UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F
(Mark One)

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

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023

OR

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

OR

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

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number 001-35025

PERFORMANCE SHIPPING INC.
(Exact name of Registrant as specified in its charter)

Not applicable
(Translation of Registrant's name into English)

Republic of the Marshall Islands
(Jurisdiction of incorporation or organization)

373 Syngrou Avenue, 175 64 Palaio Faliro, Athens, Greece
(Address of principal executive offices)

Mr. Andreas Michalopoulos, 373 Syngrou Avenue, 175 64 Palaio Faliro, Athens, GR
Tel: + 30-216-600-2400, Fax: + 30-216-600-2599, E-mail: amichalopoulos@pshipping.com
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, $0.01 par value, including the Preferred stock purchase rights	"PSHG"	The Nasdaq Stock Market LLC

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

None
(Title of Class)

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

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2023, there were 12,279,676 of the registrant's common shares, par value $0.01, outstanding, 50,726 shares of the registrant's Series B Convertible Cumulative Perpetual Preferred Stock outstanding and 1,428,372 shares of the registrant's Series C Convertible Cumulative Redeemable Perpetual Preferred Stock outstanding.

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

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Note-Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

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

☒ Yes ☐ No

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒
Emerging growth company ☐

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

U.S. GAAP ☒ International Financial Reporting Standards as issued by the Other ☐

International Accounting Standards Board ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. **N/A**

☐ Yes ☐ No

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FORWARD-LOOKING STATEMENTS

Matters discussed in this annual report on Form 20-F and the documents incorporated by reference may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include, but are not limited to, statements concerning plans, objectives, goals, strategies, future events or performance, underlying assumptions, and other statements, which are other than statements of historical facts.

Performance Shipping Inc., or the Company, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by the Company or on its behalf may include forward-looking statements, which reflect its current views with respect to future events and financial performance, and are not intended to give any assurance as to future results. When used in this document, the words "believe," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect," "targets," "likely," "would," "could," "seeks," "continue," "possible," "might," "pending," and similar expressions, terms, or phrases may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our management's examination of historical operating trends, data contained in its records, and other data available from third parties. Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control, the Company cannot assure you that it will achieve or accomplish these expectations, beliefs, or projections.

Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, or intended. The Company is making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated.

In addition to these important factors and matters discussed elsewhere herein, including under the heading "Item 3. Key Information—D. Risk Factors," and in the documents incorporated by reference herein, important factors that, in its view, could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to: the strength of world economies; fluctuations in currencies and interest rates; inflation general market conditions, including fluctuations in charter rates and vessel values; changes in demand in the tanker shipping industry; changes in the supply of vessels; changes in worldwide oil production, consumption, and storage; changes in our operating expenses, including bunker prices, crew costs, drydocking, and insurance costs; our future operating or financial results; availability of financing and refinancing; changes to our financial condition and liquidity, including our ability to pay amounts that we owe and obtain additional financing to fund capital expenditures, acquisitions, and other general corporate activities; our ability to obtain financing and comply with the restrictions and other covenants in our financing arrangements; our ability to continue as a going concern; our ability to pay dividends to holders of our preferred shares and common shares; potential liability from pending or future litigation and potential costs due to environmental damage and vessel collisions; changes in the market for our vessels; availability of skilled workers and the related labor costs; compliance with governmental, tax, environmental, and safety regulations; any non-compliance with the U.S. Foreign Corrupt Practices Act of 1977 (FCPA) or other applicable regulations relating to bribery; the impact of the replacement of the introduction of the Secured Overnight Financing Rate ("SOFR") on interest rates of our debt; general economic conditions and conditions in the oil industry; effects of new products and new technology in our industry; the failure of counterparties to fully perform their contracts with us; our dependence on key personnel; adequacy of insurance coverage; our ability to obtain indemnities from customers; changes in laws, treaties, or regulations; volatility of the price of our common shares; our incorporation under the laws of the Republic of the Marshall Islands and the different rights to relief that may be available compared to other countries, such as the United States; changes in governmental rules and regulations or actions taken by regulatory authorities; general domestic and international political conditions or events, including "trade wars," acts by terrorists, acts of piracy on ocean-going vessels, or other hostilities, including the war between Russia and Ukraine and Israel and Hamas, and tensions in the Middle East region, including missile attacks by the Houthis on vessels in the Red Sea; the outbreak, length, and severity of epidemics and pandemics, such as the novel coronavirus (COVID-19) and its variants, and governmental responses thereto and any resultant impact on the demand for seaborne transportation of petroleum and other types of products; potential disruption of shipping routes due to accidents, labor disputes, or political events; and other important factors described from time to time in the reports filed by the Company with the U.S. Securities and Exchange Commission, or the SEC.

This report may contain assumptions, expectations, projections, intentions, and beliefs about future events. These statements are intended as forward-looking statements. The Company may also, from time to time, make forward-looking statements in other documents and reports that are filed with or submitted to the SEC in other information sent to the Company's security holders, and in other written materials. The Company also cautions that assumptions, expectations, projections, intentions, and beliefs about future events may, and often do, vary from actual results and the differences can be material. The Company undertakes no obligation to publicly update or revise any forward-looking statement contained in this report, whether as a result of new information, future events, or otherwise, except as required by law.

PART I

Item 1. Identity of Directors, Senior Management, and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

In this annual report, "we," "us," "our," and "the Company" all refer to Performance Shipping Inc. and its subsidiaries, unless the context requires otherwise. References in this annual report, other than as incorporated by reference, to our common shares and earnings per share amounts, including the number of common shares issuable upon exercise of common stock purchase warrants or upon conversion of shares of our Series C Convertible Cumulative Redeemable Perpetual Preferred Stock, or the Series C Preferred Shares, and the exercise or conversion price of such warrants and Series C Preferred Shares, are adjusted to reflect the consolidation of our common shares through reverse stock splits, including the one-for-fifteen reverse stock split which became effective as of November 15, 2022.

A. [Reserved]

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our shares. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, or operating results, or the trading price of our common shares.

Summary of Risk Factors

Below is a summary of the principal factors that make an investment in our common shares speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under the headings "Industry Specific Risk Factors," "Company Specific Risk Factors," and "Risks Relating to our Common Shares and Preferred Shares" and should be carefully considered, together with other information in this annual report and our other filings with the SEC before making an investment decision regarding our common shares.

Industry Specific Risk Factors

- The international tanker industry has historically been both cyclical and volatile.
- An over-supply of tanker capacity may lead to a reduction in charter rates, vessel values, and profitability.
- Our results of operations are subject to seasonal fluctuations, which may adversely affect our financial condition.
- If economic conditions throughout the world continue to deteriorate or become more volatile, it could have an adverse impact on our operations and financial results.
- Tanker vessel values may fluctuate due to economic and technological factors, which may adversely affect our financial condition, or result in the incurrence of a loss upon disposal of a tanker vessel, impairment losses, or increases in the cost of acquiring additional tanker vessels.
- An increase in operating costs could adversely affect our cash flows and financial condition.
- Rising fuel prices may adversely affect our profits.
- Compliance with safety and other vessel requirements imposed by classification societies may be very costly and may adversely affect our business.
- We are subject to regulation and liability under environmental laws that could require significant expenditures and affect our cash flows and net income.
- We, or our in-house managers, may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business. In addition, labor interruptions could disrupt our business.
- We operate our vessels worldwide and, as a result, our vessels are exposed to international risks and inherent operational risks of the tanker vessel industry, which may adversely affect our business and financial condition.
- Political instability, terrorist or other attacks, war, and international hostilities could affect our results of operations and financial condition.
- Outbreaks of epidemic and pandemic of diseases and the related governmental responses thereto, could adversely affect our business.
- Increasing growth of electric vehicles and renewable fuels could lead to a decrease in trading and the movement of crude oil and petroleum products worldwide.
- Acts of piracy on ocean-going vessels could adversely affect our business.
- Our operations may be adversely impacted by severe weather, including as a result of climate change.
- If our vessels call on ports located in countries or territories that are the subject of sanctions or embargoes imposed by the U.S. government or other governmental authorities, it could lead to monetary fines or adversely affect our business, reputation, and the market for our common shares.
- We conduct business in China, where the legal system is unpredictable and has inherent uncertainties that could limit the legal protections available to us.
- Governments could requisition our vessels during a period of war or emergency, resulting in loss of earnings.
- Failure to comply with the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA, could result in fines, criminal penalties, and an adverse effect on our business.
- The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.
- Maritime claimants could arrest or attach our vessels, which would interrupt our business or have a negative effect on our cash flows.
- Changing laws and evolving reporting requirements could have an adverse effect on our business.

