sale and leaseback of the vessel. The Company determined that the transfer of the vessel to the lessor was not a sale in accordance with ASC 606, because control of the vessel was not transferred to the lessor. The lease is classified as finance lease in accordance with ASC 842, because the lease transfers ownership of the vessel to the Company by the end of the lease term. The minimum lease payments include interest at 5.10% for the first five years. Interest fluctuates based on the three-month LIBOR for the remaining three years of 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 is obligated to repurchase the vessel at the end of the lease term. A balloon payment of $3.9 million is due with the final lease payment in March 2027. This lease is secured by the assignment of earnings and insurances and by a guarantee of the Company.

In September 2019, the Company acquired the m/v Bulk Friendship for $14.1 million, which is the estimated fair value and simultaneously entered into a failed sale and leaseback of the vessel. The Company determined that the transfer of the vessel to the lessor was not a sale in accordance with ASC 606, because control of the vessel was not transferred to the lessor. The lease is classified as finance lease in accordance with ASC 842, because the lease includes a fixed price purchase option, which the Company expects to exercise at the end of the lease term. The minimum lease payments include imputed interest at 5.29%. 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. In the event the Company has not exercised any of the purchase options during the term of the charter then the Company shall have a final purchase option to purchase the vessel at the end of the fifth year at a fixed price of $7.8 million. This lease is secured by the assignment of earnings and insurances and by a guarantee of the Company.

Vessel Newbuildings

On April 30, 2019, the Company entered into a vessel newbuilding contract to build two new high ice class post-panamax 95,000 dwt dry bulk vessels. At that time, the Company held options to build two more similar vessels. The new vessels, with a building cost of approximately $38.3 million each, are expected to be delivered in the first half of 2021. The Company made the deposits of $7.8 million for the two new vessels in May 2019. The second installments of 20% are due and payable upon launching of the vessels and the final payments are due upon delivery of the vessels.

On September 29, 2019, the Company exercised its options to build the additional optional two new post-panamax 95,000 dwt dry bulk vessels. The new vessels, with a building cost of approximately $37.7 million each, are expected to be delivered in November 2021. The Company made the deposits of $7.6 million in November 2019, the second installments of 20% are due and payable upon launching of the vessels and the final payments are due upon delivery of the vessels.

Coincident with the exercise of the options, the Company entered into a series of transactions to finance its four new post-panamax dry bulk vessels, to be delivered in 2021, under sale and leaseback transactions. The agreements obligate the Company to sell the vessels upon completion of construction at the lesser of approximately $32.0 million or 85% of fair market value at closing. Following the sale, the Company is obligated to charter the vessels from the buyer under a bareboat charter for a period of 15 years with a purchase obligation of $2.5 million each at the end of year 15. The Company has options to purchase the vessels at designated prices starting the sixth year after delivery of each vessel. The Company expects to account for these transactions as failed sale and leaseback transactions and classify the leases as finance leases.

The Company has also entered into a LLC agreement with the non-controlling interest holder of NBP which includes certain obligations as described in Note 11.

Legal Proceedings and Claims

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.

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 $0.4 million 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 non-cancelable period is six months.

The Company leases office space for its Singapore operations. At December 31, 2019, the remaining lease term is twenty months.

For the twelve months ended December 31, 2019 and 2018, the Company recognized approximately $0.2 million as lease expense for office leases in General and Administrative Expenses.

Future minimum lease payments under finance leases with initial or remaining terms in excess of one year at December 31, 2019 were:

		Year ending December 31,
2020	$	17,197,435
2021		9,940,615
2022		9,743,346
2023		21,283,364
2024		14,490,451
Thereafter		13,070,045
Total minimum lease payments	$	85,725,256
Less amount representing interest		15,677,831
Present value of minimum lease payments		70,047,425
Less current portion		12,549,208
Long-term portion	$	57,498,217

NOTE 11 - OTHER LONG-TERM LIABILITIES

In September 2019, the Company entered into an LLC agreement for the formation of NBP, that, at inception is owned 75% by the Company and 25% by an independent third party. NBP was established for the purpose of constructing and owning four new-build ice class post panamax vessels. During the construction phase of the vessel, the third party has committed to contribute additional funding and ultimately own 50% of NBP at the time of delivery of the new-build ice class post panamax vessels. The agreement contains both a put and call option provisions. Accordingly, the Company may be obligated, pursuant to the put option, or entitled to, pursuant to the call option, to purchase the third party's interest in NBP beginning anytime after September 2026. The put option and call option are at fixed prices which are not significantly different from each other, starting at $4.0 million per vessel on the fourth anniversary from completion and delivery of each vessel and declining to $3.7 million per vessel on or after the seventh anniversary from completion and delivery of each vessel. If neither put nor call option is exercised, the Company is obligated to purchase the vessels from NBP at a fixed price. Pursuant to ASC 480, *Distinguishing Liabilities from Equity*, the Company has recorded the third party's interest in NBP of $4.8 million in Long term liabilities - Other at December 31, 2019. Earnings attributable to the third party’s interest in NBP are recorded in Interest expense, net.

NOTE 12 - UNAUDITED QUARTERLY DATA

(Dollars in millions, except share and per share amounts. Figures may not foot due to rounding)	2019				2018			
	Q1	**Q2**	**Q3**	**Q4**	Q1	Q2	Q3	Q4
Revenues:								
Voyage revenue	**$ 65.9**	**$ 77.4**	**$ 103.8**	**$ 118.6**	$ 70.3	$ 81.8	$ 81.8	$ 85.8
Charter revenue	**13.7**	**5.9**	**15.1**	**11.9**	8.7	15.0	13.5	16.1
	79.6	**83.3**	**118.9**	**130.5**	79.0	96.8	95.3	101.9
Expenses:								
Voyage expense	**32.2**	**37.2**	**45.1**	**51.0**	30.2	38.0	36.7	40.3
Charter hire expense	**24.9**	**18.3**	**42.0**	**47.7**	22.7	30.7	28.5	35.0
Vessel operating expenses	**9.8**	**11.1**	**11.3**	**13.1**	9.8	10.0	9.9	10.1
General and administrative	**4.0**	**5.4**	**2.8**	**5.2**	4.1	4.4	3.7	4.3
Depreciation and amortization	**4.4**	**4.5**	**4.7**	**5.0**	4.3	4.4	4.4	4.5
Loss on impairment of vessels	**—**	**—**	**—**	**4.8**	—	—	—	—
Loss on sale of vessel	**—**	**—**	**—**	**4.6**	—	—	—	—
Loss on sale and leaseback of vessels	**0.0**	**0.0**	**0.0**	**0.0**	0.0	0.9	0.0	0.0
Total expenses	**75.3**	**76.5**	**105.9**	**131.4**	71.1	88.4	83.2	94.2
Income/(loss) from operations	**4.3**	**6.8**	**13.0**	**(0.9)**	7.9	8.4	12.1	7.7
Other income (expense):								
Interest expense, net	**(2.2)**	**(2.1)**	**(2.5)**	**(2.4)**	(2.1)	(2.1)	(2.2)	(2.3)
Interest expense related party notes payable	**0.0**	**0.0**	**0.0**	**0.0**	(0.1)	(0.1)	0.0	0.0
Unrealized (loss) gain on derivative instruments	**2.3**	**0.2**	**(0.3)**	**0.5**	(0.6)	0.6	0.5	(4.3)
Other expense	**0.2**	**0.2**	**0.2**	**(0.3)**	0.4	0.0	0.0	0.2
Total other expense, net	**0.3**	**(1.7)**	**(2.6)**	**(2.2)**	(2.4)	(1.6)	(1.7)	(6.4)
Net income	**4.5**	**5.2**	**10.4**	**(3.0)**	5.5	6.8	10.4	1.3
(Income) loss attributable to noncontrolling interests	**(0.8)**	**(1.1)**	**(2.1)**	**(1.4)**	(1.2)	(1.1)	(2.1)	(1.8)
Net income attributable to Pangaea Logistics Solutions Ltd.	**$ 3.7**	**$ 4.1**	**$ 8.3**	**$ (4.4)**	$ 4.3	$ 5.7	$ 8.3	$ (0.5)
Earnings (loss) per common share:								
Basic	**$ 0.09**	**$ 0.09**	**$ 0.19**	**$ (0.10)**	$ 0.10	$ 0.14	$ 0.20	$ (0.01)
Diluted	**$ 0.09**	**$ 0.09**	**$ 0.19**	**$ —**	$ 0.10	$ 0.13	$ 0.19	$ —
Weighted average shares used to compute earnings per common share								
Basic	**42,601,227**	**42,767,785**	**42,817,933**	**42,819,589**	42,019,779	42,252,552	42,348,175	42,369,661
Diluted	**43,071,632**	**43,293,022**	**43,354,742**	**42,819,589**	42,655,038	42,763,925	42,878,449	42,369,661

NOTE 13 - SUBSEQUENT EVENTS

On December 31, 2019, the Company entered into a memorandum of agreement to sell the m/v Nordic Barents, a 1995-built Handymax vessel, to a third party for $4.4 million less a 2.0% broker commission payable to a third party. The sale was completed on February 7, 2020. The vessel assets were classified as held for sale in the Consolidated Balance Sheet as of December 31, 2019.

On October 28, 2019, the Company entered into a memorandum of agreement to sell the m/v Bulk Patriot, a 1996-built Panamax vessel, to a third party for $4.5 million less a 4.0% broker commission payable to a third party. The sale was completed on February 27, 2020. The vessel assets were classified as held for sale in the Consolidated Balance Sheet as of December 31, 2019.

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Company is monitoring this closely, and although operations have not been materially affected by the coronavirus outbreak to date, the ultimate severity of the outbreak is uncertain. Further the uncertain nature of its spread globally may impact our business operations resulting from quarantines of employees, crew, customers, and suppliers as well as potential travel restrictions in areas affected or may be affected in the future. Although the Company's core operating trades are focused in the Atlantic Basin, the Company may charter-in vessels that have recently visited an affected area, or have a cargo commitment to an affected area which risks delays in the loading and discharging of cargo. At this time, the Company is unable to estimate the impact of this event on its operations, but expects this could have a material impact on its operations in the coming months.

On March 20, 2020, due to the unprecedented and uncertain conditions caused by the coronavirus (COVID-19) global pandemic, the Board of Pangaea Logistics Solutions Ltd. suspended its quarterly dividend, but will continue to consider a dividend on a quarterly basis. Separately the Board authorized a stock repurchase plan which allows for the purchase of up to $3.0 million of its common stock through December 31, 2020.

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 23, 2020.

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 23, 2020
/s/ Carl Claus Boggild Carl Claus Boggild	President (Brazil) and Director	March 23, 2020
/s/ Gianni DelSignore Gianni DelSignore	Chief Financial Officer, Principal Accounting Officer and Director	March 23, 2020
/s/ Anthony Laura Anthony Laura	Director	March 23, 2020
/s/ Nam Trinh Nam Trinh	Director	March 23, 2020
/s/ Paul Hong Paul Hong	Director	March 23, 2020
/s/ Richard T. du Moulin Richard T. du Moulin	Director	March 23, 2020
/s/ Mark L. Filanowski Mark L. Filanowski	Chief Operating Officer and Director	March 23, 2020
/s/ Eric S. Rosenfeld Eric S. Rosenfeld	Director	March 23, 2020
/s/ David D. Sgro David D. Sgro	Director	March 23, 2020

Exhibit no.	Description
3.1	Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form S-1 filed on February 4, 2015).
3.2	Bye-laws of Company (incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form S-1 filed on February 4, 2015.)
10.1	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 (incorporated by reference to Exhibit 10.27 of the Registrant's Current Report on Form 10-Q filed on November 12, 2015).
10.2	Bulk Nordic Oasis Ltd. Loan Agreement (incorporated by reference to Exhibit 10.28 of the Registrant's Current Report on Form 10-K filed on March 23, 2016).
10.3	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. (incorporated by reference to Exhibit 10.29 of the Registrant's Current Report on Form 10-K filed on March 23, 2016).
10.4	Purchase Agreement by and between Bulk Nordic Five Ltd. and Nicole Navigation S.A. dated October 27, 2016 (incorporated by reference to Exhibit 10.30 of the Registrant's Current Report on Form 10-K filed on March 22, 2017).
10.5	Bareboat Charter Party by and between Nicole Navigation S.A and Bulk Nordic Five Ltd. dated October 27, 2016 (incorporated by reference to Exhibit 10.31 of the Registrant's Current Report on Form 10-K filed on March 22, 2017).
10.6	Nordic Bulk Six Ltd. Loan Agreement (incorporated by reference to Exhibit 10.32 of the Registrant's Current Report on Form 10-K filed on March 22, 2017).
10.7	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.(incorporated by reference to Exhibit 10.33 of the Registrant's Current Report on Form 10-K filed on March 22, 2017).
10.8	Purchase Agreement Addendum by and between Bulk Nordic Five Ltd. and Nicole Navigation S.A. dated October 27, 2016 (incorporated by reference to Exhibit 10.34 of the Registrant's Current Report on Form 10-K filed on March 22, 2017).
10.9	Bulk Freedom Corp. Loan Agreement dated 14 June 2017 (incorporated by reference to Exhibit 10.39 of the Registrant's Current Report on Form 10-Q filed on August 14, 2017).
10.10	Americas Bulk Transport (BVI) Limited Barecon dated 6 June 2017 (incorporated by reference to Exhibit 10.40 of the Registrant's Current Report on Form 10-Q filed on August 14, 2017).
10.11	Americas Bulk Transport (BVI) Limited Barecon Riders dated 6 June 2017 (incorporated by reference to Exhibit 10.41 of the Registrant's Current Report on Form 10-Q filed on August 14, 2017).
10.12	Bareboat Charter Party Dated June 6, 2017 (incorporated by reference to Exhibit 10.41 of the Registrant's Current Report on Form 10-Q filed on August 14, 2017).
10.13	Bareboat Charter Party Dated May 23, 2018 (incorporated by reference to Exhibit 10.43 of the Registrant's Current Report on Form 10-Q filed on August 7, 2018).
10.14	Bareboat Charter Party Dated August 2, 2018 (incorporated by reference to Exhibit 10.43 of the Registrant's Current Report on Form 10-Q filed on November 8, 2018).
10.15	Bareboat Charter Party Dated February 21, 2019 (incorporated by reference to Exhibit 10.44 of the Registrant's Current Report on Form 10-Q filed on May 15, 2019).
10.16	The Amended Senior Facility - Dated May 13, 2019 (incorporated by reference to Exhibit 10.45 of the Registrant's Current Report on Form 10-Q filed on August 12, 2019).
10.17	Bulk Friendship Bareboat Charter Party Dated September 10th 2019 (incorporated by reference to Exhibit 10.46 of the Registrant's Current Report on Form 10-Q filed on November 7, 2019).
10.18	Limited Liability Company Agreement of Nordic Bulk Partners LLC*
10.19	Bareboat Charter Party Dated September 27, 2019*
23.1	Consent of Grant Thornton LLP.*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document*

101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

* Filed herewith

Execution Form

LIMITED LIABILITY COMPANY AGREEMENT

OF

NORDIC BULK PARTNERS LLC

This LIMITED LIABILITY COMPANY AGREEMENT (this "Agreement") of NORDIC BULK PARTNERS LLC (the "Company") is entered into as of September 27, 2019 (the "Effective Date") by and among PANGAEA LOGISTICS SOLUTIONS LTD., a Bermuda exempted company (the "Sponsor"), HS NORDIC LLC, a Marshall Islands limited liability company (the "Investor"), and any other Person who is admitted as a member of the Company in accordance with the terms of this Agreement (together with the Sponsor and the Investor, each a "Member" and collectively, the "Members").

RECITALS

WHEREAS, the Company was formed as a Marshall Islands limited liability company under the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands (the "Act") by the filing of a Certificate of Formation (the "Certificate") with the Republic of the Marshall Islands Registrar of Corporations on September 17, 2019;

WHEREAS, the Members desire to provide for the management of the Company and its affairs, the allocation of profits and losses among the Members, the respective rights and obligations of the Members to each other and to the Company, and certain other matters; and

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein, the Members agree as follows:

Article I

DEFINITIONS

Section 1.1 Definitions. The terms used in this Agreement with their initial letters capitalized shall, unless the context thereof otherwise requires, have the meanings specified in this Article I. When used in this Agreement, the following terms shall have the meanings set forth below:

"Act" has the meaning set forth in the recitals of this Agreement.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in the Member's Capital Account, as of a specified time, after giving effect to the following adjustments:

(a) credit to such Capital Account any amounts that such Member is deemed obligated to restore pursuant to Treasury Regulations Section 1.704-1(b)(2)(ii)(c) and the penultimate sentences of Treasury Regulations Section 1.704-2(g)(1) and Treasury Regulations Section 1.704-2(i)(5); and

(b) debit to such Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Affiliate" means, with respect to any Person, each Person that controls, is controlled by or is under common control with such Person. For the purpose of this definition, "control" of a person or entity shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise. For purposes of this Agreement, neither the Sponsor, the Investor, nor any of their respective Affiliates (excluding, for the avoidance of doubt, the Company and its Subsidiaries), shall be considered Affiliates of the Company or any of its Subsidiaries.

"Agreement" has the meaning set forth in the preamble of this Agreement.

"Agreement to be Bound" has the meaning set forth in Section 6.1 of this Agreement.

"Baffinland" means Baffinland Iron Mines Corporation or any of its Subsidiaries or Affiliates.

"Bareboat Charter" means, in relation to a Vessel, a bareboat charter agreement by and between CSSC and a Seller, providing for the bareboat charter of such Vessel to such Seller.

"Board" has the meaning set forth in Section 4.1 of this Agreement.

"Book Basis" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(a) the initial Book Basis of any asset contributed (or deemed contributed) to the Company shall be such asset's gross fair market value at the time of such contribution as reasonably determined by the Board;

(b) the Book Basis of all Company assets may be adjusted in the discretion of the Board to equal their respective gross fair market values, as reasonably determined by the Board, at the times specified in Treasury Regulations Section 1.704- 1(b)(2)(iv)(f);

(c) any adjustments to the adjusted basis of any asset of the Company pursuant to Section 734 or Section 743 of the Code shall be taken into account in determining such asset's Book Basis in a manner consistent with Treasury Regulations Section 1.704-1(b)(2)(iv)(m);

(d) the Book Basis of any Company asset distributed or deemed distributed by the Company to any Member shall be adjusted immediately prior to such distribution to equal its gross fair market value as of the date of distribution, as reasonably determined by the Board; and

(e) if the Book Basis of an asset has been determined pursuant to clause (a), (b) or (c) of this definition, such Book Basis shall thereafter be adjusted in the same manner as would the asset's adjusted basis for federal income tax purposes, except that Depreciation deductions shall be computed based on the asset's Book Basis as so determined, rather than on its adjusted tax basis.

"Builder" means Guangzhou Shipyard International Company Limited.

"Business Day" means any day, other than a Saturday, Sunday, or any other date on which banks located in New York, New York are closed for business as a result of federal, state or local holiday.

“Call Option” shall have the meaning given to such term in Section 7.2(b) of this Agreement.

“Call Option Notice” shall have the meaning given to such term in Section 7.2(b) of this Agreement.

“Call Option Purchase Price” shall have the meaning given to such term in Section 7.2(b) of this Agreement.

“Call Transaction Closing Date” shall have the meaning given to such term in Section 7.2(b) of this Agreement.

“Capital Account” means the capital account established and maintained for each Member pursuant to Section 5.2.

“Capital Contributions” means the total amount of cash and other property which a Member contributes to the Company as capital pursuant to this Agreement.

“Certificate” has the meaning set forth in the recitals of this Agreement.

“Change of Control Transaction” means, with respect to the Sponsor: (a) any acquisition, in one or more related transactions, by any Person or Group (other than a Person that owns ten percent (10%) or more of the Equity Securities or Voting Securities of the Sponsor as of the Effective Date) whether by transfer of Equity Securities, merger, consolidation, amalgamation, recapitalization or equity sale (including a sale of securities by the Sponsor) or otherwise, which results in the direct or indirect acquisition by such Person or Group of either (i) the power to elect or direct the election of a majority of the board of directors or other similar body of the Sponsor or (ii) direct or indirect beneficial ownership of Equity Securities representing more than 49% of the Voting Securities of the Sponsor; (b) any acquisition by any Person or Group directly or indirectly, in one or more related transactions, of all or substantially all of the consolidated assets of the Sponsor and its Subsidiaries (which may include, for the avoidance of doubt, the sale or issuance of Equity Securities of one or more Subsidiaries of the Sponsor); or (c) the Sponsor ceasing to be listed on Nasdaq or any other internationally recognized stock exchange.

“Claim” has the meaning set forth in Section 10.2 of this Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Company” has the meaning set forth in the preamble of this Agreement.

“Company Indemnification Agreement” has the meaning set forth in Section 10.5(a) of this Agreement.

“Company Sale” means any sale or other Transfer by the Company or any of its Subsidiaries to any Person or group of Persons in a transaction or series of related transactions (including by merger, combination, reorganization, recapitalization, consolidation or other similar transaction), of all or substantially all of the equity (including the Interests) or assets of the Company and its Subsidiaries on a consolidated basis.

“Confidential Information” has the meaning set forth in Section 11.1 of this Agreement.

“Corporate Conversion” has the meaning set forth in Section 11.3 of this Agreement.

“Covered Person” means (a) each Member, (b) each shareholder, partner, member, Affiliate or Representative of each Member, and each of their respective Affiliates, and (c) each Manager, Officer, agent and representative of the Company.

"CSSC" means CSSC (Hong Kong) Shipping Company Limited and/or any of its Subsidiaries (including Fortune Sealion I Limited, Fortune Sealion II Limited, Fortune Sealion III Limited and Fortune Sealion IV Limited).

"Delivery Date" means, in relation to a Vessel, the date on which such Vessel is delivered to a Seller in accordance with the relevant Shipbuilding Contract.