Company Specific Risk Factors

- The market values of our vessels are highly volatile and may decline, which could limit the amount of funds that we can borrow and trigger breaches of certain financial covenants under our future loan facilities.
- Our business, operating results, financial condition, and growth will depend on our ability to successfully charter our vessels, for which we will face substantial competition.
- The failure of our counterparties to meet their obligations to us under any vessel purchase agreements or charter agreements could cause us to suffer losses or otherwise adversely affect our business.
- We may be unable to locate suitable vessels or dispose of vessels at reasonable prices, which would adversely affect our ability to operate our business.
- Our purchasing and operating secondhand vessels, and the aging of our fleet may result in increased operating costs and vessels off-hire, which could adversely affect our earnings.
- There is a lack of historical operating history provided with our secondhand vessel acquisitions, and profitable operation of the vessels will depend on our skill and expertise.
- Technical innovation and technical quality and efficiency requirements from our customers could reduce our charter hire income and the value of our vessels.
- The Public Company Accounting Oversight Board inspection of our independent accounting firm could lead to findings in our auditor's reports and challenge the accuracy of our published audited consolidated financial statements.
- Our ability to obtain debt financing in the future may be dependent on the performance of our then-existing charters and the creditworthiness of our charterers.
- We may be unable to attract and retain key management personnel and other employees in the shipping industry, which may negatively impact the effectiveness of our management and results of operations.
- Aliki Paliou, the Chairperson of the Board, controls a majority of voting power over matters on which our shareholders are entitled to vote and, accordingly, may exert considerable influence over us and may have interests that are different from the interests of our other shareholders.
- Our Chief Financial Officer participates in business activities not associated with us and does not devote all of his time to our business, which may create conflicts of interest and hinder our ability to operate successfully.
- We are currently subject to litigation and we may be subject to similar or other litigation in the future.

- We expect to continue to operate substantially outside the United States, which will expose us to political and governmental instability, which could harm our operations.
- We generate all of our revenues in U.S. dollars and incur a portion of our expenses in other currencies and, therefore, exchange rate fluctuations could have an adverse impact on our results of operations.
- Volatility of SOFR could affect our profitability, earnings, and cash flow.
- We may have to pay tax on United States source income, which would reduce our earnings.
- We may be treated as a "passive foreign investment company," which could have certain adverse U.S. federal income tax consequences to U.S. holders.
- We may be subject to increased premium payments, or calls, because we obtain some of our insurance through protection and indemnity associations.
- The international nature of our operations may make the outcome of any bankruptcy proceedings difficult to predict.
- A cyber-attack could materially disrupt our business.
- If we do not identify suitable vessels for acquisition or successfully integrate any acquired vessels, we may not be able to grow or effectively manage our growth.
- Inflation could adversely affect our operating results and financial condition.
- The IMO 2020 regulations may cause us to incur substantial costs and procure low-sulfur fuel oil directly on the wholesale market for storage at sea and onward consumption on our vessels.
- Climate change and greenhouse gas restrictions may adversely impact our operations and markets.
- 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.
- If we are unable to operate our vessels profitably, we may be unsuccessful in competing in the highly competitive international tanker vessel market, which would negatively affect our financial condition and our ability to expand our business.
- Regulations relating to ballast water discharge may adversely affect our revenues and profitability.
- Insurance may be difficult to obtain or, if obtained, may not be adequate to cover our losses that may result from our operations due to the inherent operational risks of the shipping industry.
- Adverse market conditions could cause us to breach covenants in our credit facilities and adversely affect our operating results.
- A shift in consumer demand from crude oil towards other energy sources or changes to trade patterns for crude oil and refined petroleum products may have a material adverse effect on our business.

Risks Relating to our Common and Preferred Shares

- The market price of our common shares is subject to significant fluctuations.
- Future sales of our common shares, including through the exercise of conversion rights under our outstanding convertible preferred shares, could cause the market price of our common shares to decline.
- As a key component of our business strategy, we might issue additional common shares or other securities to finance our growth as market conditions warrant. These issuances, which would generally not be subject to shareholder approval, may lower your ownership interests and may depress the market price of our common shares.
- There is no guarantee of a continuing public market for your to resell our common shares.
- The issuance of common shares in future offerings may trigger anti-dilution provisions in our outstanding convertible securities and warrants and affect the interests of our common shareholders.
- We cannot assure you that our board of directors will declare dividend payments on our common shares in the future or when such payment might occur.
- Future offerings of debt securities and amounts outstanding under any future credit facilities or other borrowings, which would rank senior to our common shares upon our liquidation, may adversely affect the market value of our common shares.
- We may not have sufficient cash from our operations to enable us to pay dividends on or redeem our Series B Preferred Shares and Series C Preferred Shares following the payment of expenses and the establishment of any reserves.
- Our ability to pay dividends on and redeem our Series B Preferred Shares and Series C Preferred Shares and, therefore, your ability to receive payments on the Series B Preferred Shares and Series C Preferred Shares, is limited by the requirements of Marshall Islands law and our contractual obligations.
- Our Series B Preferred Shares and Series C Preferred Shares are subordinated to our debt obligations, and the interests of the holders of Series B Preferred Shares and Series C Preferred Shares could be diluted by the issuance of additional shares, including other preferred shares, or by other transactions.
- The Series B Preferred Shares and Series C Preferred Shares represent perpetual equity interests in us.
- There is no established trading market for the Series B Preferred Shares or Series C Preferred Shares, which may negatively affect the market value of the Series B Preferred Shares and Series C Preferred Shares and your ability to transfer or sell them.
- The Series B Preferred Shares and Series C Preferred Shares are only redeemable at our option and investors should not expect us to redeem the Series B Preferred Shares or Series C Preferred Shares in the future.
- We are a holding company, and we depend on the ability of our current and future subsidiaries to distribute funds to us in order to satisfy our financial obligations and make dividend payments.
- We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law, which may negatively affect the ability of shareholders to protect their interests.
- As a Marshall Islands corporation with principal executive offices in Greece, and also having subsidiaries in the Republic of the Marshall Islands, our operations may be subject to economic substance requirements.
- It may not be possible for our investors to enforce judgments of U.S. courts against us.
- Anti-takeover provisions in our organizational documents could make it difficult for our shareholders to replace or remove our current board of directors or have the effect of discouraging, delaying, or preventing a merger or acquisition, which could adversely affect the value of our securities.

Industry Specific Risk Factors

The international tanker industry has historically been both cyclical and volatile.

The international tanker industry in which we operate is cyclical, with attendant volatility in charter hire rates, vessel values and industry profitability. For tanker vessels, the degree of charter rate volatility has varied widely. The Baltic Dirty Tanker Index, or the BDTI, a U.S. dollar daily average of charter rates issued by the Baltic Exchange that takes into account input from brokers around the world regarding crude oil fixtures for various routes and oil tanker vessel sizes, has been volatile. In 2023, the BDTI reached a high of 1,642 and a low of 713. The Baltic Clean Tanker Index, or BCTI, a comparable index to the BDTI but for petroleum product fixtures, has similarly been volatile. In 2023, the BCTI reached a high of 1,250 and a low of 563. Although the BDTI and BCTI were 1,212 and 1,268, respectively, as of March 18, 2024, there can be no assurance that the crude oil and petroleum products charter market will continue to increase, and the market could again decline. Recent heightened volatility in charter prices has resulted primarily from the war in Ukraine and sanctions on Russian exports of crude oil and petroleum products, and there is great uncertainty about the future impact of those events. More recently, the war between Israel and Hamas has resulted in increased tensions in the Middle East region, including missile attacks by the Houthis on vessels in the Red Sea. Such circumstances have had and could in the future result in adverse consequences for the tanker industry. In general, volatility in charter rates depends, among other factors, on (i) supply and demand for tankers, (ii) the demand for crude oil and petroleum products, (iii) the inventories of crude oil and petroleum products in the United States and in other industrialized nations, (iv) oil refining volumes, (v) oil prices, and (vi) any restrictions on crude oil production imposed by the Organization of the Petroleum Exporting Countries, or OPEC, and non-OPEC oil producing countries.