"Depreciation" means, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for U.S. federal income tax purposes with respect to an asset for such Fiscal Year, except that (a) with respect to any asset the Book Basis of which differs from its adjusted tax basis for U.S. federal income tax purposes at the beginning of such Fiscal Year and which difference is being eliminated by use of the "remedial method" as defined by Treasury Regulations Section 1.704-3(d), Depreciation for such Fiscal Year shall be the amount of Book Basis recovered for such Fiscal Year under the rules prescribed by Treasury Regulations Section 1.704-3(d)(2), and (b) with respect to any other asset the Book Basis of which differs from its adjusted tax basis for U.S. federal income tax purposes at the beginning of such Fiscal Year, Depreciation shall be an amount which bears the same ratio to such beginning Book Basis as the U.S. federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted tax basis; provided, however, that in the case of clause (b) above, if the adjusted tax basis for U.S. federal income tax purposes of an asset at the beginning of such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Book Basis using any reasonable method selected by the Board.

"Distributable Cash" means all cash, cash equivalents and funds received by the Company from all sources of every nature whatsoever (not including any Capital Contributions), less (a) all operating expenses and costs of the Company and its Subsidiaries, including any payments under the Bareboat Charters, (b) any amounts needed to maintain cash reserves up to the Working Capital Reserve, and (c) all principal, interest and other amounts then due and payable to lenders or any other creditors of the Company or its Subsidiaries, as well as any cash that is required to be retained by the Company or any of its Subsidiaries at the relevant time in order to comply with any credit agreement or similar agreement to which the Company or any of its Subsidiaries is a party, in each case, without duplication.

"Effective Date" has the meaning set forth in the preamble of this Agreement.

"Equity Participation Percentage" means, with respect to each Member as of any date, the percentage equal to the quotient of (a) the sum of all Capital Contributions made by such Member as of such date, divided by (b) the sum of the aggregate Capital Contributions made by all Members as of such date. The sum of the Equity Participation Percentages of all Members shall at all times equal one hundred percent (100%).

"Equity Securities" means, with respect to any entity, all forms of equity securities in such entity or any successor of such entity (however designated, whether voting or non-voting), all securities convertible into or exchangeable or exercisable for such equity securities, and all warrants, options or other rights to purchase or acquire from such entity or any successor of such entity, such equity securities, or securities convertible into or exchangeable or exercisable for such equity securities.

"Event of Default" means a Termination Event or an Event of Default as such term is defined under the Sub-Bareboat Charter or the Pre-Delivery Loan Facility, as the case may be.

"Fiscal Year" has the meaning set forth in Section 8.1 of this Agreement.

"Group" has the meaning set forth in Section 13(d)(3) of the Securities and Exchange Act of 1934, as amended.

"Indemnification Agreement" has the meaning set forth in Section 10.5(a) of this Agreement.

"Interest" means the limited liability company interest of a Member in the Company.

"Interest Purchase Agreement" means, in relation to a Seller, an interest purchase agreement among the Company, the Sponsor and Bulk Fleet Bermuda Holding Company Limited, pursuant to which the Company will purchase 100% of the limited liability company interests in such Seller from Bulk Fleet Bermuda Holding Company Limited.

"Investor Contributed Equity" means an amount equal to $14,150,205.

"Investor Manager" has the meaning set forth in Section 4.2(a) of this Agreement.

"Investor" has the meaning set forth in the preamble of this Agreement.

"Liquidator" has the meaning set forth in Section 9.3(a) of this Agreement.

"Losses" has the meaning set forth in Section 10.2 of this Agreement.

"Majority in Interest" means Members owning more than 50% of the Equity Participation Percentages; provided that such Majority in Interest must include each of the Investor and the Sponsor, in each case for so long as each is a Member of the Company.

"Manager" has the meaning set forth in Section 4.1 of this Agreement.

"Maturity Date Notice" has the meaning given to such term in Section 7.2(d) of this Agreement.

"Maturity Date Option" has the meaning given to such term in Section 7.2(d) of this Agreement.

"Maturity Date Purchase Price" has the meaning given to such term in Section 7.2(d) of this Agreement.

"Member" has the meaning set forth in the preamble of this Agreement.

"MOA" means each memorandum of agreement between CSSC and each Seller, which together with the relevant Bareboat Charter, provide for the sale and leaseback of each Vessel from and to such Seller to and from CSSC.

"Nasdaq" means the NASDAQ Stock Market LLC.

"Net Profits" and "Net Losses" means for any period the taxable income or loss, respectively, of the Company for such period, in each case as determined for U.S. federal income tax purposes, but computed with the following adjustments:

(a) items of income, gain, loss and deduction (including, without limitation, gain or loss on the disposition of any Company asset and depreciation or other cost recovery deduction or expense) shall be computed based upon the Book Basis of the Company's assets rather than upon such assets' adjusted basis for U.S. federal income tax purposes;

(b) any tax-exempt income received by the Company shall be deemed, for these purposes only, to be an item of gross income;

(c) any expenditure of the Company described in Section 705(a)(2)(B) of the Code (or treated as described therein pursuant to Treasury Regulations under Section 704(b) of the Code) shall be treated as a deductible expense;

(d) there shall be taken into account any separately stated items under Section 702(a) of the Code;

(e) if the Book Basis of any Company asset is adjusted pursuant to clauses (b) or (d) of the definition thereof, the amount of such adjustment shall be taken into account in the period of adjustment as gain or loss from the disposition or deemed disposition of such asset for purposes of computing Net Profits and Net Losses;

(f) items of income, gain, loss, or deduction or credit specially allocated pursuant to Article V shall not be taken into account; and

(g) in lieu of depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such period.

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"Officers" has the meaning set forth in Section 4.4 of this Agreement.

"Option Notice" means the Put Option Notice, Call Option Notice, Repurchase Notice or Maturity Date Notice, as the case may be.

"Option Price" means the Put Option Purchase Price, Call Option Purchase Price, Repurchase Price or Maturity Date Purchase Price, as the case may be.

"Organizational Expenses" means (i) the organizational expenses of the Company, including the reasonable out-of-pocket fees and expenses of organizing the Company and its Subsidiaries, and (ii) the reasonable out-of-pocket fees and expenses of the Sponsor, the Investor, and their respective outside counsel arising in connection with the negotiation and execution of this Agreement, the Transaction Documents and any other documents contemplated herein or therein (and the amendment or modification hereto or thereto), and the consummation of the other transactions contemplated herein and therein.

"Partnership Representative" has the meaning set forth in Section 8.4 of this Agreement.

"Permitted Recipients" has the meaning set forth in Section 11.1(a) of this Agreement.

"Person" means an individual, partnership, corporation, business trust, joint stock corporation, limited liability company, trust, unincorporated association, governmental authority, joint venture or other entity of whatever nature.

"Pre-Delivery Loan Facility" means that certain pre-delivery credit facility agreement dated on or about the date hereof made by and among the Sellers as borrower, the Sponsor as guarantor, and the Company as lender, providing for a pre-delivery term loan facility to, among other things, finance the construction of the Vessels in the aggregate principal amount of up to $26,900,411.

"Profit Sharing" shall mean the variable charterhire payable under the Sub-Bareboat Charters.

"Prohibited Person" means a Person with whom a U.S. Person is prohibited from transacting business of the type contemplated by this Agreement or any other agreement, document or instrument executed and/or delivered in connection herewith, whether such prohibition arises under U.S. law, regulation, executive orders and lists published by OFAC, including those executive orders and lists published by OFAC with respect to Persons that have been designated by executive order or by the sanction regulations of OFAC as Persons with whom U.S. Persons may not transact business or must limit their interactions to types approved by OFAC, or otherwise.

"Purchase Price" means, in relation to each Vessel, the sum of (a) the purchase price of such Vessel under the relevant Shipbuilding Contract, (b) $100,000, representing the set up costs relating to such Vessel, (c) $350,000, representing the supervision costs relating to such Vessel, (d) $350,000, representing an agreed portion of the delivery costs relating to such Vessel payable to Bulk Fleet Bermuda Holding Company Limited in accordance with the Interest Purchase Agreement applicable to such Vessel, (e) the amount set forth opposite such Vessel on Exhibit B to this Agreement under the column titled "Upfront Fees", representing upfront fees due to CSSC in connection with the Bareboat Charter to which such Vessel is subject, and (f) any pre-delivery interest due to CSSC in connection with the Bareboat Charter to which such Vessel is subject, currently estimated to be the amount set forth opposite such Vessel on Exhibit B to this Agreement under the column titled " "Pre-Delivery Interest".

"Put Option" has the meaning given to such term in Section 7.2(a) of this Agreement.

"Put Option Notice" has the meaning given to such term in Section 7.2(a) of this Agreement.

"Put Option Purchase Price" has the meaning given to such term in Section 7.2(a) of this Agreement.

"Put Transaction Closing Date" has the meaning given to such term in Section 7.2(a) of this Agreement.

"Regulatory Allocations" has the meaning set forth in Section 5.4(d).

"Representatives" means, with respect to any Person, the directors, managers, officers, employees, consultants, financial advisors, attorneys, accountants, agents and other representatives of such Person.

"Repurchase Notice" has the meaning given to such term in Section 7.2(c) of this Agreement.

"Repurchase Price" has the meaning given to such term in Section 7.2(c) of this Agreement.

"Scheduled Delivery Date" means, in relation to a Vessel, the date set forth opposite such Vessel on Exhibit B to this Agreement under the column titled "Scheduled Delivery Date".

"Securities Act" means the Securities Act of 1933, as amended.

"Sellers" means each of Bulk Nordic Seven LLC, Bulk Nordic Eight LLC, Bulk Nordic Nine LLC and Bulk Nordic Ten LLC.

"Shipbuilding Contract" means, in relation to a Vessel, that certain shipbuilding contract made between the relevant Seller and the Builder providing for the construction of such Vessel.

"Sponsor" has the meaning set forth in the preamble of this Agreement.

"Sponsor Contributed Equity" means an amount equal to $14,150,205.

"Sponsor Competitor" means any Person whose primary business is owning, operating and chartering dry bulk vessels; provided however that institutional and other financial investors that invest in, finance, or otherwise have business relationships with any such Persons shall not be considered Sponsor Competitors for purposes of this Agreement.

"Sponsor Manager" has the meaning set forth in Section 4.2(a) of this Agreement.

"Sub-Bareboat Charter" means, in relation to a Vessel, a bareboat charter agreement made by and between a Seller and the Sub-Bareboat Charterer, providing for the bareboat charter of such Vessel to the Sub-Bareboat Charterer

"Sub-Bareboat Charterer" means Nordic Bulk Carriers A/S.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association or business entity of which (a) if a corporation, a majority of (i) the economic interests or (ii) the total voting power of shares of stock entitled (without regard to the occurrence of any contingency unless such contingency has occurred or is reasonably likely to occur) to vote in the election of the directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (b) if a business entity other than a corporation, a majority of (i) the economic interests or (ii) the total voting power of ownership interests entitled to vote in the election or appointment of the managers (or other similar governing persons) thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof.

"Termination Sum" has the meaning given to such term in the Sub-Bareboat Charters.

"Transaction Documents" mean (i) the Pre-Delivery Loan Facility, (ii) each Interest Purchase Agreement, (iii) each Bareboat Charter, MOA and Sub-Bareboat Charter, (iv) each Shipbuilding Contract (and each irrevocable letter of refund guarantee associated therewith), and (iv) any other agreement entered into by (or, in the case of a refund guarantee, issued in favor of) the Company or its Subsidiaries in connection with the transactions contemplated hereby and thereby.

"Transfer" means, with respect to any Interest, the direct or indirect offer, sale, lease, donation, assignment (as collateral or otherwise), mortgage, pledge, grant, hypothecation, encumbrance, gift, bequest or transfer or disposition of any interest (legal or beneficial) in such Interest (including the Transfer of an interest in any special purpose vehicle formed for the purposes of directly or indirectly owning such Interest (but excluding the Transfer of interests in any direct or indirect parent of such Member so long as there is no economic or voting change of control of such Member) or transfer by reorganization, merger, sale of substantially all of the assets or by operation of law). Notwithstanding anything to the contrary herein, for purposes of this Agreement, (a) a Transfer of any economic or voting interest in the Investor or any Affiliate thereof to a client of Hudson Structured Capital Management Ltd., provided such client is not a Sponsor Competitor, shall not be deemed to be an indirect Transfer of all or any portion of the Investor's Interests in the Company, and (b) a Transfer of any economic or voting interest in the Sponsor shall not be deemed to be an indirect Transfer of all or any portion of the Sponsor's Interests in the Company so long as such Transfer does not result in a Change of Control Transaction.

"Treasury Regulations" means the regulations, including any temporary regulations, promulgated under the Code.

"Unpaid Indemnity Amounts" has the meaning set forth in Section 10.5(a) of this Agreement.

"Upstream Indemnifying Party" has the meaning set forth in Section 10.5(a) of this Agreement.

"Vessels" means the vessels set forth on Exhibit B to this Agreement.

"Voting Securities" means, with respect to any entity as of any date, all forms of Equity Securities in such entity or any successor of such entity with voting rights as of such date, other than any such Equity Securities held in treasury by such entity or any successor thereof.

"Working Capital Reserve" means a cash reserve equal to $25,000, which may be adjusted by the Board from time to time.

Section 1.2 Construction; Other Definitions. The language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party. The word "including" shall mean including without limitation regardless of whether such words are included in some contexts but not others. Any reference in this Agreement to "$" is to U.S. Dollars. The words "herein," "hereof," "hereby," "hereto," "hereinafter," and other words of similar import refer to this Agreement as a whole, including the Exhibits hereto, as the same may from time to time be amended, modified, supplemented or restated, and not to any particular article, section, subsection, paragraph, subparagraph or clause contained in this Agreement. The Exhibits to this Agreement are incorporated into and form an integral part of this Agreement. If any payment is required to be made or other action is required to be taken pursuant to this Agreement on a date that is not a Business Day, then such payment or action shall be made or taken on the next Business Day. Any reference to the Act, the Code, the Treasury Regulations, the Securities Act or other statutes or laws will include (a) all amendments, modifications or replacements thereof or of the specified sections and provisions concerned as in effect from time to time, and (b) all rules and regulations promulgated thereunder. For purposes of this Agreement, (i) the defined terms herein shall apply equally to both the singular and plural forms of such terms, (ii) reference to any Person includes such Person's successors and permitted assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement, (iii) any pronoun shall include the corresponding masculine, feminine and neuter forms, (iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof, (v) numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement, (vi) "or" is used in the inclusive sense of "and/or" and (vii) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto.

Article II

ORGANIZATION

Section 2.1 Name. The name of the Company is NORDIC BULK PARTNERS LLC.

Section 2.2 Formation. The Company was formed pursuant to the Act by the filing of the Certificate. The Members hereby ratify such filing and the formation of the Company.

Section 2.3 Registered Agent and Office. The registered office of the Company shall be the registered office set forth in the Certificate or such other office as the Board may designate from time to time in the manner provided by law. The registered agent of the Company shall be the registered agent set forth in the Certificate or such other Person as the Board may designate from time to time in the manner provided by law.

Section 2.4 Purpose of the Company. The Company is organized for the purpose of acquiring and entering into a sale-leaseback transaction for the Vessels, sub-bareboat chartering the Vessels and ultimately disposing of the Vessels, subject to the terms hereof, engaging in any lawful act or activity related to the foregoing for which limited liability companies may be formed under the Act and, subject to the terms hereof, engaging in any and all activities necessary and incidental to the foregoing. The Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, convenient or incidental to or for the furtherance of the purpose set forth in this Section 2.4.

Section 2.5 Principal Place of Business. The principal office and place of business of the Company shall be located at the Sponsor's office or such other place as the Board and the Sponsor may from time to time determine. The records of the Company required to be maintained under the Act shall be maintained at the aforesaid office. The Company shall have such additional offices at such other places as the Board deems advisable.

Section 2.6 Term. The term of the Company began on the date the Certificate was filed and shall continue in existence until dissolved in accordance with Section 9.1.

Article III

MEMBERS

Section 3.1 Members. The name and the business, residence or mailing address of the Members are set forth on Exhibit A to this Agreement. The Company may update its books and records and Exhibit A from time to time to reflect the issuance of new Interests, the admission of new Members to the Company, the withdrawal of Members from the Company or to make any other required changes thereto, in each case, in accordance with the terms of this Agreement, without the need to amend this Agreement. Copies of any such updated Exhibit A shall be promptly provided to all Members.

Section 3.2 Interests. The Interests shall be issued in non-certificated form; provided, however, that the Company may, but is not required to, issue certificates evidencing the Interests and containing such legends as the Board shall deem reasonably appropriate; *provided, however,* that such legends shall not be more restrictive than the terms of this Agreement, except to the extent required by applicable securities laws.

Section 3.3 Meetings of the Members; Place of Meetings; Voting, Etc.

(a) Regular meetings of the Members may be held as determined by the Board (provided that such meetings shall be held as necessary to comply with this Agreement). All meetings of the Members shall be held at such place as designated from time to time by the Board and stated in the notice of the meeting (which may be delivered by email). Notice stating the place, day and hour of the meeting and the purpose for which the meeting is called shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting to each Member, which notice shall be accompanied by a proposed agenda or statement of purpose and by copies of all documents, agreements and information to be considered at such meeting. Such notice of any meeting shall not be required to be given to any Member who submits a signed or electronically transmitted waiver of notice, whether before or after the meeting. In addition, the presence of any Member at a meeting shall constitute the waiver by such Member of notice of such meeting, except when the Member attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened. At all such meetings, each Member shall be entitled to vote on any matters submitted to the Members for a vote. At all such meetings, the presence of a Majority in Interest shall constitute a quorum for the transaction of business.

(b) Special meetings of the Members may be held for any purpose or purposes, unless otherwise prohibited by law, and may be called by any member of the Board or one or more Members. Special meetings of the Members shall be held at such place as stated in the notice of the meeting (which may be delivered by email). Notice stating the place, day and hour of the meeting and the purpose for which the meeting is called shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting to each Member, which notice shall be accompanied by a proposed agenda or statement of purpose and by copies of all documents, agreements and information to be considered at such meeting. In addition, the presence of any Member at a meeting shall constitute the waiver by such Member of notice of such meeting, except when the Member attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened. At all such meetings, each Member shall be entitled to vote on any matters submitted to the Members for a vote. At all such meetings, the presence of a Majority in Interest shall constitute a quorum for the transaction of business.

(c) Members may participate in a meeting by means of conference call or any similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

(d) Except as otherwise provided under this Agreement or as otherwise provided under applicable law, all decisions to be made and actions to be taken by the Members shall be determined by the affirmative vote of a Majority in Interest. For the avoidance of doubt, any provision of this Agreement which provides for (i) the consent of the Members, (ii) the agreement of the Members, (iii) the determination of the Members or (iv) any similar variation of clause (i), (ii) or (iii) shall each mean the affirmative vote of a Majority in Interest, unless indicated otherwise.

(e) Action required or permitted to be taken at a meeting of the Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action, signed or transmitted electronically by Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting. Prompt notice of the taking of any such action by less than the unanimous written consent of the Members shall be given to those Members who have not consented in writing.

(f) Notwithstanding anything to the contrary contained herein, any Member that is an entity may participate in any meeting and may otherwise act or take any action through its authorized Representative.

Section 3.4 Powers of Members. Except as otherwise set forth in this Agreement, no Member shall have any authority to act on behalf of the Company or bind the Company in any manner whatsoever, including, without limitation, entering into any agreement on behalf of the Company.

Section 3.5 Limitation of Liability. The Members (and their respective Affiliates and Representatives) shall not have any liability or responsibility in any way for the obligations or liabilities of the Company, except to the extent required under the Act.

Section 3.6 Outside Activities.

(a) Except as provided in Section 3.6(b), each of the Members recognizes, understands and acknowledges that each Member (and their respective Affiliates and Representatives) shall be entitled to have any business interests or investments and engage in any business or investment activities in addition to those relating to the Company, with no obligation of any kind to offer the Company or any Member the right to participate in those business interests or activities and none of the Company, any Member, or any of their respective Affiliates shall have any rights by virtue of this Agreement in any business venture or investment of any other Member. Except as expressly set forth in Section 3.6(b), the Members expressly acknowledge and agree that (a) each Member and each Manager and their respective Affiliates has the right to, and shall have no duty (fiduciary, contractual or otherwise) not to, directly or indirectly engage in the same or similar business activities or lines of business as the Company and its Subsidiaries, including those deemed to be competing with the Company and its Subsidiaries (including, for the avoidance of doubt, any existing business activities between the Sponsor or its Affiliates, on the one hand, and Baffinland, on the other hand), and (b) if any Member or Manager or any of their respective Affiliates acquires knowledge of a potential transaction or matter that may be a corporate opportunity for the Company, its Subsidiaries or any other Member, none of the Members, the Managers or any of their respective Affiliates shall have any duty (fiduciary, contractual or otherwise) to communicate or present such corporate opportunity to the Company, its Subsidiaries or any other Member or Manager, as the case may be, and shall not be liable to the Company, its Subsidiaries or any Member for breach of any duty by reason of the fact that such Member or Manager or Affiliate thereof, directly or indirectly, pursues or acquires such opportunity for itself, directs such opportunity to another Person, or does not present such opportunity to the Company, its Subsidiaries or any Member or Manager.

(b) With respect to the existing and future business relationship between the Sponsor or its Affiliates and Baffinland involving the acquisition or chartering of vessels, the Sponsor undertakes to act in good faith to treat the Vessels fairly relative to such other business activities. In addition, neither the Sponsor nor any of its Affiliates may pursue, either independently or with any third party, any potential acquisition of, or investment, in one or more vessels that the Sponsor or its Affiliates intend to charter to Baffinland for a term greater than or equal to one year, without first having discussed such potential acquisition or investment with the Investor Managers.

Section 3.7 Representations and Warranties. Each Member hereby represents and warrants, severally but not jointly, to the Company and each other Member as of the date hereof:

(i) it is duly organized and existing under the laws of the jurisdiction of its organization and it has full power and authority to make, execute, deliver and perform this Agreement and the transactions contemplated hereby;

(ii) this Agreement has been duly authorized, executed and delivered by such Member and constitutes the legal, valid and binding obligation of such Member, enforceable in accordance with its terms, except as the enforceability may be limited by (i) bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally, including specific performance, and (ii) general equitable principles (whether considered in a proceeding in equity or at law);

(iii) the execution, delivery and performance of this Agreement and the transactions contemplated hereby do not violate or conflict with any provision of the certificate of formation or operating agreement or other similar governing instruments of such Member or of any material agreement, mortgage, lease, license, order or other instrument to which such Member is a party or by which it or its property is bound or encumbered;

(iv) there are no approvals from any governmental agency or any other Person which are required for the execution, delivery and performance by such Member of this Agreement and the transactions contemplated hereby, other than in each case any approvals or consents which have been obtained;

(v) it acknowledges that the Interests have not been registered under the Securities Act, or under applicable United States federal or state securities laws, but have been issued and sold in reliance on exemptions from registration set forth therein;

(vi) it has acquired its Interests with the intent of holding the same for investment for its own account and without the intent of, or a view to, participating directly or indirectly in any distribution or resale of such Interests in violation of any applicable United States federal or state securities laws;

(vii) it acknowledges and agrees that (A) the provisions of Rule 144 promulgated under the Securities Act are not presently available for the resale of the Interests, and that it has no contract right for the registration under such Act of its Interests for public sale and that the Company has no intention to register the Interests in the future, and (B) it must bear the economic risk of an investment in the Interests for an indefinite period of time because the Interests have not been registered under the Securities Act nor under any applicable United States federal or state securities laws;

(viii) it is either an accredited investor within the meaning of Regulation D under the Securities Act, or (ii) a non-US person for the purposes of Regulation S promulgated under the Act and the Interests have not been offered to the Member in the United States and at the time of the offer Member was physically outside of the United States;

(ix) it has not relied upon the Company, any other Member or any of their respective Representatives with respect to making any evaluation of the tax consequences of its investment in its Interests or the Company;

(x) it has been furnished such information as it has requested in connection with an investment in the Interests and it has had an opportunity to ask questions and receive answers from the Company regarding the purchase of its Interests and the business, properties, prospects and financial condition of the Company, and it has had a full and complete opportunity to review this Agreement and the Transaction Documents with legal counsel and any other advisors such Member deems necessary;

(xi) neither it, nor any of its Affiliates, nor any Person who holds any interest in such Member is a Prohibited Person or a Person with whom a U.S. Person, including a "financial institution" as defined in 31 U.S.C. 5312(a)(2), as amended, is prohibited from transacting business of the type contemplated by this Agreement or any other agreement, document or instrument executed and/or delivered in connection herewith, whether such prohibition arises under U.S. regulation, executive orders and lists published by OFAC (including those executive orders and lists published by OFAC with respect to Specially Designated Nationals and Blocked Persons) or otherwise;

(xii) (i) it has taken, and shall continue to take, such measures as are required by applicable law to assure that all funds used to pay Capital Contributions of such Member, or to otherwise pay any obligations of the Company or its Affiliates, are derived: (i) from transactions that do not violate U.S. law and, to the extent such funds originate outside the U.S., do not violate the laws of the jurisdiction in which they originated; and (ii) from permissible sources under U.S. law and, to the extent such funds originate outside the U.S., under the laws of the jurisdiction in which they originated. Such Member and its subsidiaries are in compliance with, and will remain in compliance with, all applicable provisions of the USA Patriot Act of 2001, Pub. L. No. 107-56, and any other U.S. laws, regulations and executive orders relating to anti-terrorism, economic sanctions, anti-money laundering or "know your customer"; and

(xiii) it has such knowledge and expertise in business, financial and tax matters sufficient for it to evaluate the merits and risks associated with investment in its Interests and to have made an informed investment decision with respect thereto.

Article IV

MANAGEMENT

Section 4.1 Management. The business and affairs of the Company shall be exclusively managed by a board of managers (each, a "Manager" and collectively, the "Board") comprised of natural Persons appointed by the Members as provided below. Subject to any limitations contained in this Agreement, the Board shall have (a) all rights, powers and authority, on behalf of and in the name of the Company, to do any and all acts that it deems necessary or convenient to, or for the furtherance of, the purposes of the Company described herein and (b) all rights, powers and authority that now or hereafter can be granted to managers under the Act. A Manager shall be a "manager" of the Company within the meaning of the Act.

Section 4.2 Composition of the Board.

(a) The Board shall initially be comprised of four (4) Managers. Subject to Section 7.2(f), for so long as the Sponsor is a Member, it shall (i) have the right to appoint two (2) Managers of the Board (each, a "Sponsor Manager"), and (ii) have full authority unilaterally to remove and replace any Sponsor Manager, with or without cause, at any time; provided, however, that upon the Sponsor ceasing to be a Member, each Sponsor Manager shall be deemed to have immediately resigned. For so long as the Investor is a Member, it shall (i) have the right to appoint two (2) Managers of the Board (each, an "Investor Manager"), and (ii) have full authority unilaterally to remove and replace any Investor Manager, with or without cause, at any time; provided, however, that upon the Investor ceasing to be a Member, each Investor Manager shall be deemed to have immediately resigned unless the Investor ceases to be a Member as a result of Transferring its Interests to a Person that is not a Sponsor Competitor, in which case, and for the avoidance of doubt, the Investor may assign its right under this Section 4.2(a) to appoint the Investor Managers to any such Person, but always limited to two (2) Managers. If at any time a vacancy is created on the Board by reason of the death, disability, removal or resignation of a Manager, the Member who has the right under this Section 4.2(a) to designate such Manager whose death, disability, removal or resignation has created such vacancy shall designate a successor. A Manager need not be a Member of the Company nor must the Manager be an officer, employee or representative of the Member that appoints such Manager. The names of the initial Managers of the Company are set forth on Exhibit C to this Agreement. Any appointment or removal of a Manager pursuant to this Section shall be made by written notice to the other Members. The size of the Board may only be increased or decreased with the unanimous consent of the Members.

(b) To the extent that any Subsidiary of the Company is not a member-managed limited liability company or a similar entity wholly-owned by the Company, the Company shall, to the extent reasonably practicable and subject to local law requirements, take all necessary action to ensure that the board of directors, board of managers, partnership committee or similar governing body of such Subsidiary shall be comprised of designees of each Member that, as nearly as is practicable, are in proportion to the number of their respective designees on the Board and require the vote, consent or decision (and presence for quorum) of each such designee to the same extent as would be required for comparable actions and meetings of the Board. The Company shall not cause or authorize any of its Subsidiaries to do any act in violation of this Agreement without the proper approval as set forth herein, as if such action were to be taken by the Company.

(c) Each Manager shall be reimbursed for his or her reasonable and documented out-of-pocket expenses incurred in the performance of his or her duties as a Manager, pursuant to such policies as from time to time are established by the Board. This Agreement does not, and is not intended to, confer upon any Manager any rights with respect to employment by the Company, and nothing herein should be construed to have created any employment agreement with any Manager.

Section 4.3 Board Meetings, Quorum, Vote, Etc.

(a) Meetings of the Board may be called by any Manager, and shall take place at a location agreed upon by the Board, on not less than five (5) days' written notice (which may be by email) to the other Managers. Regularly scheduled meetings of the Board shall occur at least four (4) times each year. Such notice of any meeting shall not be required to be given to any Manager who submits a signed or electronically transmitted waiver of notice, whether before or after the meeting. In addition, the presence of any Manager at a meeting shall constitute the waiver by such Manager of notice of such meeting, except when the Manager attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the meeting is not lawfully called or convened. At all such meetings, the presence of a majority of the Managers then serving, including at least one (1) Sponsor Manager and one (1) Investor Manager then serving, shall constitute a quorum for the transaction of business; provided, however, that (x) the presence of a Sponsor Manager or Investor Manager, as the case may be, shall not be required to constitute a quorum if the Member who has the right under Section 4.2(a) to designate such Manager is no longer a Member of the Company, (y) the presence of a Sponsor Manager shall not be required to constitute a quorum in connection with any required approval of the Investor Managers under Section 4.6, and (z) the presence of a Sponsor Manager shall not be required to constitute a quorum if the Sponsor is in default under Section 7.2(f).

(b) Managers may participate in a meeting by means of conference call, video conference or any similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

(c) Each Manager shall have one vote on any matters contemplated hereunder. Except as otherwise set forth in this Agreement (including Section 4.6 hereof), all decisions to be made and actions to be taken by the Board shall be determined by the affirmative vote of a majority of the Managers then serving (which, for the avoidance of doubt, must include at least one (1) Sponsor Manager and one (1) Investor Manager, in each case for so long as the Member who has the right under Section 4.2(a) to designate such Manager is a Member of the Company and, in the case of the Sponsor, is not in default under Section 7.2(f)). For the avoidance of doubt, except as otherwise set forth in this Agreement (including Section 4.6 hereof), any provision of this Agreement which provides for (i) the consent of the Board, (ii) the agreement of the Board, (iii) the determination of the Board or (iv) or any similar variation of clause (i), (ii) or (iii), shall each mean the affirmative vote of a simple majority in number of the Managers then serving (which, for the avoidance of doubt, must include at least one (1) Sponsor Manager and one (1) Investor Manager, in each case for so long as the Member who has the right under Section 4.2(a) to designate such Manager is a Member of the Company and, in the case of the Sponsor, is not in default under Section 7.2(f)).

(d) Action required or permitted to be taken at a meeting of the Board may be taken without a meeting if the action is evidenced by one or more written consents describing the action, signed or transmitted electronically by Managers holding the minimum number of votes necessary to authorize or take such action; provided, however, that the Company shall solicit the consent of all Managers simultaneously, and if any actions in such written consent are not approved unanimously by all of the Managers on the Board, prompt written notice regarding any such actions shall be provided to all non-consenting Managers of the Board.

(e) Each Manager may authorize any Person to act for such Manager by proxy at any meeting of the Board. Every proxy must be signed by the Manager or such Manager's attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Manager executing it unless otherwise provided in such proxy; provided, that such right to revocation shall not invalidate or otherwise affect actions taken under such proxy prior to such revocation.

Section 4.4 Delegation of Authority to Officers. The Board may, as set forth below, from time to time as it deems advisable, designate one or more individuals as officers of the Company (collectively, the "Officers"). Any such Officers shall have such titles and exercise and perform such powers and duties as may from time to time be assigned to them by the Board, subject to the restrictions and limitations set forth in Sections 4.5 and 4.6. The initial Officers are set forth on Exhibit D to this Agreement. Unless the Board decides otherwise and subject to Sections 4.5 and 4.6, if an Officer's title is one commonly used for officers of a business corporation formed under the Delaware General Corporation Law, the assignment of such title shall constitute the delegation to such person of the authority and duties that are normally associated with that office, subject to any specific delegation or limitation of authority and duties made pursuant to this Section 4.4. Any Officer may be removed as such, at any time, with or without cause, by the Board. Any Officer also may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Board. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Designation of an Officer shall not of itself create any contract rights. Any number of offices may be held by the same individual. The Officers shall not be entitled to any compensation for their services as officers, unless approved by a majority of the Board.

Section 4.5 Actions Requiring Board Approval. Without limiting the generality of the foregoing, but subject to Section 4.6, the following actions taken by the Company or any of its Subsidiaries shall require the approval of the Board, and no Member, Manager or Officer shall be permitted to take any of the following actions on behalf of the Company or any of its Subsidiaries unless such action has been so approved:

(a) acquiring any assets, other than (i) the limited liability company interests of the Sellers pursuant to the Interest Purchase Agreements, (ii) once the relevant Seller becomes a Subsidiary of the Company, the relevant Vessel pursuant to each Shipbuilding Contract, and (iii) in connection with the transactions contemplated under the MOAs and the Bareboat Charters;

(b) issuing any Interests in the Company or equity interests in any Subsidiary of the Company, creating any new class of Interests in the Company, or granting any options, warrants, convertible securities or other rights to acquire (or that are exercisable for or convertible or exchangeable into), directly or indirectly, any Interests in the Company or equity interests in any Subsidiary of the Company;

(c) requiring or permitting any Capital Contributions, except as set forth in Section 5.1(a) and Section 5.1(b);

(d) amending, altering, terminating or repealing (i) this Agreement or the Certificate or any organizational document (e.g., limited liability company agreement, charter, bylaws or shareholders agreement) of any Subsidiary of the Company, or (ii) any Transaction Document;

(e) making any unilateral payments or distributions to any Member other than as provided in this Agreement;

(f) subject to Section 4.2(a), increasing or decreasing the size of the Board;

(g) incurring any debt, entering into any loan to or by the Company or any of its Subsidiaries, or entering into any other guaranty, surety or similar transaction, other than as contemplated under the Bareboat Charters;

(h) directly or indirectly making any loan to or investment in other Persons or similar capital transaction (other than as contemplated under the Pre-Delivery Loan Facility and investments in cash and cash equivalents);

(i) taking any action that impairs the ability of the Company to meet its obligations to the Members hereunder;

(j) changing any tax or accounting election of the Company or any of its Subsidiaries;

(k) approving or amending an annual budget, it being agreed that if the annual budget for any Fiscal Year is not approved by the Board within thirty (30) days of its presentation to the Board, and in any event no later than the commencement of the following Fiscal Year, the previous annual budget shall be automatically adopted with a two percent (2%) increase until a new annual budget is agreed to by the Board;

(l) taking any action or entering into any agreement involving the payment by the Company or its Subsidiaries of any amount that is not within the annual budget then in effect;

(m) changing or adjusting the Working Capital Reserve;

(n) entering into any Affiliated transaction between the Company or any of its Subsidiaries on the one hand and any Member or any Affiliate of a Member on the other hand, other than in accordance with the Pre-Delivery Loan Facility and the Sub-Bareboat Charters;

(o) dissolving, liquidating, or otherwise ceasing to conduct the business of, the Company or any of its Subsidiaries;

(p) entering into any transaction for the disposition or sale of any assets owned by the Company or any of its Subsidiaries, other than in connection with the transactions contemplated under the MOAs and the Bareboat Charters;

(q) entering into any Company Sale or any other merger, combination, reorganization, recapitalization, consolidation or other similar transaction involving the Company or any of its Subsidiaries;

(r) taking any of the following actions: (i) filing a voluntary petition in bankruptcy on behalf of the Company or any of its Subsidiaries; (ii) consenting to the filing of any involuntary petition in bankruptcy against the Company or any of its Subsidiaries; (iii) filing any petition seeking, or consenting to, the reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency; (iv) consenting to the appointment of a receiver, liquidator, assignee, trustee or other similar official of the Company or any of its Subsidiaries or a substantial part of its property; (v) making an assignment for the benefit of the Company's or any of its Subsidiaries' creditors; or (vi) admitting in writing the Company's or any of its Subsidiaries' inability to pay its debts generally as they become due;

(s) settling or compromising an audit, examination or other proceeding related to taxes; and

(t) making or entering into any agreement, arrangement, commitment or understanding to do or cause to be done any of the foregoing.

Notwithstanding anything herein to the contrary, it is hereby agreed that the Company shall cause any available cash of any Subsidiary of the Company to be distributed to the Company on a monthly basis, such distributions to be made no later than the first day of each month, and the Board shall be required to carry out and effectuate such distributions without the need for any further consent or approval of the Board.

Section 4.6 Actions Requiring Approval Solely of Investor Managers. Notwithstanding anything to the contrary contained herein, the approval of two (2) Investor Managers only, without the consent of the Sponsor Managers, shall be required for (a) any Board decision following the occurrence of (i) a breach or default by the Sponsor and/or its Subsidiaries under any Transaction Document (in each case, including enforcement of the rights of the Company or its Subsidiaries thereunder) or (ii) a Change of Control Transaction without the prior written consent of the two (2) Investor Managers then serving, (b) any approvals required in connection with the Pre-Delivery Loan Facility or any Interest Purchase Agreement or Sub-Bareboat Charter (or any other related documentation), including the authorization of any amendment or waiver thereunder and any upward adjustment to fixed charterhire under any Sub-Bareboat Charter, or (c) any other circumstance where, in the reasonable opinion of the Investor, both (i) a material conflict of interest exists between the Sponsor's interests as a Member hereunder, on the one hand, and the Sponsor's or its Affiliates interests under a Transaction Document, on the other hand, and (ii) the Sponsor or its Affiliates may derive a financial gain or other benefit in connection therewith (the parties acknowledging that each Sponsor Manager shall serve on the Board solely as an observer in respect of any of the circumstances described in the foregoing clauses (a), (b) and (c), and no Member, Sponsor Manager or Officer shall be permitted to take any action on behalf of the Company or any of its Subsidiaries in connection therewith unless such action has been so approved by the two (2) Investor Managers).

Section 4.7 Reliance by Third Parties. Persons dealing with the Company are entitled to rely conclusively upon the power and authority of the Board, any Manager and any Officer as herein set forth, and shall not be required to inquire as to such Person's authority to bind the Company.

Section 4.8 Limitation on Manager Fiduciary Duties. To the fullest extent permitted by law, no Manager shall have any duties, fiduciary or similar duties, to the Company or any Member. With respect to any vote, consent or approval at any meeting of the Board or otherwise under this Agreement, each Member and each Manager may grant or withhold such vote, consent or approval (a) in its sole and absolute discretion, (b) with or without cause, (c) subject to such conditions as it shall deem appropriate, and (d) without taking into account the interests of, and without incurring liability to, the Company, any Member, Manager, or any Officer or employee of the Company.

Article V

CAPITAL ACCOUNTS; ALLOCATIONS OF PROFITS AND LOSSES; DISTRIBUTIONS

Section 5.1 Capital Contributions.

(a) On October 15, 2019, or such other date mutually agreed by the Members, each Member shall make the initial Capital Contribution to the Company set forth opposite its name on Exhibit A to this Agreement under the heading "Initial Capital Contribution".

(b) Pursuant to Section 5.1(a), the Sponsor shall make an initial Capital Contribution to the Company equal to the Sponsor Contributed Equity. The Investor agrees that it shall make an initial Capital Contribution to the Company pursuant to Section 5.1(a), and additional Capital Contributions to the Company pursuant to this Section 5.1(b), in an aggregate amount of up to the Investor Contributed Equity. The Sponsor may determine from time to time that such additional Capital Contributions by the Investor are required for purposes of funding (x) payments by the Company or its Subsidiaries that are due under the Pre-Delivery Loan Facility or any other Transaction Documents, (y) payments by the Company or its Subsidiaries that are due with respect to any portion of the Purchase Price for each Vessel, or (z) to fund the Working Capital Reserve. The Members currently anticipate that such additional Capital Contributions by the Investor will be made at such times and in such amounts set forth opposite its name on Exhibit A to this Agreement under the heading "Additional Capital Contributions"; provided, however, that the Members will from time to time adjust the timing and/or amount of such additional Capital Contributions set forth on Exhibit A as necessary to reflect any documented change in the timing, or documented reduction in the amount, of any payments described in clauses (x) or (y) of the previous sentence for which such additional Capital Contributions were required. Following a determination by the Sponsor in good faith that such a Capital Contribution is required, the Company shall provide notice to the Investor in writing at least fifteen (15) Business Days prior to the date on which such Capital Contribution is due to be received by the Company; provided, however, that at no time shall any such Capital Contribution be required to be made by the Investor if a breach or default shall have occurred and be continuing under any of the Transaction Documents. So long as no breach or default shall have occurred and be continuing under any of the Transaction Documents, the Investor shall be required to make Capital Contributions in accordance with this Section 5.1(b) so long as the aggregate amount of such Capital Contributions (together with the Investor's initial Capital Contribution pursuant to Section 5.1(a)) do not exceed the Investor Contributed Equity. Promptly following the Investor having made its last additional Capital Contribution contemplated on Exhibit A, the Company shall calculate the Equity Participation Percentages of each of the Members based on the amount of their respective Capital Contributions. To the extent that the Sponsor has made aggregate Capital Contributions in excess of the Investor's aggregate Capital Contributions at such time, there shall be a true-up (satisfied by the Investor contributing to the Company an amount equal to a portion of such excess as a Capital Contribution to be used by the Company to reimburse the Sponsor for a portion of its excess Capital Contributions) such that after giving effect to the true-up the Sponsor and the Investor have each made an equivalent amount of aggregate Capital Contributions resulting in each Member having a fifty percent (50%) Equity Participation Percentage. Notwithstanding the foregoing, the Investor may also voluntarily elect to make additional Capital Contributions at any time until the Investor has made an aggregate amount of Capital Contributions (together with its initial Capital Contribution pursuant to Section 5.1(a)) equal to the Investor Contributed Equity.

(c) Except as set forth in Section 5.1(a) and Section 5.1(b), no Member shall be required to make any additional Capital Contributions to the Company without such Member's consent. The Sponsor acknowledges that a failure by the Sponsor to make any Capital Contribution required pursuant to Section 5.1(a) or consented to pursuant to this Section 5.1(c), shall constitute an Event of Default under the Pre-Delivery Loan Facility.

(d) The Members acknowledge and agree that the Capital Contributions will be used for, among other things, fulfilling the Company's or its Subsidiaries' obligations under the Pre-Delivery Loan Facility and the other Transaction Documents, paying a portion of the Purchase Price for each Vessel, and funding and maintaining the Working Capital Reserve. Exhibit A shall be updated from time to time by the Board to reflect the date and amount of any Capital Contributions made by the Members hereunder.

(e) No Member shall be entitled to receive interest on its Capital Contributions or to request a return of its Capital Contributions to the Company.

(f) In connection with any Capital Contributions required pursuant to Section 5.1(a) or Section 5.1(b), or any additional Capital Contributions consented to pursuant to Section 5.1(c), the Company shall provide to each applicable Member written notice of such Capital Contribution requirement not less than fifteen (15) Business Days prior the date on which such amounts are due to be received by the Company. In the event that any Member, required to make any such Capital Contribution pursuant to Section 5.1(a) or Section 5.1(b) or having consented to any such Capital Contribution pursuant to Section 5.1(c), fails to make its full, applicable pro-rata share of such Capital Contribution after a three (3) day additional cure period, the non-defaulting Members shall have the right to make additional Capital Contributions to the Company (pro-rata or in such other percentages as such participating Members may agree) in aggregate amounts equal to such default, in which case each such non-defaulting Member participating in such Capital Contributions shall be deemed for all purposes of this Agreement (including for purposes of calculating each Member's Equity Participation Percentage) to have made a Capital Contribution in an amount equal to one hundred fifty percent (150%) of the amount such Member contributed to the Company to fund such default. In addition to the foregoing, the Company and the non-defaulting Member shall have all other rights and remedies at law or in equity against the defaulting Member.