Currently, five of our vessels are employed on short- and medium-term time charters, and the remaining two of our operating vessels operate under pool arrangements with exposure to the prevailing robust Aframax spot rates. Changes in spot rates and time charter rates can affect the revenues we receive from operations in the event our charterers default or seek to renegotiate the charter hire, as well as the value of our vessels, even if our vessels are employed under long-term time charters. Our ability to re-charter our vessels on the expiration or termination of their time or bareboat charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, economic conditions in the tanker markets and several other factors outside of our control and we cannot guarantee that any renewal or replacement charters we enter into will be sufficient to allow us to operate our vessels profitably. If we are not able to obtain new contracts in direct continuation with existing charters or for newly acquired vessels, or if new contracts are entered into at charter rates substantially below the existing charter rates or on terms otherwise less favorable compared to existing contracts terms, our revenues and profitability could be adversely affected, we may have to record impairment adjustments to the carrying values of our fleet and we may not be able to comply with the financial covenants in our loan agreements. A decline in charter hire rates will also likely cause the value of our vessels to decline.

Fluctuations in charter rates and vessel values result from changes in the supply and demand for vessels and changes in the supply and demand for oil, chemicals and other liquids our vessels carry. Factors affecting the supply and demand for our vessels are outside of our control and are unpredictable. The nature, timing, direction and degree of changes in the tanker industry conditions are also unpredictable.

The factors that influence demand for tanker vessel capacity include:

- supply of and demand for energy resources and oil and petroleum products;
- oil prices;
- competition from, and supply of and demand for, alternative sources of energy, other shipping companies and other modes of transportation;
- regional availability of refining capacity and inventories;
- global and regional economic and political conditions and developments, including national oil reserve policies, fluctuations in industrial and agricultural production, wars or other armed conflicts, including the war in Ukraine, the war between Israel and Hamas or the Houthi crisis in or around the Red Sea, terrorist activities, trade wars, tariffs embargoes, and strikes;
- currency exchange rates;
- changes in seaborne and other transportation patterns, including shifts in transportation demand between crude oil and refined oil products and the distance they are transported by sea and changes in the price of crude oil and changes to the West Texas Intermediate and Brent Crude Oil pricing benchmarks, and changes in trade patterns;
- changes in governmental or maritime self-regulatory organizations' rules and regulations or actions taken by regulatory authorities;
- environmental and other legal and regulatory developments;
- government subsidies of shipbuilding;
- increases in the production of oil in areas linked by pipelines to consuming areas, construction or expansion of new or existing pipelines or railways or conversion of existing non-oil pipelines to oil pipelines;
- weather, natural disasters, and other acts of God;
- economic slowdowns caused by public health events or inflationary pressures and resultant governmental responses;
- developments in international trade, including those relating to the imposition of tariffs;
- worldwide and regional availability of refining capacity and inventories;
- changes in the production levels of crude oil (including in particular production by OPEC, the United States, and other key producers); and
- international sanctions, embargoes, import and export restrictions, nationalizations, and wars or other conflicts, including the ongoing war in Ukraine and between Israel and Hamas.

The factors that influence the supply of tanker vessel capacity include:

- demand for alternative sources of energy;
- the number of newbuilding orders and deliveries;
- the number of shipyards and availability of shipyards to deliver vessels;
- the scrapping rate of older vessels;
- vessel casualties;
- the recycling of older vessels, depending, among other things, on recycling rates and international recycling regulations;
- conversion of tanker vessels to other uses;
- the number of vessels that are out of service, namely those that are laid up, dry-docked, awaiting repairs, or otherwise not available for hire;
- availability of financing for new or secondhand vessels;
- speed of vessel operation;
- vessel freight rates, which are affected by factors that may affect the rate of newbuilding, swapping, and laying up of vessels;
- the price of steel and vessel equipment;

- technological advances in the design, capacity, propulsion technology and fuel consumption efficiency of vessels;
- changes in national or international regulations that may effectively cause reductions in the carrying capacity of vessels or early obsolescence of tonnages;
- changes in environmental and other regulations that may limit the useful lives of vessels;
- port or canal congestion and weather delays;
- environmental concerns and regulations, including ballast water management, low sulfur fuel consumption regulations, and reductions in CO2 emissions; and
- sanctions (in particular, sanctions on Russia, Iran, and Venezuela, among others).

Declines in crude oil and natural gas prices for an extended period of time, or market expectations of potential decreases in these prices, could negatively affect our future growth in the tanker vessel sector. Sustained periods of low oil and natural gas prices typically result in reduced exploration and extraction because oil and natural gas companies' capital expenditure budgets are subject to cash flow from such activities and are, therefore, sensitive to changes in energy prices. These changes in commodity prices can have a material effect on demand for our services, and periods of low demand can cause excess vessel supply and intensify the competition in the industry, which often results in vessels, particularly older and less technologically-advanced vessels, being idle for long periods of time. We cannot predict the future level of demand for our services or future conditions of the oil and natural gas industry. Any decrease in exploration, development, or production expenditures by oil and natural gas companies could reduce our revenues and materially harm our business, results of operations, and cash available for distribution.

An over-supply of tanker capacity may lead to a reduction in charter rates, vessel values, and profitability.

The market supply of tanker vessels is affected by a number of factors, such as the supply of and demand for energy resources, including oil and petroleum products, the supply of and demand for seaborne transportation of such energy resources, the current and expected price for newbuildings, and the number of vessels being recycled for scrap steel, as well as strong overall economic growth of the world economy. In recent years, shipyards have produced a large number of new tankers. As of March 2024, newbuilding orders have been placed for an aggregate of approximately 8.2% of the existing global tanker fleet, with the bulk of deliveries expected during 2025. If the capacity of new tanker vessels delivered exceeds the capacity of tanker vessels being recycled for scrap steel or converted to non-trading tanker vessels, tanker vessel capacity will increase. If the supply of tanker vessel capacity increases and the demand for tanker vessel capacity decreases or does not increase correspondingly, charter rates could materially decline, resulting in a decrease in the value of our vessels and the charter rates that we can obtain. A reduction in charter rates and the value of our tanker vessels may have a material adverse effect on our results of operations, earnings, and available cash, our ability to pay dividends and our ability to comply with the covenants in our loan agreements.

The impact of the sanctions on Russian exports of crude oil and petroleum products is uncertain and has generated increased volatility in the supply of tanker vessels available for worldwide trade. If this volatility persists, we may not be able to find profitable charters for our vessels, or vessels we may acquire, which could have a material adverse effect on our business, results of operations, cash flows, financial condition, ability to pay dividends, and compliance with current or future covenants with respect to any of our financing arrangements.

Our results of operations are subject to seasonal fluctuations, which may adversely affect our financial condition.

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, charter rates. Peaks in tanker vessel demand quite often precede seasonal oil consumption peaks, as refiners and suppliers anticipate consumer demand. Seasonal peaks in oil demand can broadly be classified into two main categories: (1) increased demand prior to Northern Hemisphere winters as heating oil consumption increases and (2) increased demand for gasoline prior to the summer driving season in the United States. Unpredictable weather patterns and variations in oil reserves disrupt tanker scheduling. This seasonality may result in quarter-to-quarter volatility in our operating results, as many of our vessels trade in the spot market. Seasonal variations in tanker vessel demand will affect any spot market-related rates that we may receive.

If economic conditions throughout the world continue to deteriorate or become more volatile, it could have an adverse impact on our operations and financial results.

Various macroeconomic factors, including rising inflation, higher interest rates, global supply chain constraints, and the effects of overall economic conditions and uncertainties, such as those resulting from the current and future conditions in the global financial markets, could adversely affect our results of operations, financial condition and ability to pay dividends. Inflation and rising interest rates may negatively impact us by increasing our operating costs and our cost of borrowing. Interest rates, the liquidity of the credit markets and the volatility of the capital markets could also affect the operation of our business and our ability to raise capital on favorable terms, or at all. Adverse economic conditions also affect demand for goods and oil. Reduced demand for these or other products could result in significant decreases in rates we obtain for chartering our vessels. In addition, the cost for crew members, oils and bunkers, and other supplies may increase. Furthermore, we may experience losses on our holdings of cash and investments due to failures of financial institutions and other parties. Difficult economic conditions may also result in a higher rate of losses on our accounts receivable due to credit defaults. As a result, downturns in the worldwide economy could have a material adverse effect on our business, results of operations, financial condition, and ability to pay dividends.