Section 5.2 Capital Accounts.

(a) A Capital Account shall be maintained for each Member in accordance with Section 704(b) of the Code and Treasury Regulations Sections 1.704-1(b) and 1.704-2.

(b) The Capital Account of each Member shall be increased by (i) the amount of any cash contributed by such Member to the capital of the Company, (ii) the Book Basis of any property contributed by such Member to the capital of the Company (net of liabilities that the Company is considered to assume, or take property subject to, under Section 752 of the Code), (iii) such Member's share of Net Profits (as determined in accordance with Section 5.3) and (iv) any gross income and gain allocated to such Member pursuant to Section 5.4.

(c) The Capital Account of each Member shall be decreased by (i) the amount of all cash distributions to such Member, (ii) the Book Basis of any property distributed to such Member by the Company (net of liabilities that the Member is considered to assume, or take property subject to, under Section 752 of the Code), (iii) such Member's share of Net Losses (as determined in accordance with Section 5.3), and (iv) any gross deductions and loss allocated to such Member pursuant to Section 5.4.

(d) No Member shall be required to restore any negative balance in its Capital Account.

(e) If all or a portion of a Member's Interests in the Company is Transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the Transferred Interests, and will be treated as having made any Capital Contributions and received any distributions made or received with respect to such Transferred Interests while such Transferred Interests was held by the transferor, including for purposes of the calculations under Section 5.6(a), Section 5.6(b) and Section 9.3(b).

(f) The Capital Account of each Member may be adjusted to reflect any adjustment to the Book Basis of the Company's assets attributable to the application of Sections 734 or 743 of the Code to the extent required pursuant to Treasury Regulations Section 1.704- 1(b)(2)(iv)(m).

(g) Except as otherwise provided in this Agreement, whenever it is necessary to determine the Capital Account balance of any Member, the Capital Account balance of such Member shall be determined after giving effect to all allocations pursuant to this Article V and all contributions and distributions made prior to the time as of which such determination is to be made.

Section 5.3 Allocations of Net Profits and Net Losses. After the application of Section 5.4, Net Profits and Net Losses for any taxable year, or portion thereof, shall be allocated among the Members in a manner such that the Capital Account of each Member, immediately after making such allocation, and after taking into account actual distributions made during such taxable year, or portion thereof, is, as nearly as possible, equal (proportionately) to (i) the distributions that would be made to such Member pursuant to Section 5.6(a) or Section 9.3(b), as applicable, if the Company were dissolved, its affairs wound up and its assets sold for cash equal to their Book Basis, all Company liabilities, including the Company's share of any liability of any entity treated as a partnership for U.S. federal income tax purposes in which the Company is a partner, were satisfied (limited with respect to each nonrecourse liability to the Book Basis of the assets securing such liability) and such proceeds of the Company were distributed in accordance with Section 5.6(a) or Section 9.3(b), as applicable, to the Members immediately after making such allocation, minus (ii) such Member's share of Company minimum gain and Member nonrecourse debt minimum gain determined pursuant to Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), computed immediately prior to the hypothetical sale of assets. Subject to the other provisions of this Article V, an allocation to a Member of a share of Net Profit or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Profit or Net Loss.

Section 5.4 Regulatory Allocations.

(a) Notwithstanding any other provision of this Agreement, (i) "partner nonrecourse deductions" (as defined in Treasury Regulations Section 1.704-2(i)), if any, of the Company shall be allocated for each period to the Member that bears the economic risk of loss within the meaning of Treasury Regulations Section 1.704-2(i), and (ii) "nonrecourse deductions" (as defined in Treasury Regulations Section 1.704-2(b)) and "excess nonrecourse liabilities" (as defined in Treasury Regulations Section 1.752-3(a)), if any, of the Company shall be allocated to the Members in accordance with their respective Equity Participation Percentages.

(b) This Agreement shall be deemed to include "qualified income offset," "minimum gain chargeback" and "partner nonrecourse debt minimum gain chargeback" provisions within the meaning of Treasury Regulations under Section 704(b) of the Code. Accordingly, notwithstanding any other provision of this Agreement, items of gross income shall be allocated to the Members on a priority basis to the extent and in the manner required by such provisions.

(c) To the extent that Net Losses or items of loss or deduction otherwise allocable to a Member hereunder would cause such Member to have an Adjusted Capital Account Deficit as of the end of the taxable year to which such Net Losses, or items of loss or deduction, relate (after taking into account the allocation of all items of income and gain for such taxable period), such Net Losses, or items of loss or deduction, shall be allocated first, to Members who would not have an Adjusted Capital Account Deficit, pro rata, in proportion to their Capital Account balances, adjusted as provided in clauses (a) and (b) of the definition of Adjusted Capital Account Deficit, until no Member would be entitled to any further allocation, and thereafter, shall be allocated to Members in accordance with their respective Equity Participation Percentages.

(d) Any allocations required to be made pursuant to Section 5.4(a) through Section 5.4(c) (the "Regulatory Allocations") (other than allocations, the effects of which are likely to be offset in the future by other special allocations) shall be taken into account, to the extent permitted by the Treasury Regulations, in computing subsequent allocations of income, gain, loss or deduction pursuant to Section 5.3 so that the net amount of any items so allocated and all other items allocated to each Member shall, to the extent possible, be equal to the amount that would have been allocated to each Member pursuant to Section 5.3 had such Regulatory Allocations under this Section 5.4 not occurred.

(e) The foregoing provisions of Section 5.2, Section 5.3 and this Section 5.4, and the other provisions of this Agreement relating to the maintenance of Capital Accounts, are intended to comply with

Treasury Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent therewith. In the event the Board determines that it is prudent to modify the manner in which the aggregate Capital Accounts, or any debits or credits thereto are computed in order to comply with such regulations, the Board may make such modifications. The Board also will (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of capital reflected on the Company's balance sheet, as computed for book purposes, in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(1) and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Treasury Regulations Section 1.704-1(b).

Section 5.5 Tax Allocations.

(a) For U.S. federal income tax purposes, except as otherwise provided in this Section 5.5, each item of income, gain, loss and deduction shall be allocated among the Members in the same manner as its corresponding item of book income, gain, loss or deduction is allocated pursuant to this Article V.

(b) In accordance with Sections 704(b) and 704(c) of the Code and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any Company asset contributed (or deemed contributed) to the capital of the Company shall, solely for U.S. federal income tax purposes, be allocated among the Members so as to take into account any variation between the adjusted basis of such Company asset for U.S. federal income tax purposes and its Book Basis upon its contribution (or deemed contribution). If the Book Basis of any Company asset is adjusted, subsequent allocations of taxable income, gain, loss and deduction with respect to such Company asset shall take account of any variation between the adjusted basis of such Company asset for U.S. federal income tax purposes and the Book Basis of such Company asset in the manner prescribed under Code Sections 704(b) and 704(c) and the Treasury Regulations thereunder. Any elections or decisions relating to such allocations shall be made by the Board; provided that if any such election or decision should result in a materially disproportionate adverse effect on a particular Member relative to other Members, consent (which consent shall not be unreasonably conditioned, withheld or delayed) of such adversely affected Member shall be required.

(c) If a Member acquires any Interests, redeems all or a portion of its Interests or Transfers any Interests during a taxable year, the Net Profits or Net Losses (and other items referred to in Section 5.3 or 5.4) attributable to such Interests for such taxable year shall be allocated between the transferor and the transferee by closing the books of the Company as of the date of the Transfer, or by any other method permitted under Section 706 of the Code and the Treasury Regulations thereunder that is selected by the Board, provided that in any event Net Profits or Net Losses (and other items referred to in Section 5.3 or 5.4) attributable to any extraordinary non-recurring items of the Company shall be allocated between the transferor and the transferee by closing the books of the Company with respect to such items.

(d) The provisions of this Article V (and other related provisions in this Agreement) pertaining to the allocation of items of Company income, gain, loss, deductions, and credits shall be interpreted consistently with the Treasury Regulations, and to the extent unintentionally inconsistent with such Treasury Regulations, shall be deemed to be modified to the extent necessary to make such provisions consistent with the Treasury Regulations.

Section 5.6 Distributions.

(a) Subject to Section 5.6(b) and Section 5.6(c), and the terms of the Bareboat Charters, the Company shall make distributions of 100% of Distributable Cash pro rata to the Members in accordance with their respective Equity Participation Percentages on a monthly basis, such distributions to be made no later than five (5) days after the end of each month.

(b) Notwithstanding the foregoing, during the continuance of an Event of Default under a Sub-Bareboat Charter or the Pre-Delivery Loan Facility, all distributions of Distributable Cash shall be made as follows:

(i) *First*, one hundred percent (100%) to the Investor until the Investor has received its Equity Participation Percentage of (A) all amounts due and payable under such Sub-Bareboat Charter (including the Termination Sum), in the case of an Event of Default under such Sub-Bareboat Charter (or, if greater, that would be due and payable if such Sub-Bareboat Charter had been immediately terminated as a result of such Event of Default and the payment of the applicable Termination Sum demanded in connection therewith), or (B) all outstanding amounts due to the Company under the Pre-Delivery Loan Facility (including the repayment of principal and any interest or default interest thereunder), in the case of an Event of Default under the Pre-Delivery Loan Facility;

(ii) *Second*, one hundred percent (100%) to the Sponsor until the Sponsor has received its Equity Participation Percentage of (A) all amounts due and payable under such Sub-Bareboat Charter (including the Termination Sum), in the case of an Event of Default under such Sub-Bareboat Charter (or, if greater, that would be due and payable if such Sub-Bareboat Charter had been immediately terminated as a result of such Event of Default and the payment of the applicable Termination Sum demanded in connection therewith), or (B) all outstanding amounts due to the Company under the Pre-Delivery Loan Facility (including the repayment of principal and any interest or default interest thereunder), in the case of an Event of Default under the Pre-Delivery Loan Facility; and

(iii) *Third*, one hundred percent (100%) to the Members pro rata in accordance with their respective Equity Participation Percentages.

(c) The Board is hereby authorized to withhold from distributions, or with respect to allocations, to any Member and to pay over to any federal, state, local or foreign government any amounts required to be so withheld pursuant to the Code or any provision of any other federal, state, local or foreign law and shall allocate such amounts to the Member with respect to which such amount was withheld. All amounts withheld by the Board pursuant to this Section 5.6(c) with respect to a Member shall be treated as if such amounts were distributed to such Member under this Agreement. Prior to any such withholding, the Company shall give such Member notice of such withholding obligation so that the Member has the opportunity to file the proper tax forms or take such other actions necessary to minimize or eliminate the withholding obligation. The Company shall assist such Member in minimizing or eliminating and in determining the extent of, and in fulfilling, its withholding obligations.

Article VI

ADMISSION OF ADDITIONAL MEMBERS; WITHDRAWALS

Section 6.1 Admission of Additional Members. No additional Members may be admitted to the Company without the unanimous approval of the Board; provided, however, that the approval of the Board shall not be required to admit a Member to the Company to whom Interests are Transferred in accordance with Article VII. Any additional Member admitted to the Company pursuant to this Article VI shall execute (i) an Agreement to be Bound, in substantially the form of Exhibit E to this Agreement, agreeing to be bound by and subject to all of the terms and conditions of this Agreement (an "Agreement to be Bound"), and (ii) such other documents as may be reasonably requested by the Board. In connection with such admission, the Company shall update Exhibit A to this Agreement.

Section 6.2 Withdrawal of a Member. A Member may not (a) withdraw from the Company or (b) withdraw any portion of its Capital Account balance except (i) with the unanimous consent of the Board or (ii) in the case of clause (a), following the Transfer of all of such Member's Interests in accordance with the terms of this Agreement.

Article VII

TRANSFERS OF INTERESTS

Section 7.1 General Restrictions on Transfer.

(a) Except as set forth below, no Member shall Transfer any Interests, except in accordance with the terms and conditions of this Agreement and any such Transfer in violation of the terms of this Agreement shall be null and void. Before any Person shall be admitted to the Company as a successor to a Member, the transferee shall execute an Agreement to be Bound and shall execute such other documents as may be reasonably requested by the Board, including, if requested by a Manager, an opinion of counsel, in form and substance satisfactory to the Board, to the effect that (i) such Transfer would not violate the Securities Act or any state securities or blue sky laws applicable to the Company, (ii) such Transfer would not cause the Company to be considered a publicly traded partnership under Section 7704(b) of the Code; (iii) such Transfer would not cause the Company to lose its status as a partnership for federal income tax purposes; and (iv) such Transfer would not require the Company to register as an investment adviser under the Investment Advisers Act of 1940 or as an investment company under the Investment Company Act of 1940.

(b) Notwithstanding anything to the contrary contained herein, the Investor may Transfer all or a portion of its Interests to any Person in its sole discretion, provided, however, that (i) such Transfer would not have any materially adverse tax implications upon the Company or the other Member(s), (ii) unless an Event of Default under the Pre-Delivery Loan Facility or a Sub-Bareboat Charter has occurred and is continuing, the Investor shall not Transfer any of its Interests to a Sponsor Competitor without the prior written consent of the Sponsor, and (iii) no such Transfer shall be recognized by the Company until such transferee has executed an Agreement to be Bound.

(c) Notwithstanding anything to the contrary contained in this Agreement, the Sponsor may not Transfer any portion of its Interests without the consent of the Investor. In addition, a Change of Control Transaction shall not be permitted without the prior written consent of the two (2) Investor Managers then serving (which consent shall not be unreasonably withheld). The Sponsor acknowledges that a violation of this Section 7.1(c) shall constitute an Event of Default under the Pre-Delivery Loan Facility and each Sub-Bareboat Charter.

Section 7.2 Put/Call Option; Repurchase Obligation; Maturity Date Option.

(a) Put Option. Provided that the Sponsor has not exercised its Call Option or Maturity Date Option, and subject to subsections (e) and (f) of this Section 7.2, the Investor shall have the continuing right (the "Put Option") at any time after the seventh anniversary of the Effective Date, to require the Sponsor to acquire all of the Interests held by the Investor in consideration for the Put Option Purchase Price, by delivering a notice to the Sponsor (the "Put Option Notice") setting forth a closing date for the acquisition of all of the Investor's Interests no less than one hundred eighty (180) days after the delivery of the Put Option Notice (the "Put Transaction Closing Date"). For purposes of this Section 7.2, the "Put Option Purchase Price" shall mean an aggregate amount determined as of the Put Transaction Closing Date equal to the sum of:

(i) for each Vessel owned or leased by the Company or its Subsidiaries on the Put Transaction Closing Date, a price equal to an amount that is reduced on a daily basis between $3,900,000and $3,726,755 based on the number of days that have elapsed since the fourth anniversary of its Delivery Date, calculated as follows:

Anniversary of Delivery Date	**Price**	**Daily Reduction Until Next Anniversary**
4th Anniversary	$3,900,000	$137
5th Anniversary	$3,850,000	$137
6th Anniversary	$3,800,000	$201
On or after 7th Anniversary	$3,726,755	$0

plus

(ii) an amount equal to (A) the Investor's Equity Participation Percentage on the Put Transaction Closing Date multiplied by (B) the sum of (1) all Distributable Cash held by the Company on the Put Transaction Closing Date, and (2) all accrued and unpaid amounts due to the Company or its Subsidiaries under the Sub-Bareboat Charters (including any Profit Sharing) on the Put Transaction Closing Date.

Notwithstanding the foregoing, if (x) the Investor has made aggregate Capital Contributions in excess of the Investor Contributed Equity, or (y) one or more Events of Default have occurred under any Sub-Bareboat Charter or the Pre-Delivery Loan Facility (or any related agreements) at any time prior to the Put Transaction Closing Date, or (z) one or more Vessels are delivered to the relevant Sellers more than sixty (60) days after their respective Scheduled Delivery Dates, the Put Option Purchase Price payable hereunder shall be adjusted upwards by the Investor, in its sole discretion, by revising the "Price" and "Daily Reduction Until Next Anniversary" amounts set forth in clause (i) of this Section 7.2(a) so as to cause the adjusted Put Option Purchase Price to reflect the same return on investment that the Investor would have received upon exercise of the Put Option but for such excess Capital Contributions, Events of Default or delay in the delivery of the Vessels. Any determination of such adjustment to the Put Option Purchase Price shall be made by the Investor in its sole discretion, and shall be final and binding on the parties absent manifest error.

(b) Call Option. Provided that the Investor has not exercised its Put Option, and subject to subsections (e) and (f) of this Section 7.2 and the last sentence of this subsection (b), the Sponsor shall have the right (the "Call Option") at any time after the seventh anniversary of the Effective Date, to require the Investor to sell to the Sponsor all of the Interests held by the Investor, in consideration for the Call Option Purchase Price by delivering a notice to the Sponsor (the "Call Option Notice") setting forth a closing date for the acquisition of the Investor's Interests no less than one hundred eighty (180) days after the delivery of the Call Option Notice (the "Call Transaction Closing Date"). For purposes of this Section 7.2, the "Call Option Purchase Price" shall mean an aggregate amount determined as of the Call Transaction Closing Date equal to the sum of:

(i) for each Vessel owned or leased by the Company or its Subsidiaries on the Call Transaction Closing Date, a price equal to an amount that is reduced on a daily basis between $4,000,000 and $3,726,755 based on the number of days that have elapsed since the fourth anniversary of its Delivery Date, calculated as follows:

Anniversary of Delivery Date	Price	Daily Reduction Until Next Anniversary
4^{th} Anniversary	$4,000,000	$137
5^{th} Anniversary	$3,950,000	$274
6^{th} Anniversary	$3,850,000	$338
On or after 7^{th} Anniversary	$3,726,755	$0

plus

(ii) an amount equal to (A) the Investor's Equity Participation Percentage on the Call Transaction Closing Date multiplied by (B) the sum of (1) all Distributable Cash held by the Company on the Call Transaction Closing Date, and (2) all accrued and unpaid amounts due to the Company or its Subsidiaries under the Sub-Bareboat Charters (including any Profit Sharing) on the Call Transaction Closing Date.

Notwithstanding the foregoing, if (x) the Investor has made aggregate Capital Contributions in excess of the Investor Contributed Equity, or (y) one or more Events of Default have occurred under any Sub-Bareboat Charter or the Pre-Delivery Loan Facility (or any related agreements) at any time prior to the Call Transaction Closing Date, or (z) one or more Vessels are delivered to the relevant Sellers more than sixty (60) days after their respective Scheduled Delivery Dates, the Call Option Purchase Price payable hereunder shall be adjusted upwards by the Investor, in its sole discretion, by revising the "Price" and "Daily Reduction Until Next Anniversary" amounts set forth in clause (i) of this Section 7.2(b) so as to cause the adjusted Call Option Purchase Price to reflect the same return on investment that the Investor would have received upon exercise of the Call Option but for such excess Capital Contributions, Events of Default or delay in the delivery of the Vessels. Any determination of such adjustment to the Call Option Purchase Price shall be made by the Investor in its sole discretion, and shall be final and binding on the parties absent manifest error.

Notwithstanding anything in this Agreement to the contrary, during any period of time in which the Sponsor has the right to exercise both the Call Option and the Maturity Date Option, the Sponsor shall only be permitted to exercise that option which results in the higher Option Price payable to the Investor.

(c) Repurchase Obligation upon Event of Default. Following the occurrence of an Event of Default under a Sub-Bareboat Charter or the Pre-Delivery Loan Facility (or any related agreements) that has not been timely cured (to the extent curable) in accordance with the applicable cure provisions thereof, and subject to subsections (e) and (f) of this Section 7.2, the Investor shall have the continuing right at any time after such Event of Default to require the Sponsor to acquire all of the Interests held by the Investor in consideration for the Repurchase Price by delivering a written notice to the Sponsor (the "Repurchase Notice") setting forth a closing date for the acquisition of the Investor's Interests no less than ten (10) Business Days after the delivery of the Repurchase Notice. For purposes of this Section 7.2, the "Repurchase Price" shall mean an amount equal to the Investor's Equity Participation Percentage on such closing date multiplied by (i) in the case of an Event of Default under the Sub-Bareboat Charter, an amount equal to (A) the sum of (I) the aggregate of all amounts (including the Termination Sums) due and payable under each then outstanding Sub-Bareboat Charter (or, if greater, that would be due and payable if all such Sub-Bareboat Charters had been immediately terminated as a result of such Event of Default and the payment of the applicable Termination Sums demanded in connection therewith) plus (II) all Distributable Cash held by the Company on such closing date, minus (B) the aggregate remaining amounts due and payable by the Seller under each then outstanding Bareboat Charter, in the case of an Event of Default under any Sub-Bareboat Charter, or (ii) in the case of an Event of

Default under the Pre-Delivery Loan Facility, the sum of (I) all then outstanding amounts under the Pre-Delivery Loan Facility plus (II) all Distributable Cash held by the Company on such closing date.

(d) Maturity Date Option. Provided that no Event of Default has occurred under any Sub-Bareboat Charter or the Pre-Delivery Loan Facility (or any related agreements) which has not been timely cured (to the extent curable) in accordance with the applicable cure provisions thereof and that the Investor has not exercised its Put Option and the Sponsor has not exercised its Call Option, and subject to subsections (e) and (f) of this Section 7.2 and the last sentence of this subsection (d), in lieu of purchasing any Vessel on the expiry date of the Sub-Bareboat Charter to which such Vessel is subject, the Sponsor shall have the right (the "Maturity Date Option") to require the Investor to sell to the Sponsor on such expiry date all of the Interests held by the Investor on such date in consideration for the Maturity Date Purchase Price. In order to exercise this Maturity Date Option, the Sponsor must deliver a notice to the Investor (the "Maturity Date Notice") no less than one hundred eighty (180) days prior to the expiry date of the relevant Sub-Bareboat Charter, notifying the Investor that it wishes to exercise the Maturity Date Option. For purposes of this Section 7.2, the "Maturity Date Purchase Price" shall mean an amount equal to (i) the Investor's Equity Participation Percentage on such expiry date multiplied by (ii) an amount equal to (A) the sum of (I) $27,500,000 per Vessel for each Vessel owned or leased by the Company or its Subsidiaries at such time, plus (II) all Distributable Cash held by the Company on such expiry date, plus (III) the aggregate remaining amounts due and payable to the Company or its Subsidiaries under each then outstanding Sub-Bareboat Charter (including any Profit Sharing) on such expiry date, minus (B) the aggregate remaining amounts due and payable by the Seller under each then outstanding Bareboat Charter. Notwithstanding anything in this Agreement to the contrary, during any period of time in which the Sponsor has the right to exercise both the Call Option and the Maturity Date Option, the Sponsor shall only be permitted to exercise the option that results in the higher Option Price payable to the Investor.

(e) Closing. Upon exercise by the Investor or the Sponsor of its rights under this Section 7.2, the Members shall be legally obligated to consummate the purchase contemplated thereby and shall use their reasonable best efforts to secure any approvals required, and to comply as soon as practicable with all applicable laws and regulations in connection therewith; provided, however, that, with respect to the parties' obligations under Section 7.2(c), any subsequent cure of an Event of Default shall not relieve the parties' of their obligations thereunder unless the Investor, in its sole discretion, waives such obligations. The closing of the purchase of the Investor's Interests by the Sponsor pursuant to this Section 7.2 shall take place at the principal offices of the Company or such other place as agreed to by the Members, and shall take place on the date set forth in the Option Notice or such other date mutually agreed by the Members. The Option Price payable by the Sponsor in exchange for the Investor's Interests shall be paid to the Investor by wire transfer of immediately available funds pursuant to the wire transfer instructions provided by the Investor in writing at least two Business Days prior to the closing of the purchase pursuant to this Section 7.2. At the closing, the Members shall execute and deliver such documents as are reasonably necessary or appropriate to effectuate the Transfer of the Interests to the Sponsor, including duly executed instruments of transfer and any other documents that are reasonably necessary to transfer to the Sponsor good and marketable title to such Interests.

(f) Default of Sponsor. If the Sponsor defaults on the performance of its obligations to acquire all of the Interests of the Investor for the Option Price pursuant to this Section 7.2, (i) the Sponsor shall lose its right to designate any Managers to the Board and any then appointed Sponsor Managers shall be deemed to have immediately resigned, and (ii) the Investor may (1) enforce the rights of the Investor by specific performance, (2) collect damages incidental to such specific performance action which are permitted in connection with such action, and (3) pursue all other rights and remedies at law or in equity against the Sponsor. Without limiting the generality of the foregoing, if the Sponsor defaults on the performance of its obligations hereunder, the Investor shall have the right to cause the Company to effect a Company Sale to any third party and in connection therewith require the Sponsor to also sell all of its Interests in the Company (or its indirect interests in the Company's and the Subsidiaries' assets (including the Vessels)) to such third party on the same terms and conditions as the Investor (provided, that the Investor shall be entitled to a preference on the net proceeds of such sale equal to the Option Price that the Investor would have been paid but for the Sponsor's default, prior to the Sponsor receiving any net proceeds therefrom).

Article VIII

ACCOUNTING AND FISCAL MATTERS

Section 8.1 Fiscal Year. The Company's fiscal year shall be the calendar year, unless otherwise fixed by the Board (the "Fiscal Year").

Section 8.2 Books and Records; Information; Reports.

(a) The Sponsor shall keep, or arrange to have kept, full, accurate, complete, and proper books and records of all of the operations of the Company. The books and records of the Company shall, at the cost and expense of the Company, be kept and cause to be kept by the Sponsor at the principal office of the Company. Each Member, at its own expense, shall have the right upon reasonable notice to inspect the books and records of the Company during business hours at the principal place of business of the Company.

(b) In addition, the Sponsor shall provide each Member with (i) monthly management updates within 20 days following the end of each month, (ii) quarterly unaudited financial reports within 45 days following the end of each calendar quarter, and (iii) audited annual financial reports within 90 days following the end of each calendar year.

Section 8.3 Tax Returns. The Board shall have the power to cause the Company to prepare and file (or to retain professionals to prepare and file on the Company's behalf) any tax returns and reports. Not later than 100 days after the end of each Fiscal Year, the Company shall deliver to each Member tax information for each Fiscal Year necessary for the preparation by each Member of its United States federal and state income or other tax and information returns.

Section 8.4 Tax Matters. The Company intends to be treated as a partnership for U.S. federal income tax purposes. Each Member represents, warrants and covenants with the other Members hereto that it will not unreasonably take a position on its United States income tax return, on any claim for refund, or in any administrative or legal proceeding, which is inconsistent with the provisions of this Agreement or with the treatment of the Company as a partnership, without obtaining the prior written consent of the Board and the Investor. The Investor is hereby designated as "Partnership Representative" as defined by Code Section 6223 and the Treasury Regulations issued thereunder and shall make all decisions in its capacity as Partnership Representative in such manner as it determines to be in the best interests of the Members. The Company shall bear any reasonable and documented expenses (including the out-of-pocket fees and expenses of counsel) of the Partnership Representative incurred in connection with the performance of its duties as the Partnership Representative. The Partnership Representative will inform each other Member of all material tax matters related to the Company or its assets or operations in dispute with any taxing authority that may come to its attention in its capacity as "Partnership Representative" by giving notice thereof promptly after becoming aware thereof and, within a reasonable time, will forward to each other Member copies of all written communications it may receive in that capacity.

Article IX

DISSOLUTION

Section 9.1 Dissolution. The Company shall be dissolved, and shall terminate and wind up its affairs, upon the first to occur of the following:

(a) the unanimous written consent of the Members; and

(b) the entry of a decree of judicial dissolution under the Act.

Section 9.2 Continued Existence. The death, disability, withdrawal, bankruptcy, or dissolution of a Member shall not result in the dissolution or winding up of the Company and the Company shall continue its existence thereafter until such time as the Company shall be dissolved in accordance with Section 9.1.

Section 9.3 Procedure on Winding Up.

(a) If the Company is dissolved, the business and affairs of the Company shall thereupon be wound up by the Board or, if the Board is unable to do so, by any other Persons authorized by the Board (the Board or any such Persons, the "Liquidator"). Upon the winding up of the Company, a full accounting of the assets and liabilities of the Company shall be taken and the assets of the Company shall be retained to the extent determined by the Liquidator.

(b) Any assets retained after any such liquidation shall be applied and distributed as promptly as practicable in the following order of priority:

(i) payment of the debts and liabilities of the Company, in order of priority provided by law, and payment of the expenses of liquidation;

(ii) setting up of such reserves as the Liquidator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company or any obligations or liabilities not then due and payable; provided any balance of such reserve, at the expiration of such period as the Liquidator shall deem advisable, shall be distributed in the manner hereinafter provided; and thereafter

(iii) distribution to the Members in accordance with Section 5.6, as applicable.

(c) As promptly as possible after the completion of the winding up of the Company, the Liquidator shall cause a final statement and report of the Company to be prepared and forwarded to each Member.

(d) As promptly as possible, and in any event within ninety (90) days following the dissolution and winding up of the Company, the Liquidator shall file appropriate articles of dissolution for the Company pursuant to and in accordance with the applicable provisions of the Act.

Article X

LIMITATION OF LIABILITY AND INDEMNIFICATION

Section 10.1 Limitation of Liability; Standard of Care.

(a) This Agreement is not intended to, and does not, create or impose any fiduciary duty on any Covered Person. Furthermore, each of the Members and the Company hereby waives any and all fiduciary duties that, absent such waiver, may be implied by applicable law, and in doing so, acknowledges and agrees that the duties and obligation of each Covered Person to each other and to the Company are only as expressly set forth in this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of such Covered Person.

(b) No Covered Person shall be liable to the Company, any Subsidiary of the Company or any other Covered Person for any loss suffered by the Company, any Subsidiary of the Company or any Covered Person which arises out of any act or omission believed by such Person in good faith to be within the scope of authority conferred upon him or her by this Agreement, but shall have liability only for acts or omissions involving its, his or her willful misconduct, fraud or gross negligence.

(c) Whenever in this Agreement a Covered Person is permitted or required to make a decision (including a decision that is in such Covered Person's "discretion" or under a grant of similar authority or latitude), the Covered Person shall be entitled to consider only such interests and factors as such Covered Person desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Company or any other Person. Whenever in this Agreement a Covered Person is permitted or required to make a decision in such Covered Person's "good faith," the Covered Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or any other applicable law.

(d) Without limiting the foregoing, the Company shall not be permitted to bring any action against any Member in connection with the ownership by such Member of Interests, or such Member's membership in the Company, except to the extent such action is based upon an alleged breach of this Agreement or any other written agreement to which such Member is a party.

Section 10.2 Indemnification by the Company. To the maximum extent permitted by applicable law, the Company shall protect, indemnify, defend and hold harmless each Covered Person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding (each, a "Claim"), whether civil, criminal, administrative or investigative, directly or indirectly (a) arising out of or in connection with any act or failure to act by a Covered Person pursuant to this Agreement, (b) by reason of such Person's status as a Covered Person or (c) in connection with the business and affairs of the Company in its capacity as a Covered Person, in each case against losses, damages, expenses (including reasonable attorneys' fees), judgments, fines and amounts ("Losses") reasonably incurred by such Covered Person in connection with such Claim, except to the extent that such Losses (i) in the case of any Covered Person, were the result of its, his or her willful misconduct, fraud or gross negligence of such Covered Person, or (ii) relate to disputes between or among the parties to this Agreement, in each case, unless approved by the Company. The indemnification authorized under this Section 10.2 shall include payment on demand (with appropriate evidence of the amounts claimed) or advancement (to the extent reasonably required) of reasonable attorneys' fees and other expenses incurred in connection with, or in settlement of, such Claim; provided that (A) if it is finally judicially determined that such Covered Person is not entitled to the indemnification provided by this Section 10.2, then such Covered Person shall promptly reimburse the Company for any reimbursed or advanced expenses and (B) the Company may require the applicable Covered Person to provide an undertaking with respect to the foregoing prior to the advancement of any such fees and expenses. Such indemnification rights under this Section 10.2 shall be in addition to any and all rights, remedies and recourse to which any Covered Person shall be entitled, whether or not pursuant to the provisions of this Agreement, at law or in equity. The indemnities provided for in this Section 10.2 shall be recoverable only from the assets of the Company, and no Member shall have personal liability on account thereof or shall be required to make additional Capital Contributions to help satisfy such indemnities by the Company. The provisions of this Section 10.2 shall continue to afford protection to each Covered Person regardless of whether such Covered Person remains in the position or capacity pursuant to which such Covered Person became entitled to indemnification under this Section 10.2 and regardless of any subsequent amendment to this Agreement, and no amendment to this Agreement shall reduce or restrict the extent to which these indemnification provisions apply to actions taken or omissions made prior to the date of such amendment.

Section 10.3 Notice and Defense of Claims.

(a) Notice of Claim. If any Claim shall be brought or asserted against any Covered Person in respect of which indemnity may be sought under Section 10.2 from the Company, the Covered Person shall give prompt written notice of such Claim to the Company which may assume the defense thereof, including the employment of counsel reasonably satisfactory to the Covered Person and the payment of all of such counsel's fees and expenses; provided that any delay or failure to so notify the Company shall relieve the Company of its obligations hereunder only to the extent, if at all, that it is prejudiced by reason of such delay or failure. Any such notice shall (i) describe in reasonable detail the facts and circumstances with respect to the Claim being asserted and (ii) refer to Section 10.2.

(b) Defense by the Company. In the event that the Company undertakes the defense of the Claim, the Company will keep the Covered Person advised as to all material developments in connection with any Claim, including, but not limited to, promptly furnishing to the Covered Person copies of all material documents filed or served in connection therewith. The Covered Person shall have the right to employ one separate firm per jurisdiction in any of the foregoing Claims and to participate in the defense thereof; but the fees and expenses of such separate firm shall be at the sole expense of the Covered Person unless both the Covered Person and the Company are named as parties and representation by the same counsel is inappropriate due to actual differing interests between them; provided that under no circumstances shall the Company be liable for the fees and expenses of more than one counsel per jurisdiction in any of the foregoing Claims for the Covered Person together with its Affiliates, and their respective directors, managers, officers, employees, agents, successors and assigns, taken collectively and not separately. The Company may, without the Covered Person's consent, settle or compromise any Claim or consent to the entry of any judgment if such settlement, compromise or judgment involves only the payment of money damages by the Company or provides for unconditional release by the claimant or the plaintiff of the Covered Person from all liability in respect of such Claim, in each case, without an admission of wrongdoing by such Covered Person; in all other cases, the Company may settle such Claim only with the consent of the Covered Person (such consent not to be unreasonably withheld, conditioned or delayed).

(c) Defense by the Covered Person. In the event that the Company, within twenty (20) days after receiving written notice of any such Claim, fails to assume the defense thereof, the Covered Person shall have the right, subject to the right of the Company thereafter to assume such defense, to undertake the defense, compromise or settlement of such Claim for the account of the Company.

Section 10.4 Directors' and Officers' Insurance. The Company shall purchase and maintain at the Company's expense, appropriate directors' and officers' insurance to the extent such insurance is available to the Company on commercially reasonable terms. Such insurance may be purchased directly by the Company or, with the approval of the Board, indirectly by being added to any insurance policy of any Member or any of its Affiliates (provided that such Member or its Affiliate has consented to the addition of the Company to its insurance policy), with the Company bearing its allocable share of the costs of such insurance. If any Covered Person recovers any amounts in respect of any Losses from any insurance coverage, then such Covered Person shall, to the extent that such recovery is duplicative, reimburse the Company for any amounts previously paid to such Covered Person by the Company in respect of such Losses.

Section 10.5 Priority of Indemnification.

(a) The obligation of the Company under Section 10.2 to indemnify or advance expenses to a Covered Person for the matters covered hereby shall be the primary source of indemnification and advancement of such Covered Person in connection therewith and any obligation on the part of a Member or any of its Affiliates (excluding, for the avoidance of doubt, the Company and its Subsidiaries) (an "Upstream Indemnifying Party") with respect thereto (such obligation, an "Indemnification Agreement") shall be secondary to the Company's obligation and shall be reduced by the amount that the Covered Person may collect as indemnification or advancement from the Company. If the Company fails to indemnify or advance expenses to a Covered Person as required or contemplated by this Agreement (such amounts the "Unpaid Indemnity Amounts") and an Upstream Indemnifying Party makes any payment to such Covered Person in respect of indemnification or advancement of expenses under any Indemnification Agreement on account of such Unpaid Indemnity Amounts, such Upstream Indemnifying Party shall be subrogated to the rights of such Covered Person under Section 10.2 or any similar arrangement or agreement for indemnification or advancement of expenses by the Company (a "Company Indemnification Agreement").

(b) To the fullest extent permitted by applicable law, the Company's obligation to indemnify a Covered Person under Section 10.2 or any Company Indemnification Agreement shall include any amounts expended by an Upstream Indemnifying Party under any Indemnification Agreement in respect of indemnification or advancement of expenses to any Covered Person in connection with any threatened, pending or completed Claim related to the Company.

Article XI

MISCELLANEOUS

Section 11.1 Confidential Information. Each Member acknowledges that the Company and its Subsidiaries possess and will continue to possess information that has been created, discovered, or developed, or has otherwise become known to the Company or its Subsidiaries, or in which property rights have been assigned or otherwise conveyed to the Company or its Subsidiaries, which information has commercial value in the business in which the Company and its Subsidiaries are engaged and is not generally known to the public, including trade secrets, intellectual property, research, product development or design, trading strategies, advertising or promotional programs, software programs, know how, algorithms, specifications, techniques, methods, concepts, inventions, developments, discoveries and improvements, mailing or client lists and other business arrangements, plans, procedures and strategies in each case provided by the Company to such Member (collectively the "Confidential Information"). Confidential Information does not include information which (a) becomes generally available to the public other than as a result of a disclosure by a Member, (b) was available to a Member on a non-confidential basis prior to its disclosure to such Member by the Company, any of its Subsidiaries or any of their Representatives, (c) becomes available to a Member on a non-confidential basis from a source other than the Company, any of its Subsidiaries or any of their Representatives, provided, that such Member is not aware that such source is bound by a confidentiality agreement with the Company or any of its Subsidiaries or any of their Representatives or otherwise prohibited from transmitting the information to such Member, or (d) was independently developed by a Member without reference to any Confidential Information. The Members will each hold in confidence and not, directly or indirectly, divulge, publish, communicate, or make available to any Person the Confidential Information, except (i) to such Member's Affiliates (other than portfolio companies and any Affiliates that are competitors) and their respective Representatives ("Permitted Recipients"), (ii) as required or requested by Law, the rules of any stock exchange or any governmental, regulatory or supervisory body or court of competent jurisdiction to which a Member is subject, (iii) as authorized in writing by the Board, or (iv) as required to fulfill the rights and obligations of the Members hereunder. Each Member agrees (x) to only disclose Confidential Information to a Permitted Recipient pursuant to clause (i) above after informing such Person of the confidential nature of such Confidential Information, (y) to direct and cause such Permitted Recipient to use and hold such Confidential Information in accordance with the terms of this Agreement and (z) that it shall be responsible for any use or disclosure of Confidential Information by its Permitted Recipients. Each Member shall not use any Confidential Information to the detriment of the Company or any of its Subsidiaries.

Section 11.2 Organizational Expenses. All Organizational Expenses shall be paid by the Sponsor and, in connection therewith, within thirty (30) days of the Investor's request, the Investor shall be reimbursed by the Sponsor for all Organizational Expenses incurred by the Investor and its Affiliates.

Section 11.3 Conversion to Corporate Form. If the Board determines that it is desirable or helpful for the business of the Company to be conducted in a corporate, rather than in a limited liability company, form, then the Board shall have the power to incorporate the Company, convert the Company to a corporation or take such other action as the Board may deem advisable in light of such changed conditions, including (a) dissolving the Company, (b) creating one or more Subsidiaries of the newly-formed corporation, (c) transferring to such Subsidiaries any or all of the property and assets of the Company, (d) merging the Company with another entity, and/or (e) entering into such shareholders' agreements, lock-up agreements, registration rights agreements and similar agreements as may be reasonably required to effect the intent of this Agreement (a "Corporate Conversion"). The Board and the Company shall use commercially reasonable efforts to have any Corporate Conversion be tax-free to the Members (apart from ownership of a corporation as opposed to a partnership for tax purposes). In connection with any such Corporate Conversion, the Members shall receive, in exchange for their respective Interests, shares of capital stock of such corporation or its Subsidiaries having the same relative economic interest as is set forth in this Agreement, as among the holders of Interests, subject in each case to (i) any modifications required solely as a result of the conversion to corporate form and (ii) any modifications to conform to the provisions relating to actions of shareholders and a board of directors set forth in the jurisdiction of incorporation. At the time of such conversion, all of the Members shall enter into a shareholders' agreement providing for substantially equivalent powers, restrictions and other provisions to those set forth in this Agreement. Notwithstanding anything to the contrary set forth herein, no such Corporate Conversion shall be undertaken by the Company without the prior written consent of any Member with respect to which such action shall result in non-de-minimis adverse tax consequences to such Member.

Section 11.4 No Partition. The Members acknowledge that irreparable damage would be done to the goodwill and reputation of the Company if any Member should bring an action in court to dissolve the Company or to partition all or any part of the assets of the Company. This Agreement has been drawn carefully to provide fair treatment of all Members and equitable payments in liquidation of the Interests of the Members. Accordingly, the Members hereby specifically agree that no Member nor any successor-in-interest of any such Member shall have the right, prior to the dissolution of the Company as herein provided, to initiate legal action to seek dissolution or otherwise cause dissolution, to seek the appointment of a receiver or trustee to liquidate the Company, or to file a complaint or institute any proceeding at law or in equity to have the Company property partitioned, and each Member, on behalf of itself, its successors and assigns, hereby waives any such right. It is the intention of the Members that during the term of this Agreement the rights of the Members and their successors-in-interest, as among themselves, shall be governed by the terms of this Agreement and that the right of any Member or successor-in-interest to Transfer or otherwise dispose of its Interest in the Company shall be subject to the limitations and restrictions of this Agreement.

Section 11.5 Further Assurances. The parties hereby agree to take such further actions and execute and deliver to the other such further documents, as may be reasonably necessary from time to time to more effectively carry out the intent and purposes of this Agreement and to establish and protect the interests, rights and remedies created or intended to be created hereunder.

Section 11.6 Notices. Any notices or other communications required or permitted hereunder shall be deemed to have been properly given and delivered if in writing by such party or its legal representative and delivered personally or sent by facsimile, electronic mail, nationally recognized overnight courier service guaranteeing overnight delivery, or registered or certified mail, postage prepaid, addressed as indicated for each party on Exhibit A attached hereto, or at such other address, email address or facsimile number as such party shall have furnished to the Company in writing. Unless otherwise specified herein, such notices or other communications shall be deemed given (a) on the date delivered, if delivered personally, (b) one Business Day after being sent by a nationally recognized overnight courier guaranteeing overnight delivery, (c) on the date delivered, if delivered by facsimile or electronic mail during business hours (or one Business Day after the date of delivery if delivered after business hours) and (d) five Business Days after being sent, if sent by registered or certified mail. Each of the parties hereto shall be entitled to specify a different address by delivering notice as aforesaid to each of the other parties hereto.

Section 11.7 Invalidity. All rights and restrictions contained herein may be exercised and shall be applicable and binding only to the extent that they do not violate any applicable laws and are intended to be limited to the extent necessary so that they will not render this Agreement illegal, invalid or unenforceable. If any term of this Agreement shall be held to be illegal, invalid or unenforceable by a court of competent jurisdiction, it is the intention of the parties that the remaining terms hereof shall constitute their agreement with respect to the subject matter hereof and all such remaining terms shall remain in full force and effect. To the extent legally permissible, any illegal, invalid or unenforceable provision of this Agreement shall be replaced by a valid provision which will implement the commercial purpose of the illegal, invalid or unenforceable provision of this Agreement.

Section 11.8 Waiver. No failure on the part of any party hereto to exercise, and no delay in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or remedy by any such party preclude any other or further exercise thereof or the exercise of any other right, power, or remedy. No express waiver or assent by any party hereto to any breach of or default in any term or condition of this Agreement shall constitute a waiver of or an assent to any succeeding breach of or default in the same or any other term or condition hereof.