The world economy continues to face a number of actual and potential challenges, including the war between Ukraine and Russia and between Israel and Hamas, tensions in and around the Red Sea, and Russia and NATO tensions, China and Taiwan disputes, United States and China trade relations, instability between Iran and the West, hostilities between the United States and North Korea, political unrest and conflict in the Middle East, the South China Sea region, and other geographic countries and areas, terrorist or other attacks (including threats thereof) around the world, war (or threatened war) or international hostilities, and epidemics or pandemics, such as COVID-19 and its variants, and banking crises or failures, such as the recent Silicon Valley Bank, Signature Bank, and First Republic Bank failures. See also "—Outbreaks of epidemic and pandemic diseases, such as COVID-19, and the related governmental responses thereto, could adversely affect our business." In addition, the continuing war in Ukraine, the length and breadth of which remains highly unpredictable, has led to increased economic uncertainty amidst fears of a more generalized military conflict or significant inflationary pressures, due to the increases in fuel and grain prices following the sanctions imposed on Russia. Furthermore, it is difficult to predict the intensity and duration of the war between Israel and Hamas or the Houthi rebel attacks on shipping in and around the Red Sea and their impact on the world economy is uncertain. If such conditions are sustained, the longer-term net impact on our business would be difficult to predict with any degree of accuracy. Such events may have unpredictable consequences and contribute to instability in the global economy or cause a decrease in worldwide demand for certain goods and, thus, shipping.

Whether the present dislocation in the markets and resultant inflationary pressures will transition to a long-term inflationary environment is uncertain, and the effects of such a development on charter rates, vessel demand and operating expenses in the sector in which we operate are uncertain. On the tanker market, the sanctions imposed by the EU on Russia affected imports of crude oil and petroleum products. This had a positive effect on the tankers' charter market, as Europe had to import these amounts of crude oil and petroleum products from other sources of greater distance, increasing the overall ton-mile demand. Furthermore, it is difficult to predict the intensity and duration of the war between Israel and Hamas or the Houthi rebel attacks on shipping in the Red Sea and their impact on the world economy is uncertain. If such conditions are sustained, the longer-term net impact on the tanker freight market and our business would be difficult to predict with any degree of accuracy. Such events may have unpredictable consequences and contribute to instability in the global economy or cause a decrease in worldwide demand for certain goods and, thus, shipping. See also "—Political instability, terrorist or other attacks, war, and international hostilities could affect our results of operations and financial condition."

In Europe, concerns regarding the possibility of sovereign debt defaults by European Union, or EU, member countries, although generally alleviated, have in the past disrupted financial markets throughout the world, and may lead to weaker consumer demand in the European Union, the U.S. and other parts of the world. The withdrawal of the UK from the European Union, or Brexit, further increases the risk of additional trade protectionism. 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, operating results, cash flows and financial condition.

In addition, the recent economic slowdown in the Asia Pacific region, particularly in China, may exacerbate the effect of the weak economic trends in the rest of the world. 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. China's GDP growth rate for the year ended December 31, 2022, was approximately 3.0%, one of its lowest rates in 50 years, thought to be mainly caused by the country's zero-COVID policy and strict lockdowns. For the year ended December 31, 2023, China reported that its GDP growth rate recovered to 5.2%, but the economy continues to be weighed down by the ongoing crisis in the property market. It is possible that China and other countries in the Asia Pacific region will continue to experience volatile, slowed or even negative economic growth in the near future. Changes in the economic conditions of China, and changes in laws or policies adopted by its government or the implementation of these laws and policies by local authorities, including with regards to tax matters and environmental concerns (such as achieving carbon neutrality), could affect vessels that are either chartered to Chinese customers or that call to Chinese ports, vessels that undergo drydocking at Chinese shipyards and Chinese financial institutions that are generally active in ship financing, and could have a material adverse effect on our business, operating results, cash flows and financial condition.

Furthermore, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. There is significant uncertainty about the future relationship between the United States, China, and other exporting countries, including with respect to trade policies, treaties, government regulations, and tariffs. Protectionist developments, or the perception that they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Moreover, increasing trade protectionism may cause an increase in (i) the cost of goods exported from regions globally, particularly from the Asia-Pacific region, (ii) the length of time required to transport goods and (iii) the risks associated with exporting goods. Such increases may further reduce 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 employ our vessels. This could have a material adverse effect on our business, operating results, cash flows and financial condition.

Credit markets in the United States and Europe have in the past experienced significant contraction, deleveraging and reduced liquidity, and there is a risk that the U.S. federal government and state governments and European authorities may continue to implement a broad variety of governmental action and/or introduce new financial market regulations. Global financial markets and economic conditions have been, and continue to be, volatile and we face risks associated with the trends in the global economy, such as changes in interest rates, instability in the banking and securities markets around the world, the risk of sovereign defaults, and reduced levels of growth, among other factors. Major market disruptions and the current adverse changes in market conditions and regulatory climate worldwide may adversely affect our business, results or operations or impair our ability to borrow under any future financial arrangements we may enter into contemplating borrowing from the public and/or private equity and debt markets. 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 (or in some cases ceased to provide) funding to borrowers and other market participants, including equity and debt investors and, in some cases, have been unwilling to provide financing on attractive terms or even at all. Due to these factors, we cannot be certain that financing will be available if needed and to the extent required, on acceptable terms or at all. In the absence of available financing or financing in favorable terms, we may be unable to complete vessel acquisitions, take advantage of business opportunities or respond to competitive pressures.

Tanker vessel values may fluctuate due to economic and technological factors, which may adversely affect our financial condition, or result in the incurrence of a loss upon disposal of a tanker vessel, impairment losses, or increases in the cost of acquiring additional tanker vessels.

Tanker vessel values may fluctuate due to a number of different factors, including: general economic and market conditions affecting the shipping industry; competition from other shipping companies; the types and sizes of available tanker vessels; the availability of other modes of transportation; increases in the supply of tanker vessel capacity; the cost of newbuildings; governmental or other regulations; and the need to upgrade secondhand and previously owned tanker vessels as a result of charterer requirements, technological advances in vessel design or equipment or otherwise, including as a result of compliance with more stringent emissions regulations. In addition, as tanker vessels grow older, they generally decline in value. Due to the cyclical nature of the shipping market, if we sell any of our owned tanker vessels at a time when prices are depressed, we could incur a loss and our business, results of operations, cash flow, and financial condition could be adversely affected. Moreover, if the book value of a tanker vessel is impaired due to unfavorable market conditions, we may incur a loss that could adversely affect our operating results. In 2023, 2022, and 2021 we did not recognize any impairment losses.

Conversely, if tanker vessel values are elevated at a time when we wish to acquire additional tanker vessels, the cost of acquisition may increase, and this could adversely affect our business, results of operations, cash flows, financial condition, and ability to pay dividends to our shareholders. Over the past ten years, the value of a ten-year-old Aframax tanker has fluctuated widely within a range of $18 million to $55 million.

An increase in operating costs could adversely affect our cash flows and financial condition.

Vessel operating expenses include, among others, the costs of crew, provisions, deck and engine stores, lube oil, bunkers, insurance, and maintenance and repairs, which depend on a variety of factors, many of which are beyond our control. Some of these costs, primarily relating to insurance and enhanced security measures implemented after September 11, 2001, and as a result of increases in the frequency of acts of piracy, have been increasing. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. Increases in any of these costs could have a material adverse effect on our business, results of operations, cash flows, financial condition, and ability to pay dividends to our shareholders.

Rising fuel prices may adversely affect our profits.

Fuel is a significant, if not the largest, expense in our shipping operations when vessels are operated on the spot market under voyage charters. While we do not directly bear the cost of fuel or bunkers under our time charters, fuel is also a significant factor in negotiating charter rates. As a result, an increase in the price of fuel beyond our expectations may adversely affect our profitability at the time of charter negotiation. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply of and demand for crude oil and natural gas, actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and natural gas producers, the imposition of new regulations adopted by the International Maritime Organization, or IMO, war and unrest in oil producing countries and regions, regional production patterns, and environmental concerns and regulations. While fuel prices remained generally lower in 2023 as compared to 2022, fuel has and may become much more expensive in the future, including as a result of the developments in Ukraine and the sanctions against Russia, political unrest and conflicts in the Middle East, the imposition of sulfur oxide emissions limits in January 2020 and reductions of carbon emissions from January 2023 under new regulations adopted by the IMO, which may reduce the profitability and competitiveness of our business. Other future regulations may have a similar impact.