Section 11.9 Remedies Cumulative. Each right, power and remedy provided herein or now or hereafter existing at law, in equity, by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for herein or now or hereafter existing at law, in equity, by statute or otherwise, and the exercise or beginning of the exercise by any party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such party of any or all of such other rights, powers and remedies.

Section 11.10 Headings. The headings of particular sections are inserted only for convenience and shall not be construed as a part of this Agreement or a limitation on the scope of any of the terms or provisions of this Agreement.

Section 11.11 Entire Agreement; Third Party Beneficiaries. This Agreement and the Transaction Documents supersede all prior discussions and agreements between the parties with respect to the subject matter hereof, and this Agreement, together with the Transaction Documents, contain the sole and entire agreement between the parties with respect to the matters covered hereby. This Agreement is made solely and specifically among and for the benefit of the parties hereto, and their respective successors and permitted assigns subject to the express provisions hereof relating to successors and assigns, and no other Person (other than Covered Persons) will have any rights, interest or claims hereunder or be entitled to any benefits under or on account of this Agreement as a third party beneficiary or otherwise.

Section 11.12 Successors and Assigns. A Member may not assign this Agreement or its rights or obligations hereunder, except in connection with a Transfer of Interests made in accordance with the terms set forth in this Agreement. Subject to the provisions hereof imposing limitations and conditions upon the Transfer or other disposition of the Interests of the Members, all of the provisions hereof shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

Section 11.13 After Acquired Interests. All of the provisions of this Agreement shall apply to all of the Interests of the Company now owned or which may be issued to or acquired by a Member in consequence of any additional issuance, purchase, exchange, conversion or reclassification of Interests, reorganization or any other form of recapitalization, consolidation, merger, split or distribution, or which are acquired by a Member in any other manner.

Section 11.14 Amendments. Except as otherwise set forth herein with respect to updates to Exhibit A made in accordance with this Agreement, this Agreement may be amended at any time with the prior written consent of (i) the Board, and (ii) the affirmative vote of a Majority in Interest; *provided, however*, that any amendment to any provision of this Agreement which requires a greater percentage ownership of Interests or level of approval by the Board shall only be effective with the affirmative vote of Members owning at least such greater percentage of Interests or number of Managers required for such provision; *provided, further*, that any amendment to this Agreement which treats any Member(s) in a manner disproportionately adverse as compared to other Members holding Interests of the same class or type, shall only be effective with the consent of such Member(s). Any amendment approved as required in the previous sentence shall be valid and binding on all Members.

Section 11.15 Governing Law; Forum; Waiver of Jury Trial. This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Marshall Islands without giving effect to the conflict of laws provisions thereof. The Members agree that in the event of any dispute or disagreement between or among any of them arising out of, relating to, or in connection with this Agreement, the Members shall use their best efforts to resolve any such dispute by good-faith negotiation and mutual agreement. The Members shall meet at a mutually convenient time and place to attempt to resolve any such dispute. If the disputing Members are unable to resolve the dispute through these negotiations within thirty (30) days following receipt of the initial notice of such dispute, then each of the Members agrees that all actions, suits or proceedings arising out of or based upon this Agreement or the subject matter hereof shall be brought and maintained exclusively in the state courts of New York located in New York County, New York or the U.S. District Court located in the Southern District of New York. Each of the parties hereby by execution hereof (i) hereby irrevocably submits to the jurisdiction of the state courts of New York located in New York County, New York or the U.S. District Court located in the Southern District of New York for the purpose of any action, suit or proceeding arising out of or based upon this Agreement or the subject matter hereof, (ii) hereby waives to the extent not prohibited by applicable law, and agrees not to assert, by way of motion, as a defense or otherwise, in any such action, suit or proceeding, any claim that such party is not subject personally to the jurisdiction of the above-named court, that such party is immune from extraterritorial injunctive relief or other injunctive relief, that such party's property is exempt or immune from attachment or execution, that any such action, suit or proceeding may not be brought or maintained in one of the above-named courts or should be dismissed on the grounds of forum non conveniens, should be transferred to any court other than one of the above-named court, should be stayed by virtue of the pendency of any other action, suit or proceeding in any court other than one of the above-named court, or that this Agreement or the subject matter hereof may not be enforced in or by any of the above-named courts, and (iii) waives the right to any trial by jury. Each of the parties hereto hereby consents to service of process in any such suit, action or proceeding in any manner permitted by the laws of the State of New York, agrees that service of process by registered or certified mail, return receipt requested, at the address specified in or pursuant to Section 11.6 is reasonably calculated to give actual notice and waives and agrees not to assert by way of motion, as a defense or otherwise, in any such action, suit or proceeding any claim that service of process made in accordance with this Section 11.15 does not constitute good and sufficient service of process. The provisions of this Section 11.15 shall not restrict the ability of any party to enforce in any court any judgment obtained in the state courts of New York located in New York County, New York or the U.S. District Court located in the Southern District of New York.

Section 11.16 Counterparts; Facsimile or Electronic Signatures. This Agreement may be executed, including execution by facsimile or other electronic or pdf transmission, in more than one counterpart with the same effect as if the parties executing the several counterparts had all executed one counterpart.

- *Signature Pages Follow* -

[Signature Page to Limited Liability Company Agreement of Nordic Bulk Partners LLC]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Limited Liability Company Agreement as of the Effective Date.

HS NORDIC LLC

By: ________________________________

Name:

Title:

PANGAEA LOGISTICS SOLUTIONS LTD

By: ________________________________

Name:

Title:

ACKNOWLEDGED AND AGREED:

NORDIC BULK PARTNERS LLC

By: ________________________________

Name:

Title:

Exhibit A

Members

Member	Initial Capital Contribution	Additional Capital Contributions
Pangaea Logistics Solutions Ltd. c/o Phoenix Bulk Carriers (US) LLC 109 Long Wharf Newport, Rhode Island 02840 Tel: 401-846-7790 Attn: Gianni Del Signore Email: gdelsignore@phoenixbulkus.com	$14,150,205	
HS Nordic LLC c/o Hudson Structured Capital Management Ltd. 2187 Atlantic St, 4th Floor Stamford, CT 06902 Attention: Jason Braunstein, Managing Director - Transport Email: Jason.Braunstein@hscm.com	$4,783,414	(i) $4,014,297 estimated to be made on or about October 31, 2020 (ii) $4,652,494 estimated to be made on or about April 30, 2021 (iii) $700,000 estimated to be made on or about October 31, 2021

Exhibit B

Vessels

Vessel	Scheduled Delivery Date	Upfront Fees	Estimated Pre-Delivery Interest
95,000 dwt bulk carrier with Builder's hull no. 19121001	April 30, 2021	$488,133.75	$92,898.55
95,000 dwt bulk carrier with Builder's hull no. 19121002	May 30, 2021	$488,133.75	$92,898.55
95,000 dwt bulk carrier with Builder's hull no. 19121003	November 21, 2021	$480,618.58	$91,468.31
95,000 dwt bulk carrier with Builder's hull no. 19121004	November 21, 2021	$480,618.58	$91,468.31

<u>Exhibit C</u>

Initial Managers

<u>Manager</u>	<u>Appointed By</u>
Mads Boye Petersen	Sponsor
Gianni Del Signore	Sponsor
Jason Braunstein	Investor
Ajay Mehra	Investor

<u>Exhibit D</u>

Initial Officers

Mads Boye Petersen - President

Gianni Del Signore - Vice President/Secretary

<u>Exhibit E</u>

Agreement to be Bound

The undersigned (the "<u>Member</u>") has purchased or otherwise obtained Interests in NORDIC BULK PARTNERS LLC (the "<u>Company</u>"). The Member hereby acknowledges and agrees that the Member:

1. Has received a complete copy of the Company's Limited Liability Company Agreement, dated as of [•], 2019, as the same may be amended from time to time (the "<u>Agreement</u>");

2. Has had a full and complete opportunity to review the Agreement with legal counsel and any other advisors the Member deems necessary;

3. Understands and agrees that it is initially receiving an Interest in the Company;

4. Understands and agrees that, upon execution of this Agreement to be Bound, it is making the representations and warranties set forth in Section 3.7 of the Agreement and that the Member's Interest in the Company shall be subject to certain transfer restrictions and other restrictions as more fully set forth in the Agreement; and

5. Understands and agrees that this signature page is also a counterpart signature page to the Agreement, and the Member hereby becomes a party to and adopts the Agreement as a Member and agrees to be bound by and comply with all of the terms, conditions, provisions, restrictions and obligations of the Agreement from the date hereof.

IN WITNESS WHEREOF, the Member has executed this Agreement to be Bound as of [________________________].

Member:

____

Print Name:

Acknowledged and Agreed:

NORDIC BULK PARTNERS LLC

By: _____________________________

Name:

Title:

1. Shipbroker N/A	**BIMCO STANDARD BAREBOAT CHARTER CODE NAME: “BARECON 2001”** **PART I** 2. Place and date **2019**
3. Owners/Place of business (Cl. 1) **FORTUNE SEALION [I/II/III/IV] LIMITED** 1802-3, 18/F, Worldwide House 19 Des Voeux Road Central, Hong Kong (a limited liability company incorporated in Hong Kong)	4. Bareboat Charterers/Place of business (Cl. 1) **BULK NORDIC [SEVEN/EIGHT/NINE/TEN] LLC** 109 Long Wharf Newport Rhode Island 02840 (a limited liability company formed in the Republic of the Marshall Islands)
5. Vessel's name, call sign and flag (Cl. 1 and 3) Vessel's name: tbn with hull no. [19121001/19121002/19121003/19121004] Call Sign: tbc Flag: Republic of the Marshall Islands (the **"Flag State"**)	
6. Type of Vessel Bulk Carrier	7. GT/NT As per specifications
8. When/Where built Builder: Guangzhou Shipyard International Company Limited Date of building: as per shipbuilding contract dated [*For Vessels A&B:* 30 April 2019]/[*For Vessels C&D:* 26 September 2019], together with all addenda, amendments and supplements to it. Place of building: Longxue Port area of Nansha Port, Guangzhou, People's Republic of China	9. Total DWT (abt.) in metric tons on summer freeboard 95,000 dwt
10. Classification Society (Cl. 3) DNVGL	11. Date of last special survey by the Vessel's classification society N/A
12. Further particulars of Vessel (also indicate minimum number of months' validity of class certificates agreed acc. to Cl. 3) N/A	
13. Port or Place of delivery (Cl. 3) Builder's yard	14. Time for delivery (Cl. 4) See Clause 34 15. Cancelling date (Cl. 5) [29 November 2021]/[11 December 2021]/[27 June 2022]/[27 June 2022] or such other date as the Owner and the Charterer may agree in writing (the **"Cancelling Date"**).
16. Port or Place of redelivery (Cl. 15) At one safe and ice free port worldwide within Institute Warranty Limits	17. No. of months' validity of trading and class certificates upon redelivery (Cl. 15) 6 months
18. Running days' notice if other than stated in Cl. 4 N/A	19. Frequency of dry-docking (Cl. 10(g)) In accordance with normal practice for this type of vessel and as required by the Classification Society and the Flag State
20. Trading limits (Cl. 6) Trading worldwide, always safe/afloat, always subject to exclusions as per Joint War Risks Committee related Perils listed Areas in breach of current war trading warranties and breach of Institute Trading Warranties and any other country, port, place or zone prohibited by the Flag State and/or UN and/or USA, to include the BIMCO form of Sanctions Limitation and Exclusion Clause. For sake of doubt, Vessel allowed to trade in ice if additional premium, if any and as required by underwriters, paid by Charterer, however in any case should always in compliance with all the applicable rules, regulations and/or relevant regulatory requirements. Also subject to Clauses 6, 49, 50 and 51	

Council (BIMCO), Copenhagen. Issued November 2001

21. Charter period (Cl. 2) 180 months after the Delivery Date unless otherwise terminated in accordance with the terms of this Charter	22. Charter hire (Cl. 11) See Clause 37.5
23. New class and other safety requirements (state percentage of Vessel's insurance value acc. to Box 29)(Cl. 10(a)(ii)) N/A	
24. Rate of interest payable acc. to Cl. 11(f) and, if applicable, acc. to PART IV See Additional Clause 37.12	25. Currency and method of payment (Cl. 11) United States Dollars. See also Clause 37.7

26. Place of payment, also state beneficiary and bank account (Cl.11) See Clause 37.7 applies	27. Bank guarantee/bond (sum and place) (Cl. 24) (optional) Guarantee by the Guarantor
28. Mortgage(s), if any (state whether 12(a) or (b) applies; if 12(b) applies state date of Financial Instrument and name of Mortgagee(s)/Place of business) (Cl. 12) See Clause 46.3(q) of the Additional Clauses applies.	29. Insurance (hull and machinery and war risks) (state value acc. to Cl. 13(f) or, if applicable, acc. to Cl. 14(k)) (also state if Cl. 14 applies) Clause 14 is not applicable. See Clause 51.
30. Additional insurance cover, if any, for Owners' account limited to (Cl 13(b) or, if applicable, Cl. 14(g)) N/A	31. Additional insurance cover, if any for Charterers' account limited to (Cl.13(b) or, if applicable, Cl. 14(g)) See Clause 51.12
32. Latent defects (only to be filled in if period other than stated in Cl. 3) N/A	33. Brokerage commission and to whom payable (Cl. 27) N/A
34. Grace period (state number of clear banking days) (Cl. 28) N/A	35. Dispute Resolution (state 30(a), 30(b) or 30(c); if 30(c) agreed Place of Arbitration must be stated (Cl. 30) See Clause 74 of the Additional Clauses applies.
36. War cancellation (indicate countries agreed) (Cl. 26(f)) N/A	
37. Newbuilding Vessel (indicate with "yes" or "no" whether PART III applies) (optional) N/A	38. Name and place of Builders (only to be filled in if PART III applies) N/A
39. Vessel's Yard Building No. (only to be filled in if PART III applies) N/A	40. Date of Building Contract (only to be filled in if PART III applies) N/A
41. Liquidated damages and costs shall accrue to (state party acc. to Cl. 1) a) N/A b) N/A c) N/A	
42. Hire/Purchase agreement (indicate with "yes" or "no" whether PART IV applies) (optional) No	43. Bareboat Charter Registry (indicate with "yes" or "no" whether PART V applies) (optional) No
44. Flag and Country of the Bareboat Charter Registry (only to be filled in if PART V applies) N/A	45. Country of the Underlying Registry (only to be filled in if PART V applies) N/A
46. Number of additional clauses covering special provisions, if agreed 32-74 (as attached, the "Additional Clauses")	

PREAMBLE - It is mutually agreed that this Contract shall be performed subject to the conditions contained in this Charter which shall include PART I and PART II. In the event of a conflict of conditions, the provisions of PART I shall prevail over those of PART II to the extent of such conflict but no further. It is further mutually agreed that PART III and/or PART IV and/or PART V shall only apply and only form part of this Charter if expressly agreed and stated in the Boxes 37, 42 and 43. If PART III and/or PART IV and/or PART V apply, it is further agreed that in the event of a conflict of conditions, the provisions of PART I and PART II shall prevail over those of PART III and/or PART IV and/or PART V to the extent of such conflict but no further.

Signature (Owners)	Signature (Charterers)

PART II
"BARECON 2001" Standard Bareboat Charter

1. Definitions

In this Charter, the following terms shall have the meanings hereby assigned to them:

"*The Owners*" shall mean the party identified in Box 3;

"*The Charterers*" shall mean the party identified in Box 4;

"*The Vessel*" shall mean the vessel named in Box 5 and with particulars as stated in Boxes 6 to 12.

~~"Financial Instrument" means the mortgage, deed of covenants or other such financial security instrument as annexed to this Charter and stated in Box 28~~.

2. Charter Period

In consideration of the hire detailed in Box 22, the Owners have agreed to let and the Charterers have agreed to hire the Vessel for the period stated in Box 21 ("The Charter Period"). See also Clauses 33, 34 and 36.

3. **Delivery See also Clauses 34, 35 and 36**

(*not applicable when Part III applies, as indicated in Box 37*)

(a) See Clause 34~~The Owners shall before and at the time of delivery exercise due diligence to make the Vessel seaworthy and in every respect ready in hull, machinery and equipment for service under this Charter.~~

The Vessel shall be delivered by the Owners and taken over by the Charterers at the port or place indicated in Box 13 ~~in such ready safe berth as the Charterers may direct~~.

(b) The Vessel shall be properly documented on delivery in accordance with the laws of the Flag State indicated in Box 5 ~~and the requirements of the classification society stated in Box 10. The Vessel upon delivery shall have her survey cycles up to date and trading and class certificates valid for at least the number of months agreed in Box 12~~.

(c) The delivery of the Vessel by the Owners and the taking over of the Vessel by the Charterers shall constitute a full performance by the Owners of all the Owners' obligations under this Clause 3, and thereafter the Charterers shall not be entitled to make or assert any claim against the Owners on account of any conditions, representations or warranties expressed or implied with respect to the Vessel ~~but the Owners shall be liable for the cost of but not the time for repairs or renewals occasioned by latent defects in the Vessel, her machinery or appurtenances, existing at the time of delivery under this Charter, provided such defects have manifested themselves within twelve (12) months after delivery unless otherwise provided in Box 32~~.

4. Time for Delivery *(not applicable when Part III applies, as indicated in Box 37)* ~~The Vessel shall not be delivered before the date indicated in Box 14 without the Charterers' consent and the Owners shall exercise due diligence to deliver the Vessel not later than the date indicated in Box 15.~~

~~Unless otherwise agreed in Box 18, the Owners shall give the Charterers not less than thirty (30) running days' preliminary and not less than fourteen (14) running days' definite notice of the date on which the Vessel is expected to be ready for delivery.~~

~~The Owners shall keep the Charterers closely advised of possible changes in the Vessel's position.~~

5. Cancelling
(not applicable when Part III applies, as indicated in Box 37)

(a) Should the Vessel not be delivered latest by the cancelling date calculated by reference to Box 15, ~~the Charterers shall have the option of cancelling~~ this Charter shall be cancelled forthwith unless the Parties otherwise agree. ~~by giving the Owners notice of cancellation within thirty-six (36) running hours after the cancelling date stated in Box 15, failing which this Charter shall remain in full force and effect.~~

(b) ~~If it appears that the Vessel will be delayed beyond the cancelling date, the Owners may, as soon as they are in a position to state with reasonable certainty the day on which the Vessel should be ready, give notice thereof to the Charterers asking whether they will exercise their option of cancelling, and the option must then be declared within one hundred and sixty-eight (168) running hours of the receipt by the Charterers of such notice or within thirty-six (36) running hours after the cancelling date, whichever is the earlier. If the Charterers do not then exercise their option of cancelling, the seventh day after the readiness date stated in the Owners' notice shall be substituted for the cancelling date indicated in Box 15 for the purpose of this Clause 5.~~

(c) ~~Cancellation under this Clause 5 shall be without prejudice to any claim the Charterers may otherwise have on the Owners under this Charter.~~

6. Trading Restrictions

The Vessel shall be employed in lawful trades for the carriage of suitable lawful merchandise within the trading limits indicated in Box 20.

The Charterers undertake not to employ the Vessel or suffer the Vessel to be employed otherwise than in conformity with the terms of the contracts of insurance (including any warranties expressed or implied therein) without first obtaining the consent of the insurers to such employment and complying with such requirements as to extra premium or otherwise as the insurers may prescribed.

The Charterers also undertake not to employ the Vessel or suffer her employment in any trade or business which is forbidden by the law of any country to which the Vessel may sail or is otherwise illicit or in carrying illicit or prohibited goods or in any manner whatsoever which may render her liable to condemnation, destruction, seizure or confiscation.

Notwithstanding any other provisions contained in this Charter it is agreed that nuclear fuels or radioactive products or waste are specifically excluded from the cargo permitted to be loaded or carried under this Charter. ~~This exclusion does not apply to radio-isotopes used or intended to be used for any industrial, commercial, agricultural, medical or scientific purposes provided the Owners' prior approval has been obtained to loading thereof.~~ **See also Clauses 48, 49, 50 and 51**

7. Surveys on ~~Delivery and~~ Redelivery

(*not applicable when Part III applies, as indicated in Box 37*)

The Owners ~~and Charterers~~ shall ~~jointly~~ appoint an independent surveyors for the purpose of determining and agreeing in writing the condition of the Vessel at the time of ~~delivery and~~ redelivery (if any) hereunder. The ~~Owners shall bear all expenses of the On-hire Survey including loss of time, if any, and the~~ Charterers shall bear all expenses of the Off-hire Survey including loss of time, if any, at the daily equivalent to the rate of hire or pro rata thereof.

8. Inspection See Clause 49.11

~~The Owners shall have the right at any time after giving reasonable notice to the Charterers to inspect or instruct a duly authorised surveyor to carry out such survey on their behalf:-~~

(a) ~~to ascertain the condition of the Vessel and satisfy themselves that the Vessel is being properly repaired and maintained. The costs and fees for such inspection or survey shall be paid by the Owners unless the Vessel is found to require repairs or maintenance in order to achieve the condition so provided~~;

(b) ~~in dry-dock if the Charterers have not dry-docked her in accordance with Clause 10(g). The costs and fees for such inspection or survey shall be paid by the Charterers; and~~

(c) ~~for any other commercial reason they consider necessary (provided it does not unduly interfere with the commercial operation of the Vessel). The costs and fees for such inspection and survey shall be paid by the Owners.~~

~~All time used in respect of inspection, survey or repairs shall be for the Charterers' account and form part of the Charter Period.~~

The Charterers shall also permit the Owners to inspect the Vessel's log books whenever requested and shall whenever required by the Owners furnish them with full information regarding any casualties or other accidents or damage to the Vessel the cost of repair of which will exceed the Major Casually Amount (as defined below) figure.

9. Inventories, Oil and Stores

A complete inventory of the Vessel's entire equipment, outfit including spare parts and appliances and of all consumable stores on board the Vessel shall be made by the Charterers in conjunction with an independent surveyor appointed by the Owners on ~~delivery and again on~~ redelivery of the Vessel. The ~~Charterers and the~~ Owners~~, respectively,~~ shall at the time of ~~delivery and~~ redelivery (if any) take over ~~and pay for~~ all bunkers, lubricating oil, unbroached provisions, paints, ropes and other consumable stores ~~(excluding spare parts)~~ at no costs. ~~in the said Vessel at the then current market prices at the ports of delivery and redelivery, respectively.~~ The Charterers shall ensure that all spare parts listed in the inventory and used during the Charter Period are replaced at their expense prior to redelivery of the Vessel.

10. Maintenance and Operation

(a)(i) Maintenance and Repairs - During the Charter Period the Vessel shall be in the full possession and at the absolute disposal for all purposes of the Charterers and under their complete control in every respect. The Charterers shall maintain the Vessel, her machinery, boilers, appurtenances and spare parts in a good state of repair, in efficient operating condition and in accordance with good commercial maintenance practice ~~and, except as provided for in Clause 14(l), if applicable,~~ at their own expense they shall at all times keep the Vessel's Class fully up to date with the Classification Society indicated in Box 10 and maintain all other necessary certificates in force at all times.

(ii) New Class and Other Safety Requirements - ~~In the event of any~~ The Charterers shall be responsible for all cost of any improvement, structural changes or new equipment becoming necessary for the continued operation of the Vessel by reason of new class requirements or by compulsory legislation ~~costing (excluding the Charterers' loss of time) more than the percentage stated in Box 23, or if Box 23 is left blank, 5 per cent. of the Vessel's insurance value as stated in Box 29, then the extent, if any, to which the rate of hire shall be varied and the ratio in which the cost of compliance shall be shared between the parties concerned in order to achieve a reasonable distribution thereof as between the Owners and the Charterers having regard, inter alia, to the length of the period remaining under this Charter shall, in the absence of agreement, be referred to the dispute resolution method agreed in Clause 30~~.

(iii) Financial Security - The Charterers shall maintain financial security or responsibility in respect of third party liabilities as required by any government, including federal, state or municipal or other division or authority thereof, to enable the Vessel, without penalty or charge, lawfully to enter, remain at, or leave any port, place, territorial or contiguous waters of any country, state or municipality in performance of this Charter without any delay. This obligation shall apply whether or not such requirements have been lawfully imposed by such government or division or authority thereof.

The Charterers shall make and maintain all arrangements by bond or otherwise as may be necessary to satisfy such requirements at the Charter' sole expense and the Charterers shall indemnify the Owners against all consequences whatsoever (including loss of time) for any failure or inability to do so.

(b) Operation of the Vessel -The Charterers shall at their own expense and by their own procurement man, victual, navigate, operate, supply, fuel and, whenever required, repair the Vessel during the Charter Period and they shall pay all charges and expenses of every kind and nature whatsoever incidental to their use and operation of the Vessel under this Charter, including annual Flag State fees and any foreign general municipality and/or state taxes. The Master, officers and crew of the Vessel shall be the servants of the Charterers for all purposes whatsoever, even if for any reason appointed by the Owners.

Charterers shall comply with the regulations regarding officers and crew in force in the country of the Vessel's flag or any other applicable law.

(c) The Charterers shall keep the Owners and the mortgagee(s) advised of the intended employment, ~~planned~~ (and shall obtain the Owners' prior written consent of) dry-docking and major repairs of the Vessel.

(d) Flag and Name of Vessel - During the Charter Period, the Charterers shall have the liberty to paint the Vessel in their own colours, install and display their funnel insignia and fly their own house flag. ~~The Charterers shall also have the liberty, with the Owners' consent, which shall not be unreasonably withheld, to change the flag and/or the name of the Vessel during the Charter Period.~~ Painting and re-painting, instalment and re-instalment, registration and re-registration, if required by the Owners, shall be at the Charterers' expense and time.

(e) ~~Changes to the Vessel - Subject to Clause 10(a)(ii), the Charterers shall make no structural changes in the Vessel or changes in the machinery, boilers, appurtenances or spare parts thereof without in each instance first securing the Owners' approval thereof. If the Owners so agree, the Charterers shall, if the Owners so require, restore the Vessel to its former condition before the termination of this Charter.~~

(f) ~~Use of the Vessel's Outfit, Equipment and Appliances - The Charterers shall have the use of all outfit, equipment, and appliances on board the Vessel at the time of delivery, provided the same or their substantial equivalent shall be returned to the Owners on redelivery in the same good order and condition as when received, ordinary wear and tear excepted. The Charterers shall from time to time during the Charter Period replace such items of equipment as shall be so damaged or worn as to be unfit for use. The Charterers are to procure that all repairs to or replacement of any damaged, worn or lost parts or equipment be effected in such manner (both as regards workmanship and quality of materials) as not to diminish the value of the Vessel. The Charterers have the right to fit additional equipment at their expense and risk but the Charterers shall remove such equipment at the end of the period if requested by the Owners. Any equipment including radio equipment on hire on the Vessel at time of delivery shall be kept and maintained by the Charterers and the Charterers shall assume the obligations and liabilities of the Owners under any lease contracts in connection therewith and shall reimburse the Owners for all expenses incurred in connection therewith, also for any new equipment required in order to comply with radio regulations.~~

(g) Periodical Dry-Docking - The Charterers shall dry-dock the Vessel and clean and paint her underwater parts whenever the same may be necessary at their expenses, but not less than once during the period stated in Box 19 ~~or, if Box 19 has been left blank, every sixty (60) calendar months after delivery or such other period as may be~~ required ~~by the Classification Society or flag State.~~

11. Hire – also see Clause 37

(a) The Charterers shall pay hire due to the Owners punctually in accordance with the terms of this Charter in respect of which time shall be of the essence.

(b) ~~The Charterers shall pay to the Owners for the hire of the Vessel lump sum in the amount indicated in Box 22 which shall be payable not later than every thirty (30) running days in advance, the first lump sum being payable on the date and hour of the Vessel's delivery to the Charterers. Hire shall be paid continuously throughout the Charter Period.~~

(c) ~~Payment of the hire shall be made in cash without discount in the currency and in the manner indicated in Box 25 and at the place mentioned in Box 26.~~

(d) ~~Final payment of hire, if for a period of less than thirty (30) running days, shall be calculated proportionally according to the number of days and hours remaining before redelivery and advance payment to be effected accordingly.~~

(e) ~~Should the Vessel be lost or missing, hire shall cease from the date and time when she was lost or last heard of. The date upon which the Vessel is to be treated as lost or missing shall be ten (10) days after the Vessel was last reported or when the Vessel is posted as missing by Lloyd's, whichever occurs first. Any hire paid in advance to be adjusted accordingly.~~

(f) ~~Any delay in payment of hire shall entitle the Owners to interest at the rate per annum as agreed in Box 24. If Box 24 has not been filled in, the three months interbank offered rate in London (LIBOR or its successor) for the currency stated in Box 25, as quoted by the British Bankers' Association (BBA) on the date when the hire fell due, increased by 2 per cent., shall apply.~~

(g) ~~Payment of interest due under Clause 33(vi)sub-clause 11(f) shall be made on the Owners' demand within seven (7) running days of the date of the Owners' invoice specifying the amount payable or, in the absence of an invoice, at the time of the next hire payment date.~~

12. Mortgage **<u>See also Clause 46.3(q)</u>**
(only to apply if Box 28 has been appropriately filled in)

***)** ~~**(a)** The Owners warrant that they have not effected any mortgage(s) of the Vessel <u>on the date of this Charter.</u> and that they shall not effect any mortgage(s) without the prior consent of the Charterers, which shall not be unreasonably withheld.~~

***) (b)** ~~The Vessel chartered under this Charter is financed by a mortgage according to the Financial Instruments. The Charterers undertake to comply, and provide such information and documents to enable the Owners to comply, with all such instructions or directions in regard to the employment, insurances, operation, repairs and maintenance of the Vessel as laid down in the Financial Instrument or as may be directed from time to time during the currency of the Charter by the mortgage(s) in conformity with the Financial Instruments. The Charterers confirm that, for this purpose, they have acquainted themselves with all relevant terms, conditions and provisions of the Financial Instrument and agree to acknowledge this in writing in any form that may be required by the mortgagee(s). The Owners warrant that they have not effected any mortgage(s) other than stated in <u>Box 28</u> and that they shall not agree to any amendment of the mortgage(s) referred to in <u>Box 28</u> or effect any other mortgage(s) without the prior consent of the Charterers, which shall not be unreasonably withheld.~~

***)** *(Optional, <u>Clauses 12(a)</u> and <u>12(b)</u> are alternatives; indicate alternative agreed in <u>Box 28</u>).*

13. Insurance and Repairs – See Clauses 49.3 and 51

~~During the Charter Period the Vessel shall be kept insured by the Charterers at their expense against hull and machinery, war and Protection and Indemnity risks (and any risks against which it is compulsory to insure for the operation of the Vessel, including maintaining financial security in accordance with sub-clause 10(a)(iii)) in such form as the Owners shall in writing approve, which approval shall not be un-reasonably withheld. Such insurances shall be arranged by the Charterers to protect the interests of both the Owners and the Charterers and the mortgagee(s) (if any), and The Charterers shall be at liberty to protect under such insurances, the interests of any managers they may appoint. Insurance policies shall cover the Owners and the Charterers according to their respective interests. Subject to the provisions of the Financial Instruments, if any, and the approval of the Owners and the insurers, the Charterers shall effect all insured repairs and shall undertake settlement and reimbursement from the insurers of all costs in connection with such repairs as well as insured charges, expenses and liabilities to the extent of coverage under the insurances herein provided for.~~

~~The Charterers also to remain responsible for and to effect repairs and settlement of costs and expenses incurred thereby in respect of all other repairs not covered by the insurances and/or not exceeding any possible franchise(s) or deductibles provided for in the insurances.~~

~~All time used for repairs under the provisions of sub-clause 13(a) and for repairs of latent defects according to Clause 3(c) above, including any deviation, shall be for the Charterers' account~~.

(a) If the conditions of ~~the above insurances~~ Clause 51 permit additional insurance to be placed by the parties, such cover shall be for the Charterer's account ~~limited to the amount for each part set out in Box 30 and Box 31, respectively~~. The Owners or the Charterers as the case may be shall immediately furnish the other party with particulars of any additional insurance effected, including copies of any cover notes or policies and the written consent of the insurers of any such required insurance in any case where the consent of such insurers is necessary.

(b) ~~Subject to the provisions of the Financial Instrument, if any, should the Vessel become an actual, constructive, compromised or agreed Total Loss (as defined below) under the insurances required under sub-clause 13(a), all insurance payments for such loss shall be paid to the Owners who shall distribute the moneys between the Owners and the Charterers according to their respective interest. The Charterers undertake to notify the Owners and the mortgagee(s), if any, of any occurrences in consequence of which the Vessel is likely to become a Total Loss or suffers a Major Casualty as defined in this Clause~~.

(c) ~~The Owners shall upon the request of the Charterers, promptly execute such documents as may be required to enable the Charterers to abandon the Vessel to insurers and claim a constructive Total Loss~~.

(d) ~~For the purpose of insurance coverage against hull and machinery and war risks under the provisions of sub-clause 13(a), the value of the Vessel is the sum indicated in Box 29.~~

~~**14. Insurance, Repairs and Classification**~~

~~(*Optional, only to apply if expressly agreed and stated in Box 29, in which event Clause 13 shall be considered deleted*).~~

(a) ~~During the Charter Period the Vessel shall be kept insured by the Owners at their expense against hull and machinery and war risks under the form of policy or policies attached hereto. The Owners and/or insurers shall not have any right of recovery or subrogation against the Charters on account of loss of or any damage to the Vessel or her machinery or appurtenances covered by such insurance, or on account of payments made to discharge claims against or liabilities of the Vessel or the Owners covered by such insurance. Insurance policies shall cover the Owners and the Charterers according to their respective interests.~~

(b) ~~During the Charter Period the Vessel shall be kept insured by the Charterers at their expense against Protection and Indemnity risks (and any risks against which it is compulsory to insure for the operation of the Vessel, including maintaining financial security in accordance with sub-clause 10(a)(iii)) in such form as the Owners shall in writing approve which approval shall not be unreasonably withheld.~~

(c) ~~In the event that any act or negligence of the Charterers shall vitiate any of the insurance herein provided, the Charterers shall pay to the Owners all losses and indemnify the Owners against all claims and demands which would otherwise have been covered by such insurance.~~

(d) ~~The Charterers shall, subject to the approval of the Owners or Owners' Underwriters, effect all insured repairs, and the Charterers shall undertake settlement of all miscellaneous expenses in connection with such repairs as well as all insured charges, expenses and liabilities, to the extent of coverage under the insurances provided for under the provisions of sub-clause 14(a). The Charterers to be secured reimbursement through the Owners' Underwriters for such expenditures upon presentation of accounts.~~

(e) ~~The Charterers to remain responsible for and to effect repairs and settlement of costs and expenses incurred thereby in respect of all other repairs not covered by the insurances and/or not exceeding any possible franchise(s) or deductibles provided for in the insurances.~~

(f) ~~All time used for repairs under the provisions of sub-clauses 14(d) and 14(e) and for repairs of latent defects according to Clause 3 above, including any deviation, shall be for the Charterers' account and shall form part of the Charter Period.~~

~~The Owners shall not be responsible for any expenses as are incident to the use and operation of the Vessel for such time as may be required to make such repairs.~~

(g) ~~If the conditions of the above insurance permit additional insurance to be placed by the parties suchl cover shall be limited to the amount for each part set out in Box 30 and Box 31 respectively. The Owners or the Charterers as the case may be shall immediately furnish the other part with particulars of any additional insurance effected, including copies of any cover notes or policies and the written consent of the insurers of any such required insurance in any case where the consent of such insurers is necessary.~~

(h) ~~Should the Vessel become an actual, constructive, compromised or agreed total loss under the insurances required under sub-clause 14(a), all insurance payment for such loss shall be paid to the Owners, who shall distribute the moneys between themselves and the Charterers according to their respective interests.~~

(i) ~~If the Vessel becomes an actual, constructive, compromised or agreed total loss under the insurances arranged by the Owners in accordance with sub-clause 14(a), this Charter shall terminate as of the date of such loss.~~

(j) ~~The Charterers shall upon the request of the Owners, promptly execute such documents as may be required to enable the Owners to abandon the Vessel to the insurers and claim a constructive total loss.~~

(k) ~~For the purpose of insurance coverage against hull and machinery and war risks under the provisions of sub-clause 14(a), the value of the Vessel is the sum indicated in Box 29.~~

(l) ~~Notwithstanding anything contained in sub-clause 10(a), it is greed that under the provisions of Clause 14, if applicable, the Owners shall keep the Vessel's Class fully up to date with the Classification Society indicated in Box 10 and maintain all other necessary certificates in force at all times.~~

15. Redelivery – see also Clause 55

~~At the expiration of the Charter Period and if the Charterers do not purchase the Vessel, the Vessel shall, without prejudice to the Owners' rights under this Charter, be redelivered by the Charterers to the Owners at a safe and ice-free port or place as indicated in Box 16, in such ready safe berth as the Owners may direct and all redelivery and port costs shall be for the Charterers' account. The Charterers shall give the Owners not less than thirty (30) running days' preliminary notice of expected date, range of ports of redelivery or port or place of redelivery and not less than fourteen (14) running days' definite notice of expected date and port or place of redelivery. Any changes thereafter in the Vessel's position shall be notified immediately to the Owners.~~

~~The Charterers warrant that they will not permit the Vessel to commence a voyage (including any preceding ballast voyage) which cannot reasonably be expected to be completed in time to allow redelivery of the Vessel within the Charter Period. Notwithstanding the above, should the Charterers fail to redeliver the Vessel within The Charter Period, [the Charterers shall pay the daily equivalent to the rate of hire stated in Box 22 plus 10 per cent. or to the market value, whichever is the higher, for the number of days by which the Charter Period is exceeded. All other terms, conditions and provisions of this Charter shall continue to apply].~~

~~Subject to the provisions of Clause 10, the Vessel shall, without prejudice to the requirements set out in Clause 56.253, be redelivered to the Owners in the same or as good structure, state, condition and class as that in which she was delivered, fair wear and tear not affected class excepted.~~

~~The Vessel upon redelivery shall have her survey cycles up to date and trading and class certificates valid for at least the number of months agreed in Box 17.~~

16. Non-Lien – see Clauses 45.1(t) and 50.5

~~"This Vessel is the property of (name of Owners). It is under charter to (name of Charterers) and by the terms of the Charter Party neither the Charterers nor the Master have any right, power or authority to create, incur or permit to be imposed on the Vessel any lien whatsoever."~~

17. Indemnity - see Clause 40

(a) ~~The Charterers shall indemnify the Owners against any loss, damage or expense incurred by the Owners arising out of or in relation to the operation of the Vessel by the Charterers, and against any lien of whatsoever nature arising out of an event occurring during the Charter Period. If the Vessel be arrested or otherwise detained by reason of claims or liens arising out of her operation hereunder by the Charterers, the Charterers shall at their own expense take all reasonable steps to secure that within a reasonable time the Vessel is released, including the provision of bail.~~

~~Without prejudice to the generality of the foregoing, the Charterers agree to indemnify the Owners against all consequences or liabilities arising from the Master, officers or agents signing Bills of Lading or other documents.~~

(b) ~~If the Vessel be arrested or otherwise detained by reason of a claim or claims against the Owners, the Owners shall at their own expense take all reasonable steps to secure that within a reasonable time the Vessel is released, including the provision of bail.~~

~~In such circumstances the Owners shall indemnify the Charterers against any loss, damage or expense incurred by the Charterers (including hire paid under this Charter) as a direct consequence of such arrest or detention.~~

18. Lien

~~The Owners to have a lien upon all cargoes, sub-hires and sub-freights belonging or due to the Charterers or any sub-charterers and any Bill of Lading freight for all claims under this Charter, and the Charterers to have a lien on the Vessel for all moneys paid in advance and not earned~~.

19. Salvage

All salvage and towage performed by the Vessel shall be for the Charterers' benefit and the cost of repairing damage occasioned thereby shall be borne by the Charterers.

20. Wreck Removal

In the event of the Vessel becoming a wreck or obstruction to navigation the Charterers shall indemnify the Owners against any sums whatsoever which the Owner shall become liable to pay and shall pay in consequence of the Vessel becoming a wreck or obstruction to navigation.

21. General Average

The Owners shall not contribute to General Average.

22. Assignment, Sub-Charter and Sale **<u>See Clauses 64, 48.3 and 60</u>**

(a) ~~The Charterers shall not assign this Charter nor sub-charter the Vessel on a bareboat basis except with the prior consent in writing of the Owners, which shall not be unreasonably withheld, and subject to such terms and conditions as the Owners shall approve.~~

(b) ~~See Clause 54 The Owners shall not sell the Vessel during the currency of this Charter except with the prior written consent of the Charterers, which shall not be unreasonably withheld, and subject to the buyer accepting an assignment of this Charter~~.

23. Contracts of Carriage

~~*)~~ **~~(a)~~** ~~The Charterers are to procure that all documents issued during the Charter Period evidencing the terms and conditions agreed in respect of carriage of goods shall contain a paramount clause incorporating any legislation relating to carrier's liability for cargo compulsorily applicable in the trade; if no such legislation exists, the documents shall incorporate the Hague-Visby Rules. The documents shall also contain the New Jason Clause and the Both-to-Blame Collision Clause.~~

***) ~~(b)~~** ~~The Charterers are to procure that all passenger tickets issued during the Charter Period for the carriage of passengers and their luggage under this Charter shall contain a paramount clause incorporating any legislation relating to carrier's liability for passengers and their luggage compulsorily applicable in the trade; if no such legislation exists, the passenger tickets shall incorporate the Athens Convention Relating to the Carriage of Passengers and their Luggage by Sea, 1974, and any protocol thereto.~~

~~***)** *Delete as applicable.*~~

24. Bank Guarantee

(Optional, only to apply if <u>Box 27</u> filled in)

~~The Charterers undertake to furnish, before delivery of the Vessel, a first class bank guarantee or bond in the sum and at the place as indicated in <u>Box 27</u> as guarantee for full performance of their obligations under this Charter.~~

25. Requisition/Acquisition

(a) ~~In the event of the Requisition for Hire of the Vessel by any governmental or other competent authority (hereinafter referred to as "Requisition for Hire") irrespective of the date during the Charter Period when "Requisition for Hire" may occur and irrespective of the length thereof and whether or not it be for an indefinite or a limited period of time, and irrespective of whether it may or will remain in force for the remainder of the Charter Period, this Charter shall not be deemed thereby or thereupon to be frustrated or otherwise terminated and the Charterers shall continue to pay the stipulated hire in the manner provided by this Charter until the time when the Charter would have terminated pursuant to any of the provisions hereof always provided however that in the event of "Requisition for Hire" any Requisition Hire or compensation received or receivable by the Owners shall be payable to the Charterers during the remainder of the Charter Period or the period of the "Requisition for Hire" whichever be the shorter~~.

(b) ~~In the event of the Owners being deprived of their ownership in the Vessel by any Compulsory Acquisition of the Vessel or requisition for title by any governmental or other competent authority (hereinafter referred to as "Compulsory Acquisition"), then, irrespective of the date during the Charter Period when "Compulsory Acquisition" may occur, this Charter shall be deemed terminated as of the date of such "Compulsory Acquisition". In such event Charter Hire to be considered as earned and to be paid up to the date and time of such "Compulsory Acquisition".~~

26. War

(a) For the purpose of this Clause, the words "War Risks" shall include any war (whether actual or threatened), act of war, civil war, hostilities, revolution, rebellion, civil commotion, warlike operations, the laying of mines (whether actual or reported), acts of piracy, acts of terrorists, acts of hostility or malicious damage, blockades (whether imposed against all vessels or imposed selectively against vessels or certain flags or ownership, or against certain cargoes or crews or otherwise howsoever), by any person, body, terrorist or political group, or the Government of any state whatsoever, which may be dangerous or are likely to be or to become dangerous to the Vessel, her cargo, crew or other persons on board the Vessel.