Compliance with safety and other vessel requirements imposed by classification societies may be very costly and may adversely affect our business.

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 IMO's International Convention for the Safety of Life at Sea of 1974, or SOLAS.

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. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, or special survey, the vessel will be unable to trade between ports and will be unemployable. If this were to happen to one or more of our vessels, it could negatively impact our results of operations and financial condition.

We are subject to regulation and liability under environmental laws that could require significant expenditures and affect our cash flows and net income.

Our business and the operations of our vessels are materially affected by environmental regulation in the form of international conventions, national, state, and local laws and regulations in force in the jurisdictions in which our vessels operate, as well as in the country or countries of their registration, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions (including greenhouse gases), water discharges and ballast water management. These regulations include, but are not limited to, European Union regulations, the U.S. Oil Pollution Act of 1990, requirements of the U.S. Coast Guard and the U.S. Environmental Protection Agency, the U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990), the U.S. Clean Water Act, and the U.S. Maritime Transportation Security Act of 2002, and regulations of the IMO, including the International Convention on Civil Liability for Oil Pollution Damage of 1969, the International Convention for the Prevention of Pollution from Ships of 1973, as modified by the Protocol of 1978, collectively referred to as MARPOL 73/78 or MARPOL, including designations of Emission Control Areas, thereunder, SOLAS, the International Convention on Load Lines of 1966, the International Convention of Civil Liability for Bunker Oil Pollution Damage, and the ISM Code. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with such requirements or the impact thereof on the re-sale price or useful life of any vessel that we own or will acquire. Additional conventions, laws, and regulations may be adopted that could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations. Government regulation of vessels, particularly in the areas of safety and environmental requirements, continues to change, requiring us to incur significant capital expenditures on our vessels to keep them in compliance, or even to scrap or sell certain vessels altogether. In addition, we may incur significant costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential environmental violations, and in obtaining insurance coverage.

In addition, we are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates, approvals, and financial assurances with respect to our operations. Our failure to maintain necessary permits, licenses, certificates, approvals, or financial assurances could require us to incur substantial costs or temporarily suspend the operation of one or more of the vessels in our fleet or lead to the invalidation or reduction of our insurance coverage.

Environmental requirements can also affect the resale value or useful lives of our vessels, require a reduction in cargo capacity, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters, or result in the denial of access to certain jurisdictional waters or ports, or detention in certain ports. Under local, national, and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including for cleanup obligations and natural resource damages, in the event that there is a release of petroleum or hazardous substances from our vessels or otherwise in connection with our operations. We could also become subject to personal injury or property damage claims relating to the release of hazardous substances associated with our existing or historic operations. Violations of, or liabilities under, environmental requirements can result in substantial penalties, fines, and other sanctions, including, in certain instances, seizure or detention of our vessels.

We, or our in-house managers, may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business. In addition, labor interruptions could disrupt our business.

Our success will depend largely on our ability and on the ability of Unitized Ocean Transport Limited, or UOT, our wholly-owned subsidiary, which acts as our in-house manager, to attract and retain highly skilled and qualified personnel. In crewing our vessels, we require technically skilled employees with specialized training who can perform physically demanding work. Competition to attract and retain qualified crew members is intense. If we are not able to increase our charter rates to compensate for any crew cost increases, it could have a material adverse effect on our business, results of operations, cash flows, and financial condition. Any inability we or UOT experience in the future to hire, train, and retain a sufficient number of qualified employees could impair our ability to manage, maintain, and grow our business, which could have a material adverse effect on our financial condition, results of operations, and cash flows.

Our vessels are manned by masters, officers, and crews that are employed by our vessel-owning subsidiaries. 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 financial condition, results of operations, and cash flows.

We operate our vessels worldwide and, as a result, our vessels are exposed to international risks and inherent operational risks of the tanker vessel industry, which may adversely affect our business and financial condition.

The operation of an ocean-going vessel carries inherent risks. Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather, and acts of God, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy, epidemic or pandemics, and other circumstances or events. In addition, changing economic, regulatory, and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes, and boycotts. These events may result in death or injury to persons, loss of revenues or property, the payment of ransoms, environmental damage, higher insurance rates, damage to our customer relationships, and market disruptions, delay, or rerouting, which may also subject us to litigation. Epidemics and other public health incidents may also lead to crew member illness, which can disrupt the operations of our vessels, or result in the imposition of public health measures, which may prevent our vessels from calling on ports or discharging cargo in the affected areas or in other locations after having visited the affected areas. In addition, the operation of tanker vessels has unique operational risks associated with the transportation of oil. An oil spill may cause significant environmental damage and the associated costs could exceed the insurance coverage available to us. Compared to other types of vessels, tanker vessels are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision, or other cause, due to the high flammability and high volume of the oil transported in tanker vessels.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs and maintenance are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility, or our vessels may be forced to travel to a drydocking facility that is not conveniently located to our vessels' positions. The loss of earnings while these vessels are forced to wait for space, or to travel to more distant drydocking facilities, may adversely affect our business and financial condition. Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs, or loss which could negatively impact our business, financial condition, results of operations, and available cash.

In addition, international shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and transshipment points. Inspection procedures can result in the seizure of the cargo and/or our vessels, delays in the loading, offloading, or delivery, 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. Furthermore, 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, results of operations, cash flows, financial condition, and available cash.

Political instability, terrorist or other attacks, war, and international hostilities could affect our results of operations and financial condition.

We conduct most of our operations outside of the United States and our business, operating results, cash flows, financial condition, and available cash may be adversely affected by changing economic, political, and governmental conditions in the countries and regions in which 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 uncertainty and armed conflicts, including the war between Ukraine and Russia and between Israel and Hamas, Russia and NATO tensions, China and Taiwan disputes, United States and China trade relations, instability between Iran and the West, hostilities between the United States and North Korea, political unrest and conflicts in the Middle East, the South China Sea region, the Red Sea region (including missile attacks controlled by the Houthis on vessels transiting the Red Sea or Gulf of Aden), and other countries and geographic areas, geopolitical events, such as Brexit or another withdrawal from the European Union, terrorist or other attacks (or threats thereof) around the world, and war (or threatened war) or international hostilities. Such events may contribute to further economic instability in the global financial markets and international commerce, and could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all.

The war between Russia and Ukraine may lead to further regional and international conflicts or armed action. This war has disrupted supply chains and caused instability in the energy markets and the global economy, with effects on the tanker market, which has experienced volatility. The United States, the United Kingdom, and the European Union, among other countries, have announced unprecedented economic sanctions and other penalties against certain persons, entities, and activities connected to Russia, including removing Russian-based financial institutions from the Society for Worldwide Interbank Financial Telecommunication payment system and restricting imports of Russian oil, liquefied natural gas, and coal. These sanctions have caused supply disruptions in the oil and gas markets and could continue to cause significant volatility in energy prices, which could result in increased inflation and may trigger a recession in the U.S. and China, among other regions. While much uncertainty remains regarding the global impact of the war in Ukraine, it is possible that such tensions could adversely affect our business, financial condition, operating results, and cash flows. Moreover, we will be subject to additional insurance premiums in case we transit through or call to any port or area designated as listed areas by the Joint War Committee or other organizations. These factors may also result in the weakening of the financial condition of our charterers, suppliers, counterparties, and other agents in the shipping industry. As a result, our business, operating results, cash flows, and financial condition may be negatively affected since our operations are dependent on the success and economic viability of our counterparties.

The ongoing war between Russia and Ukraine could result in the imposition of further economic sanctions by the United States, the United Kingdom, the European Union, or other countries against Russia, trade tariffs, or embargoes with uncertain impacts on the markets in which we operate. In addition, the U.S. and certain other North Atlantic Treaty Organization (NATO) countries have been supplying Ukraine with military aid. U.S. officials have also warned of the increased possibility of Russian cyberattacks, which could disrupt the operations of businesses involved in the shipping industry, including ours, and could create economic uncertainty particularly if such attacks spread to a broad array of countries and networks. While much uncertainty remains regarding the global impact of the war in Ukraine, it is possible that such tensions could adversely affect our business, financial condition, operating results, and cash flows.

Beginning in February 2022, President Biden and several European leaders also announced various economic sanctions against Russia in connection with the aforementioned conflicts in the Ukraine region, which have continued to expand over the past year and which may adversely impact our business. The Russian Foreign Harmful Activities Sanctions program includes prohibitions on the import of certain Russian energy products into the United States, including crude oil, petroleum, petroleum fuels, oils, liquefied natural gas and coal, as well as prohibitions on all new investments in Russia by U.S. persons, among other restrictions. Furthermore, the United States, the EU and other countries has also prohibited a variety of specified services related to the maritime transport of Russian Federation origin crude oil and petroleum products, including trading/commodities brokering, financing, shipping, insurance (including reinsurance and protection and indemnity), flagging, and customs brokering. These prohibitions took effect on December 5, 2022, with respect to the maritime transport of crude oil and took effect on February 5, 2023, with respect to the maritime transport of other petroleum products. An exception exists to permit such services when the price of the seaborne Russian oil into non-EU countries does not exceed the relevant price cap; but implementation of this price exception relies on a recordkeeping and attestation process that allows each party in the supply chain of seaborne Russian oil to demonstrate or confirm that oil has been purchased at or below the price cap. Violations of the price cap policy or the risk that information, documentation, or attestations provided by parties in the supply chain are later determined to be false may pose additional risks adversely affecting our business.

Furthermore, the intensity and duration of the recently declared war between Israel and Hamas is difficult to predict and its impact on the world economy and our industry is uncertain. Beginning in late 2023, vessels in the Red Sea and Gulf of Aden have increasingly been subject to attempted hijackings and attacks by drones and projectiles characterized by Houthi groups in Yemen as a response to the war between Israel and Hamas. An increasing number of companies have rerouted their vessels to avoid transiting the Red Sea, incurring greater shipping costs and delays. For vessels transiting the region, war risk premiums have increased substantially, and should these attacks continue, we could similarly experience a significant increase in our insurance costs and we may not be adequately insured to cover losses from these incidents. While much uncertainty remains regarding the global impact of the war between Israel and Hamas, it is possible that such tensions could result in the eruption of further hostilities in other regions, including in and around the Red Sea, and could adversely affect our business, financial conditions, operating results, and cash flows.

In the past, other political conflicts have also resulted in attacks on vessels, mining of waterways, and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. The ongoing war in Ukraine has previously resulted in missile attacks on commercial vessels in the Black Sea. The recent outbreak of conflict in and around the Red Sea has also resulted in missile attacks on vessels. Acts of terrorism and piracy have also affected vessels trading in regions such as the Gulf of Guinea, the Red Sea, the Gulf of Aden off the coast of Somalia, and the Indian Ocean. Any of these occurrences could have a material adverse impact on our future performance, operating results, cash flows, financial condition, and ability to pay cash distributions to our shareholders.

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

Global public health threats, such as the COVID-19 outbreak and its variants, influenza, and other highly communicable diseases or viruses, outbreaks which have from time to time occurred in various parts of the world in which we operate, including China, could disrupt global financial markets and economic conditions and adversely impact our operations, the timing of completion of any future newbuilding projects, as well as the operations of our charterers and other customers.

For example, the outbreak of COVID-19 caused severe global disruptions, with governments in affected countries imposing travel bans, quarantines, and other emergency public health measures. Companies had also taken precautions, such as requiring employees to work remotely, imposing travel restrictions, and temporarily closing businesses. Although the incidence and severity of COVID-19 and its variants have diminished, similar restrictions, and future prevention and mitigation measures against outbreaks of epidemic and pandemic diseases, are likely to have an adverse impact on global economic conditions, which could materially and adversely affect our future operations. As a result of such measures, our vessels may not be able to call on, or disembark from ports located in regions affected by the outbreak. In addition, we may experience severe operational disruptions and delays, unavailability of normal port infrastructure and services including limited access to equipment, critical goods and personnel, disruptions to crew changes, quarantine of ships or crew, counterparty solidity, closure of ports and custom offices, as well as disruptions in the supply chain and industrial production, which may lead to reduced cargo demand, among other potential consequences attendant to epidemic and pandemic diseases.

The extent to which our business, operating results, cash flows, financial condition, financings, value of our vessel or other vessels we may acquire, and ability to pay dividends may be negatively affected by a resurgence of COVID-19 or future pandemics, epidemics, or other outbreaks of infectious diseases is highly uncertain and will depend on numerous evolving factors that we cannot predict, including, but not limited to, (i) the duration and severity of the infectious disease outbreak; (ii) the imposition of restrictive measures to combat the outbreak and slow disease transmission; (iii) the introduction of financial support measures to reduce the impact of the outbreak on the economy; (iv) shortages or reductions in the supply of essential goods, services, or labor; and (v) fluctuations in general economic or financial conditions tied to the outbreak, such as a sharp increase in interest rates or reduction in the availability of credit. We cannot predict the effect that an outbreak of a new COVID-19 variant or strain, or any future infectious disease outbreak, pandemic, or epidemic may have on our business, operating results, cash flows, and financial condition, which could be material and adverse.

Increasing growth of electric vehicles and renewable fuels could lead to a decrease in trading and the movement of crude oil and petroleum products worldwide.

The IEA noted in its Global EV Outlook 2023 that total electric cars sold annually worldwide grew from about 120,000 in 2012 to more than 10 million in 2022, bringing the total number of electric cars to approximately 26 million, more than five times the number from 2018. Electric car sales in the first quarter of 2023 were 2.3 million, up 25% from the same quarter of 2022. This was driven mainly by government subsidies and policy initiatives, such as the phasing-out of internal combustion engines and vehicle electrification targets, combined with high oil prices in 2022 that further motivated prospective buyers. IEA forecasts are for electric vehicles (“EVs”) to grow from 17 million in 2021 to 240 million by 2030, which the IEA forecasts would reduce worldwide demand for oil products by 5 million barrels per day in 2030. IEA estimates that EV operations in 2019 avoided the consumption of almost 0.7 million barrels per day of oil products. According to the World Economic Forum, there were about 1.1 billion cars registered in 2015 and there will be about 2 billion cars registered by 2040.

According to the IEA, U.S. biodiesel production increased rapidly from 32,000 barrels per day in 2009 to 118,000 barrels per day in 2020, a growth of about 260% (that production was up from 112 thousand barrels per day in 2019). During the same period, diesel production from U.S. refineries grew from an average of 4.0 million barrels per day in 2009 to a maximum of 5.6 million barrels per day in December 2018 before declining to 4.6 million barrels per day in January 2021 during the pandemic. A growth in EVs or a slowdown in imports or exports of crude or petroleum products worldwide may result in decreased demand for our vessels and lower charter rates, which could have a material adverse effect on our business, results of operations, cash flows, financial condition, and ability to make cash distributions.

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 Red Sea, the Gulf of Aden off the coast of Somalia, the Indian Ocean, and the Gulf of Guinea region off the coast of Nigeria, which has experienced increased incidents of piracy in recent years. Sea piracy incidents continue to occur, particularly in the South China Sea, the Indian Ocean, the Gulf of Guinea, and the Strait of Malacca, and there has been a recent resurgence of such incidents in the Gulf of Aden. Acts of piracy could result in harm or danger to the crews that man our vessels. Additionally, if piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones, or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly, and such insurance coverage may be more difficult to obtain, if available at all. In addition, crew and security equipment costs, including costs that may be incurred to employ onboard security armed guards, could increase in such circumstances. Furthermore, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not "on-hire" for a certain number of days and is, therefore, entitled to cancel the charterparty, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention hijacking, involving the hostile detention of a vessel, as a result of an act of piracy against our vessels, or an increase in cost or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition, and operating results.

Our operations may be adversely impacted by severe weather, including as a result of climate change.

Tropical storms, hurricanes, typhoons, and other severe maritime weather events could result in the suspension of operations at the planned ports of call for our vessels and require significant deviations from our vessels' routes. In addition, climate change could result in an increase in the frequency and severity of these extreme weather events. The closure of ports, rerouting of vessels, damage of production facilities, as well as other delays caused by increasing frequency of severe weather, could stop operations or shipments for indeterminate periods and have a material adverse effect on our business, results of operations, and financial condition.