~~**(b)** The Vessel, unless the written consent of the Owners be first obtained, shall not continue to or go through any port, place, area or zone (whether of land or sea), or any waterway or canal, where it appears that the Vessel, her cargo, crew or other persons on board the Vessel, in the judgement of the Owners, may be, or are likely to be, exposed to War Risks. Should the Vessel be within any such place as aforesaid, which only becomes dangerous, or is likely to become dangerous, after her entry into it, the Owners shall have the right to require the Vessel to leave such area terminate this Charter forthwith and without prejudice to any other claim they may have against the Charterers under this Charter.~~

(c) The Vessel shall not load contraband cargo, or to pass through any blockade, whether such blockage be imposed on all vessels, or is imposed selectively in any way whatsoever against vessels of certain flags or ownership, or against certain cargoes or crews or otherwise howsoever, or to proceed to an area where she shall be subject, or is likely to be subject to a belligerent's right of search and/or confiscation.

(d) If the insurers of the war risks insurance~~, when Clause 14 is applicable~~, should require payment of premiums and/or calls because, pursuant to the Charterers' orders, the Vessel is within, or is due to enter and remain within, any area or areas which are specified by such insurers as being subject to additional premiums because of War Risks, then the Charterers shall pay to the relevant insurers directly such premiums and/or calls immediately when such premiums and/or calls are due~~shall be reimbursed by the Charterers to the Owners at the same time as the next payment of hire is due~~.

(e) The Charterers shall have the obligation:

(i) to comply with all orders, directions, recommendation or advice as to departure, arrival, routes, sailing in convoy, ports of call, stoppages, destinations, discharge of cargo, delivery, or in any other way whatsoever, which are given by the Government of the Nation under whose flag the Vessel sails, or any other Government, body or group whatsoever acting with the power to compel compliance with their orders or directions;

(ii) to comply with the orders, directions or recommendations of any war risks underwriters who have the authority to give the same under the terms of the war risks insurance;

(iii) to comply with the terms of any resolutions of the Security Council of the United Nations, any directives of the European Community, the effective orders of any other Supranational body which has the right to issue and give the same, and with national laws aimed at enforcing the same to which the Owners are subject, and to obey the orders and directions of those who are charged with their enforcement.

(f) ~~In the event of outbreak of war (whether there be a declaration of war or not) (i) between any two or more of the following countries: the United States of America; Russia; the United Kingdom; France; and the People's Republic of China, (ii) between any two or more of the countries stated in Box 36, both the Owners and the Charterers shall have the right to cancel this Charter, whereupon the Charterers shall redeliver the Vessel to the Owners in accordance with Clause 15, if the Vessel has cargo on board after discharge thereof at destination, or if debarred under this Clause from reaching or entering it at a near, open and safe port as directed by the Owners, or if the Vessel has no cargo on board, at the port at which the Vessel then is or if at sea at a near, open and safe port as directed by the Owners. In all cases hire shall continue to be paid in accordance with Clause 11 and except as aforesaid all other provisions of this Charter shall apply until redelivery.~~

27. Commission

~~The Owners to pay a commission at the rate indicated in Box 33 to the Brokers named in Box 33 on any hire paid under the Charter. If no rate is indicated in Box 33, the commission to be paid by the Owners shall cover the actual expenses of the Brokers and a reasonable fee for their work.~~

~~If the full hire is not paid owing to breach of the Charter by either of the parties the party liable therefor shall indemnify the Brokers against their loss of commission. Should the parties agree to cancel the Charter, the Owners shall indemnify the Brokers against any loss of commission but in such case the commission shall not exceed the brokerage on one year's hire.~~

28. Termination – See Clauses 56, 57, 58, 59, 60 and 61

~~**(a)** Charterers' Default~~

~~The Owners shall be entitled to withdraw the Vessel from the service of the Charterers and terminate the Charter with immediate effect by written notice to the Charterers if:~~

~~**(i)** the Charterers fail to pay hire in accordance with Clause 11. However, where there is a failure to make punctual payment of hire due to oversight, negligence, errors or omissions on the part of the Charterers or their bankers, the Owners shall give the Charterers written notice of the number of clear banking days stated in Box 34 (as recognised at the agreed place of payment) in which to rectify the failure, and when so rectified within such number of days following the Owners' notice, the payment shall stand as regular and punctual. Failure by the Charterers to pay hire within the number of days stated in Box 34 of their receiving the Owners' notice as provided herein, shall entitle the Owners to withdraw the Vessel from the service of the Charterers and terminate the Charter without further notice.~~

~~**(ii)** the Charterers fail to comply with the requirements of:~~

~~**(1)** Clause 6 (Trading Restrictions)~~

~~**(2)** Clause 13(a) (Insurance and Repairs)~~

~~provided that the Owners shall have the option, by written notice to the Charterers, to give the Charterers a specified number of days grace within which to rectify the failure without prejudice to the Owners' right to withdraw and terminate under this Clause if the Charterers fail to comply with such notice;~~

~~**(iii)** the Charterers fail to rectify any failure to comply with the requirements of sub-clause 10(a)(i) (Maintenance and Repairs) as soon as practically possible after the Owners have requested them in writing so to do and in any event so that the Vessel's insurance cover is not prejudiced.~~

~~**(b)** Owners Default~~

~~If the Owners shall by any act or omission be in breach of their obligations under this Charter to the extent that the Charterers are deprived of the use of the Vessel and such breach continues for a period of fourteen (14) running days after written notice thereof has been given by the Charterers to the Owners, the Charterers shall be entitled to terminate this Charter with immediate effect by written notice to the Owners.~~

~~**(c)** Loss of Vessel~~

~~This Charter shall be deemed to be terminated if the Vessel becomes a total loss or is declared as a constructive or compromised or arranged total loss. For the purpose of this sub-clause, the Vessel shall not be deemed to be lost unless she has either become an actual total loss or agreement has been reached with her underwriters in respect of her constructive, compromised or arranged total loss or if such agreement with her underwriters is not reached it is adjudged by a competent tribunal that a constructive loss of the Vessel has occurred.~~

~~**(d)** Either party shall be entitled to terminate this Charter with immediate effect by written notice to the other party in the event of an order being made or resolution passed for the winding up, dissolution, liquidation or bankruptcy of the other party (otherwise than for the purpose of reconstruction or amalgamation) or if a receiver is appointed, or if it suspends payment, ceases to carry on business or makes any special arrangement or composition with its creditors.~~

(e) The termination of this Charter shall be without prejudice to all rights accrued due to the Owners prior to the date of termination and to any claim that the Owners might have in accordance with the terms of this Charter.

29. Repossession

~~In the event of the termination of this Charter in accordance with the applicable provisions of Clause 28, the Owners shall have the right to repossess the Vessel from the Charterers at her current or next port of call, or at a port or place convenient to them without hindrance or interference by the Charterers, courts or local authorities. Pending physical repossession of the Vessel in accordance with this Clause 29, the Charterers shall hold the Vessel as gratuitous bailee only to the Owners. The Owners shall arrange for an authorised representative to board the Vessel as soon as reasonably practicable following the termination of the Charter. The Vessel shall be deemed to be repossessed by the Owners from the Charterers upon the boarding of the Vessel by the Owners' representative. All arrangements and expenses relating to the setting of wages, disembarkation and repatriation of the Charterers' Master, officers and crew shall be the sole responsibility of the Charterers~~.

30. Dispute Resolution See Clauses 72 and 74

~~**(a)** The Contract shall be governed by an construed in accordance with English law and any dispute arising out of or in connection with this Contract shall be referred to arbitration in London in accordance with the Arbitration 874 Act 1996 or any statutory modification or re-enactment 875 thereof save to the extent necessary to give effect to the provisions of this Clause.~~

~~The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.~~

~~The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within 14 calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the 14 days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party appoint its arbitrator as sole arbitrator and shall advice the other party accordingly. The award of a sole arbitrator shall be binding on both parties as if he had been appointed by agreement.~~

~~Nothing herein shall prevent the parties agreeing in writing to vary these provisions to provide for the appointment of a sole arbitrator. In cases where neither the claim nor any counterclaim exceeds the sum of US$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.~~

~~**(b)** This Contract shall be governed by and construed in accordance with Title 9 of the United States Code and the Maritime Law of the United States and any dispute arising out of or in connection with this Contract shall be referred to three persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgement may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc. In cases where neither the claim nor any counterclaim exceeds the sum of US$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc. current at the time when the arbitration proceedings are commenced.~~

~~***) (c)** This Contract shall be governed by an construed in accordance with the laws of the place mutually agreed by the parties and any dispute arising out of or in connection with this Contract shall be referred to arbitration at a mutually agreed place, subject to the procedures applicable there.~~

~~**(d)** Notwithstanding (a), (b) or (c) above, the parties may agree at any time to refer to mediation any difference and/or dispute arising out of or in connection with this Contract.~~

~~In the case of a dispute in respect of which arbitration has been commenced under (a), (b) or (c) above, the following shall apply:~~

~~**(i)** Either party may at any time and from time to time elect to refer the dispute or part of the dispute to mediation by service on the other party of a written notice (the "Mediation Notice") calling on the other party to agree to mediation.~~

~~**(ii)** The other party shall thereupon within 14 calendar days of receipt of the Mediation Notice confirm that they agree to mediation, in which case the parties shall thereafter agree a mediator within a further 14 calendar days, failing which on the application of either party a mediator will be appointed promptly by the Arbitration Tribunal ("the Tribunal") or such person as the Tribunal may designate for that purpose. The mediation shall be conducted in such place and in accordance with such procedure and on such terms as the parties may agree or, in the event of disagreement, as may be set by the mediator.~~

~~**(iii)** If the other party does not agree to mediate, that fact may be brought to the attention of the Tribunal and may be taken into account by the Tribunal when allocating the costs of the arbitration as between the parties.~~

~~**(iv)** The mediation shall not affect the right of either party to seek such relief or take such steps as it considers necessary to protect its interest.~~

~~**(v)** Either party may advise the Tribunal that they have agreed to mediation. The arbitration procedure shall continue during the conduct of the mediation but the Tribunal may take the mediation timetable into account when setting the timetable for steps in the arbitration.~~

~~**(vi)** Unless otherwise agreed or specified in the mediation terms, each party shall bear its own costs incurred in the mediation and the parties shall share equally the mediator's costs and expenses.~~

~~**(vii)** The mediation process shall be without prejudice and confidential and no information or documents disclosed during it shall be revealed to the Tribunal except to the extent that they are disclosable under the law and procedure governing the arbitration.~~

~~*(Note: The parties should be aware that the mediation process may not necessarily interrupt time limits.)*~~

~~**(e)** If Box 35 in Part I is not appropriately filled in, sub-clause 30(a) of this Clause shall apply. Sub-clause 30(d) shall apply in all cases.~~

~~***)** *Sub-clauses 30(a), 30(b) and 30(c) are alternatives; indicate alternative agreed in Box 35.*~~

31. Notices - see Clause 66

(a) ~~Any notice to be given by either party to the other party shall be in writing and may be sent by fax, telex, registered or recorded mail or by personal service.~~

(b) ~~The address of the Parties for service of such communication shall be as stated in Boxes 3 and 4 respectively.~~

"BARECON 2001" Standard Bareboat Charter

PART III
PROVISIONS TO APPLY FOR NEWBUILDING VESSELS ONLY
(Optional, only to apply if expressly agreed and stated in Box 37)

1. Specifications and Building Contract

PART III
PROVISIONS TO APPLY FOR NEWBUILDING VESSELS ONLY
(Optional, only to apply if expressly agreed and stated in Box 37)

(a) ~~The Vessel shall be constructed in accordance with the Building Contract (hereafter called “the Building Contract”) as annexed to this Charter, made between the Builders and the Owners and in accordance with the specifications and plans annexed thereto, such Building Contract, specifications and plans having been countersigned as approved by the Charterers.~~

(b) ~~No change shall be made in the Building Contract or in the specifications or plans of the Vessel as approved by the Charterers as aforesaid, without the Charterers’ consent.~~

(c) ~~The Charterers shall have the right to send their representative to the Builders’ Yard to inspect the Vessel during the course of her construction to satisfy themselves that construction is in accordance with such approved specifications and plans as referred to under sub-clause (a) of this Clause.~~

(d) ~~The Vessel shall be built in accordance with the Building Contract and shall be of the description set out therein. Subject to the provisions of sub-clause 2(c)(ii) hereunder, the Charterers shall be bound to accept the Vessel from the Owners, completed and constructed in accordance with the Building Contract, on the date of delivery by the Builders. The Charterers undertake that having accepted the Vessel they will not thereafter raise any claims against the Owners in respect of the Vessel’s performance or specification or defects, if any.~~

~~Nevertheless, in respect of any repairs, replacements or defects which appear within the first 12 months from delivery by the Builders, the Owners shall endeavour to compel the Builders to repair, replace or remedy any defects or to recover from the Builders any expenditure incurred in carrying out such repairs, replacements or remedies.~~

~~However, the Owners’ liability to the Charterers shall be limited to the extent the Owners have a valid claim against the Builders under the guarantee clause of the Building Contract (a copy whereof has been supplied to the Charterers). The Charterers shall be bound to accept such sums as the Owners are reasonably able to recover under this Clause and shall make no further claim on the Owners for the difference between the amount(s) so recovered and the actual expenditure on repairs, replacement or remedying defects or for any loss of time incurred.~~

~~Any liquidated damages for physical defects or deficiencies shall accrue to the account of the party stated in Box 41(a) or if not filled in shall be shared equally between the parties. The costs of pursuing a claim or claims against the Builders under this Clause (including any liability to the Builders) shall be borne by the party stated in Box 41(b) or if not filled in shall be shared equally between the parties.~~

PART III
PROVISIONS TO APPLY FOR NEWBUILDING VESSELS ONLY
(Optional, only to apply if expressly agreed and stated in Box 37)

PART III
PROVISIONS TO APPLY FOR NEWBUILDING VESSELS ONLY
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2. Time and Place of Delivery

(a) ~~Subject to the Vessel having completed her acceptance trials including trials of cargo equipment in accordance with the Building Contract and specifications to the satisfaction of the Charterers, the Owners shall give and the Charterers shall take delivery of the Vessel afloat when ready for delivery and properly documented at the Builders' Yard or some other safe and readily accessible dock, wharf or place as may be agreed between the parties hereto and the Builders. Under the Building Contract the Builders have estimated that the Vessel will be ready for delivery to the Owners as therein provided but the delivery date for the purpose of this Charter shall be the date when the Vessel is in fact ready for delivery by the Builders after completion of trials whether that be before or after as indicated in the Building Contract. The Charterers shall not be entitled to refuse acceptance of delivery of the Vessel and upon and after such acceptance, subject to Clause 1(d), the Charterers shall not be entitled to make any claim against the Owners in respect of any conditions, representations or warranties, whether express or implied, as to the seaworthiness of the Vessel or in respect of delay in delivery.~~

(b) ~~If for any reason other than a default by the Owners under the Building Contract, the Builders become entitled under that Contract not to deliver the Vessel to the Owners, the Owners shall upon giving to the Charterers written notice of Builders becoming so entitled, be excused from giving delivery of the Vessel to the Charterers and upon receipt of such notice by the Charterers this Charter shall cease to have effect.~~

(c) ~~If for any reason the Owners become entitled under the Building Contract to reject the Vessel the Owners shall, before exercising such right of rejection, consult the Charterers and thereupon~~

(i) ~~if the Charterers do not wish to take delivery of the Vessel they shall inform the Owners within seven (7) running days by notice in writing and upon receipt by the Owners of such notice this Charter shall cease to have effect; or~~

(ii) ~~if the Charterers wish to take delivery of the Vessel they may by notice in writing within seven (7) running days require the Owners to negotiate with the Builders as to the terms on which delivery should be taken and/or refrain from exercising their right to rejection and upon receipt of such notice the Owners shall commence such negotiations and/or take delivery of the Vessel from the Builders and deliver her to the Charterers;~~

(iii) ~~in no circumstances shall the Charterers be entitled to reject the Vessel unless the Owners are able to reject the Vessel from the Builders;~~

(iv) ~~if this Charter terminates under sub-clause (b) or (c) of this Clause, the Owners shall thereafter not be liable to the Charterers for any claim under or arising out of this Charter or its termination.~~

(d) ~~Any liquidated damages for delay in delivery under the Building Contract and any costs incurred in pursuing a claim therefor shall accrue to the account of the party stated in Box 41(c) or if not filled in shall be shared equally between the parties.~~

PART III
PROVISIONS TO APPLY FOR NEWBUILDING VESSELS ONLY
(Optional, only to apply if expressly agreed and stated in Box 37)

3. Guarantee Works

~~If not otherwise agreed, the Owners authorise the Charterers to arrange for the guarantee works to be performed in accordance with the building contract terms, and hire to continue during the period of guarantee works. The Charterers have to advise the Owners about the performance to the extent the Owners may request.~~

4. Name of Vessel

~~The name of the Vessel shall be mutually agreed between the Owners and the Charterers and the Vessel shall be painted in the colours, display the funnel insignia and fly the house flag as required by the Charterers.~~

5. Survey on Redelivery

~~The Owners and the Charterers shall appoint surveyors for the purpose of determining and agreeing in writing the condition of the Vessel at the time of re-delivery.~~

~~Without prejudice to Clause 15 (Part II), the Charterers shall bear all survey expenses and all other costs, if any, including the cost of docking and undocking, if required, as well as all repair costs incurred. The Charterers shall also bear all loss of time spent in connection with any docking and undocking as well as repairs, which shall be paid at the rate of hire per day or pro rata.~~

"BARECON 2001" Standard Bareboat Charter

PART IV
HIRE/PURCHASE AGREEMENT

(Optional, only to apply if expressly agreed and stated in Box 42)

~~On expiration of this Charter and provided the Charterers have fulfilled their obligations according to Part I and II as well as Part III, if applicable, it is agreed, that on payment of the final payment of hire as per Clause 11 the Charterers have purchased the Vessel with everything belonging to her and the Vessel is fully paid for.~~

~~In the following paragraphs the Owners are referred to as the Seller and the Charterers as the Buyers.~~

~~The Vessel shall be delivered by the Sellers and taken over by the Buyers on expiration of the Charter.~~

PART IV
HIRE/PURCHASE AGREEMENT
(Optional, only to apply if expressly agreed and stated in Box 42)

~~The Sellers guarantee that the Vessel, at the time of delivery, is free from all encumbrances and maritime liens or any debts whatsoever other than those arising from anything done or not done by the Buyers or any existing mortgage agreed not to be paid off by the time of delivery. Should any claims, which have been incurred prior to the time of delivery be made against the Vessel, the Sellers hereby undertake to indemnify the Buyers against all consequences of such claims to the extent it can be proved that the Sellers are responsible for such claims. Any taxes, notarial, consular and other charges and expenses connected with the purchase and registration under Buyers' flag, shall be for Buyers' account. Any taxes, consular and other charges and expenses connected with closing of the Sellers' register, shall be for Sellers' account.~~

PART IV
HIRE/PURCHASE AGREEMENT
(Optional, only to apply if expressly agreed and stated in Box 42)

~~In exchange for payment of the last month’s hire instalment the Sellers shall furnish the Buyers with a Bill of Sale duly attested and legalized, together with a certificate setting out the registered encumbrances, if any. On delivery of the Vessel the Sellers shall provide for deletion of the Vessel from the Ship’s Register and deliver a certificate of deletion to the Buyers.~~

~~The Sellers shall, at the time of delivery, hand to the Buyers all classification certificates (for hull, engines, anchors, chains, etc.) as well as all plans which may be in Sellers’ possession.~~

~~The Wireless installation and Nautical Instruments, unless on hire, shall be included in the sale without any extra payment.~~

PART IV
HIRE/PURCHASE AGREEMENT
(Optional, only to apply if expressly agreed and stated in Box 42)

~~The Vessel with everything belonging to her shall be at Sellers' risk and expense until she is delivered to the Buyers, subject to the conditions of this Contract and the Vessel with everything belonging to her shall be delivered and taken over as she is at the time of delivery, after which the Sellers shall have no responsibility for possible faults or deficiencies of any description.~~

~~The Buyers undertake to pay for the repatriation of the Master, officers and other personnel if appointed by the Sellers to the port where the Vessel entered the Bareboat Charter as per Clause 3 (Part II) or to pay the equivalent cost for their journey to any other place.~~

1. Definitions

~~For the purpose of this PART V, the following terms shall have the meanings hereby assigned to them:~~

~~"The Bareboat Charter Registry" shall mean the registry of the State whose flag the Vessel will fly and in which the Charterers are registered as the bareboat charterers during the period of the Bareboat Charter.~~

~~"The Underlying Registry" shall mean the registry of the state in which the Owners of the Vessel are registered as Owners and to which jurisdiction and control of the Vessel will revert upon termination of the Bareboat Charter Registration.~~

PART V
PROVISIONS TO APPLY FOR VESSELS REGISTERED IN A BAREBOAT CHARTER REGISTRY
(Optional, only to apply if expressly agreed and stated in Box 43)

2. Mortgage

~~The Vessel chartered under this Charter is financed by a mortgage and the provisions of Clause 12(b) (Part II) shall apply.~~

PART V
PROVISIONS TO APPLY FOR VESSELS REGISTERED IN A BAREBOAT CHARTER REGISTRY
(Optional, only to apply if expressly agreed and stated in Box 43)

3. Termination of Charter by Default

~~If the Vessel chartered under this Charter is registered in a Bareboat Charter Registry as stated in Box 44, and if the Owners shall default in the payment of any amounts due under the mortgage(s) specified in Box 28, the Charterers shall, if so required by the mortgagee, direct the Owners to re-register the Vessel in the Underlying Registry as shown in Box 45.~~

~~In the event of the Vessel being deleted from the Bareboat Charter Registry as stated in Box 44, due to a default by the Owners in the payment of any amounts due under the mortgage(s), the Charterers shall have the right to terminate this Charter forthwith and without prejudice to any other claim they may have against the Owners under this Charter.~~

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 23, 2020, 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, 2019. 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. 333-234575, File No. 333-214557 and File No. 333-201333).

/s/ GRANT THORNTON LLP

Hartford, Connecticut

March 23, 2020

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, 2019, 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 23, 2020

/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, 2019, 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 23, 2020

/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, 2019, 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 23, 2020

/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, 2019, 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 23, 2020

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