If our vessels call on ports located in countries or territories that are the subject of sanctions or embargoes imposed by the U.S. government or other governmental authorities, it could lead to monetary fines or adversely affect our business, reputation, and the market for our common shares.

While none of our vessels have called on ports located in countries or territories that are the subject of country-wide or territory-wide sanctions or embargoes imposed by the U.S. government or other governmental authorities ("Sanctioned Jurisdictions") in 2023 and through the date of this report, and although we intend to maintain compliance with all applicable sanctions and embargo laws, and we endeavor to take precautions reasonably designed to ensure compliance with such laws, it is possible that, in the future, our vessels may call on ports in Sanctioned Jurisdictions on charterers' instructions and without our consent. If such activities result in a violation of sanctions or embargo laws, we could be subject to monetary fines, penalties, or other sanctions, and our reputation and the market for our common shares could be adversely affected.

The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or expanded over time. In particular, the war in Ukraine could result in the imposition of further economic sanctions by the United States and the European Union against Russia. 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 governments of the U.S., European Union, 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, any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our common shares may adversely affect the price at which our common shares trade. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could, in turn, negatively affect our reputation. Investor perception of the value of our common shares may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in countries or territories that we operate in.

We conduct business in China, where the legal system is unpredictable and has inherent uncertainties that could limit the legal protections available to us.

Some of our vessels may be chartered to Chinese customers, and from time to time, on our charterers' instructions, our vessels may call on Chinese ports. Such charters and voyages may be subject to regulations in China that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Chinese government new taxes or other fees. Applicable laws and regulations in China may not be well-publicized and may not be known to us or to our charterers in advance of us or our charterers becoming subject to them, and the implementation of such laws and regulations may be inconsistent. Changes in Chinese laws and regulations, including with regards to tax matters, or changes in their implementation by local authorities, could affect our vessels if chartered to Chinese customers, as well as our vessels calling to Chinese ports, and could have a material adverse impact on our business, financial condition, and results of operations.

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

A government of a vessel's registry could requisition for title or hire or seize one or more of our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. A government could also requisition one or more of our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. 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 of such compensation is uncertain. Government requisition of one or more of our vessels could have a material adverse effect on our business, results of operations, cash flows, and financial condition.

Failure to comply with the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA, could result in fines, criminal penalties, 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 that is consistent and in full compliance with 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. 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. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, earnings or financial condition.

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

We expect that our vessels will call in ports in areas where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims and our vessels may be detained for a prolonged period of time, which could have an adverse effect on our business, results of operations, cash flows, and financial condition. Under some jurisdictions, vessels used for the conveyance of illegal drugs could result in the forfeiture of such vessel to the government of such jurisdiction.

Maritime claimants could arrest or attach our vessels, which would interrupt our business or have a negative effect on our cash flows.

Crew members, suppliers of goods and services to a vessel, shippers of cargo, lenders, and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims, or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our business or require us to pay large sums of funds to have the arrest or attachment lifted, which would have a negative effect on our cash flows.

In addition, in some jurisdictions, such as South Africa, under the "sister-ship" theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister-ship" liability against one vessel in our fleet for claims relating to another of our ships.

Changing laws and evolving reporting requirements could have an adverse effect on our business.

Changing laws, regulations, and standards relating to reporting requirements, including the EU General Data Protection Regulation, or GDPR, may create additional compliance requirements for us.

GDPR broadens the scope of personal privacy laws to protect the rights of EU citizens and requires organizations to report on data breaches within 72 hours and be bound by more stringent rules for obtaining the consent of individuals on how their data can be used. GDPR was enforced on May 25, 2018, and non-compliance exposes entities to significant fines or other regulatory claims which could have an adverse effect on our business, financial condition, and operations.

Company Specific Risk Factors

The market values of our vessels are highly volatile and may decline, which could limit the amount of funds that we can borrow and trigger breaches of certain financial covenants under our future loan facilities.

The market values of our vessels are related to prevailing charter rates. While the market values of vessels and the charter market have a very close relationship as the charter market moves from trough to peak, the time lag between the effects of charter rates on market values of ships can vary. The market values of our vessels have generally experienced high volatility, and you should expect the market value of our vessels to fluctuate depending on a number of factors, including:

- the prevailing level of charter rates;
- general economic and market conditions affecting the shipping industry;
- competition from other shipping companies and other modes of transportation;
- the types, sizes, and ages of vessels;
- the supply of and demand for vessels;
- applicable governmental or other regulations;
- exchange rate levels;
- the price of steel;
- number of tankers scrapped;
- the need to upgrade secondhand and previously owned vessels as a result of charterer requirements;
- technological advances in vessel design or equipment or otherwise;
- fuel efficiency and level of air emissions;
- the cost of newbuildings; and
- shipyard capacity and slot availability.

Dislocations in the supply of and demand for tankers as a result of the war in Ukraine and sanctions on Russian exports have resulted in greatly increased volatility in tanker asset prices. Furthermore, the ongoing war between Israel and Hamas and the Houthi rebel attacks on shipping in the Red have an uncertain impact on the supply and demand for tankers. At times when we have loans outstanding with covenants based on vessels' market values, if the market values of our vessels decline further, we may not be in compliance with certain covenants contained in such loan facilities, and we may not be able to refinance our debt or obtain additional financing or incur debt on terms that are acceptable to us or at all. As of December 31, 2023, we had $55.2 million outstanding under our loan facilities and were in compliance with all our loan covenants. In the future, if we are not in compliance with the covenants in our loan facilities or are unable to obtain waivers or amendments or otherwise remedy the relevant breaches, our lenders under the facilities could accelerate our debt and foreclose on our fleet. We may not be successful in obtaining any such waiver or amendment, and we may not be able to refinance our debt or obtain additional financing. Moreover, our loan facilities, as amended or pursuant to any waiver, and any refinancing or additional financing, may be more expensive and carry more onerous terms than those in our existing debt agreements.

In addition, if the book value of a vessel is impaired due to unfavorable market conditions, or if a vessel is sold at a price below its book value, we would incur a loss that could adversely affect our operating results.

Our business, operating results, financial condition, and growth will depend on our ability to successfully charter our vessels, for which we will face substantial competition.

The process of obtaining new charters is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. Charters are awarded based upon a variety of factors relating to the vessel operator, including:

- shipping industry relationships and reputation for customer service and safety;
- the experience and quality of ship operations, including cost-effectiveness;
- quality and experience of the seafaring crew;
- the ability to finance vessels at competitive rates and financial stability generally;
- relationships with shipyards and the ability to get suitable berths;
- the technical specifications of the vessel;
- construction management experience, including the ability to obtain on-time delivery of new ships according to customer specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

We expect substantial competition for providing tanker vessel transportation services from a number of experienced companies, including state-sponsored entities and major shipping companies. Many of these competitors have significantly greater financial resources than we do and can therefore operate larger fleets and may be able to offer better charter rates. As a result of these factors, we may be unable to attract new customers or secure charters at profitable charter rates, if at all, which will impede our operating results, financial condition, and growth.

Furthermore, if our vessels become available for employment under new charters during periods when charter rates are at depressed levels, we may have to employ our tanker vessels at depressed charter rates, if we are able to secure employment for our vessels at all, which would lead to reduced or volatile earnings. Future charter rates may not be at a level that will enable us to operate our vessels profitably.

The failure of our counterparties to meet their obligations to us under any vessel purchase agreements or charter agreements could cause us to suffer losses or otherwise adversely affect our business.

Generally, we intend to selectively employ our vessels in the spot market under short- to medium-term time charters or voyage charters and pool arrangements, which exposes us to counterparty risks. The ability and willingness of each of our counterparties to perform its obligations under a vessel purchase agreement or charter agreement with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the shipping market, and the overall financial condition of the counterparty, charter rates received for specific types of vessels, work stoppages or other labor disturbances and various expenses. From time to time, we may enter into agreements to acquire vessels, and if the seller of a vessel fails to deliver a vessel to us as agreed, or if we cancel a purchase agreement because a seller has not met its obligations, this may have a material adverse effect on our business.

The combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities , and the lack of availability of debt or equity financing may result in a significant reduction in the ability of charterers to make charter payments to us. In addition, in depressed market conditions, there have been reports of charterers renegotiating their charters or defaulting on their obligations under charters, and our future customers may fail to pay charter hire or attempt to renegotiate charter rates. Furthermore, it is possible that third parties with whom we have charter contracts may be impacted by the war between Russia and Ukraine or the resulting sanctions, which could adversely affect their ability to perform. If our future charterers fail to meet their obligations to us or attempt to renegotiate our future charter agreements, it may be difficult to secure substitute employment for such vessels, and any new charter arrangements we secure may be at lower rates. As a result, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We may be unable to locate suitable vessels or dispose of vessels at reasonable prices, which would adversely affect our ability to operate our business.

There are periods when we may be interested in further growing our fleet through selective acquisitions. Our business strategy is dependent on identifying and purchasing suitable vessels. Changing market and regulatory conditions may limit the availability of suitable vessels because of customer preferences or because they are not or will not be compliant with existing or future rules, regulations, and conventions. Additional vessels of the age and quality we desire may not be available for purchase at prices we are prepared to pay or at delivery times acceptable to us, and we may not be able to dispose of vessels at reasonable prices, if at all. If we are unable to purchase and dispose of vessels at reasonable prices in accordance with our business strategy or in response to changing market and regulatory conditions, our business would be adversely affected.

Our purchasing and operating secondhand vessels, and the aging of our fleet may result in increased operating costs and vessels off-hire, which could adversely affect our earnings.

While we will typically inspect secondhand vessels before 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 such vessels before purchase. Any such hidden defects or problems, when detected, 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 addition, when purchasing secondhand vessels, we do not receive the benefit of any builder warranties if the vessels we buy are older than one year.

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. Potential charterers may also choose not to charter older vessels. Governmental regulations and safety and other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to some of our vessels and may restrict the type of activities in which these vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. As a result, regulations and standards could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

There is a lack of historical operating history provided with our secondhand vessel acquisitions, and profitable operation of the vessels will depend on our skill and expertise.

Consistent with shipping industry practice, other than inspection of the physical condition of the vessels and examinations of classification society records, neither we, nor UOT, will conduct any historical financial due diligence process at times when we acquire vessels. Accordingly, neither we, nor UOT, will obtain the historical operating data for any secondhand vessels we may acquire in the future from the sellers because that information is not material to our decision to make acquisitions, nor do we believe it would be helpful to potential investors in assessing our business or profitability. Most vessels are sold under a standardized agreement, which, among other things, provides the buyer with the right to inspect the vessel and the vessel's classification society records. The standard agreement does not give the buyer the right to inspect, or receive copies of, the historical operating data of the vessel. Prior to the delivery of a purchased vessel, the seller typically removes from the vessel all records, including past financial records and accounts related to the vessel. In addition, the technical management agreement between the seller's technical manager and the seller is automatically terminated and the vessel's trading certificates are revoked by its flag state following a change in ownership.

Consistent with shipping industry practice, we treat the acquisition of a vessel (whether acquired with or without charter) as the acquisition of an asset rather than a business. Although vessels are generally acquired free of charter, we have acquired and may also in the future acquire some vessels with time charters. Where a vessel has been under a voyage charter, the vessel is delivered to the buyer free of charter, and it is rare in the shipping industry for the last charterer of the vessel in the hands of the seller to continue as the first charterer of the vessel in the hands of the buyer. In most cases, when a vessel is under time charter, and the buyer wishes to assume that charter, the vessel cannot be acquired without the charterer's consent and the buyer's entering into a separate direct agreement with the charterer to assume the charter. The purchase of a vessel itself does not transfer the charter because it is a separate service agreement between the vessel owner and the charterer.

Due to the differences between the prior owners of these vessels and the Company with respect to the routes we expect to operate, our future customers, the cargoes we expect to carry, the freight rates and charter rates we will charge in the future, and the costs we expect to incur in operating our vessels, we believe that our operating results will be significantly different from the operating results of the vessels while owned by the prior owners. The profitable operation of the vessels will depend on our skill and expertise. If we are unable to operate the vessels profitably, it may have an adverse effect on our financial condition, results of operations, and cash flows.

Technical innovation and technical quality and efficiency requirements from our customers could reduce our charter hire income and the value of our vessels.

Our customers, in particular those in the oil industry, have a high and increasing focus on quality and compliance standards with their suppliers across the entire supply chain, including the shipping and transportation segment. Our continued compliance with these standards and quality requirements is vital for our operations. The charter rates and the value and operational life of a vessel are determined by a number of factors, including the vessel's efficiency, operational flexibility, and physical life. Efficiency includes speed, fuel economy, and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities, and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance, and the impact of the stress of operations. If new vessels are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charter hire payments we receive for our vessels, and the resale value of our vessels could significantly decrease. This could have an adverse effect on our results of operations, cash flows, financial condition, and ability to pay dividends.

The Public Company Accounting Oversight Board inspection of our independent accounting firm could lead to findings in our auditor's reports and challenge the accuracy of our published audited consolidated financial statements.

Auditors of U.S. public companies are required by law to undergo periodic Public Company Accounting Oversight Board, or PCAOB, inspections that assess their compliance with U.S. law and professional standards in connection with the performance of audits of financial statements filed with the SEC. For several years, certain European Union countries, including Greece, did not permit the PCAOB to conduct inspections of accounting firms established and operating in such European Union countries, even if they were part of major international firms. Accordingly, unlike most U.S. public companies, the PCAOB was prevented from evaluating our auditor's performance of audits and its quality control procedures, and, unlike stockholders of most U.S. public companies, we, and our stockholders, were deprived of the possible benefits of such inspections. Since 2015, Greece has agreed to allow the PCAOB to conduct inspections of accounting firms operating in Greece. In the future, such PCAOB inspections could result in findings in our auditor's quality control procedures, question the validity of the auditor's reports on our published consolidated financial statements and the effectiveness of our internal control over financial reporting, and cast doubt upon the accuracy of our published audited financial statements.

Our ability to obtain debt financing in the future may be dependent on the performance of our then-existing charters and the creditworthiness of our charterers.

The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources that we will require to purchase additional vessels in the future or may significantly increase our costs of obtaining such capital. Our inability to obtain financing at all or at a higher than anticipated cost may materially affect our results of operation and our ability to implement our business strategy.

We may be unable to attract and retain key management personnel and other employees in the shipping industry, which may negatively impact the effectiveness of our management and results of operations.

Our success depends to a significant extent upon the abilities and efforts of our management team, the Chairperson of the Board, Aliki Paliou, and our Chief Executive Officer, Director and Secretary, Andreas Michalopoulos. Our success will depend upon our ability to retain key members of our management team and to hire new members as may be necessary. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining replacement personnel could adversely affect our business, results of operations, and ability to pay dividends. We do not intend to maintain "key man" life insurance on any of our officers or other members of our management team.

Aliki Paliou, the Chairperson of the Board, controls a majority of voting power over matters on which our shareholders are entitled to vote and, accordingly, may exert considerable influence over us and may have interests that are different from the interests of our other shareholders.

Aliki Paliou may be deemed to beneficially own 1,314,792 Series C Preferred Shares, and through the beneficial ownership of such Series C Preferred Shares currently controls in excess of 88.0% of the voting power of our capital stock. As a result, Ms. Paliou has the power to exert considerable influence over our actions through her ability to control the outcome of any matter submitted to a vote of our shareholders, including the election of our directors and other significant corporate actions. The Series C Preferred Shares bear superior voting rights to our common shares, are entitled to vote on all matters on which our shareholders are entitled to vote, and are convertible into our common shares. The superior voting rights of our Series C Preferred Shares may limit our common shareholders' ability to influence corporate matters. The interests of the holders of the Series C Preferred Shares may conflict with the interests of our common shareholders and, as a result, the holders of our capital stock may approve actions that our common shareholders do not view as beneficial. Any such conflicts of interest could adversely affect our business, financial condition, and results of operations, and the trading price of our common shares. For additional information regarding the terms of our Series C Preferred Shares, please see "Description of Securities," attached hereto as Exhibit 2.5 and incorporated by reference herein.

Our Chief Financial Officer participates in business activities not associated with us and does not devote all of his time to our business, which may create conflicts of interest and hinder our ability to operate successfully.

Anthony Argyropoulos, our Chief Financial Officer, participates in business activities not associated with us and, as a result, may devote less time to us than if he was not engaged in other business activities. This may create conflicts of interest in matters involving or affecting us and our customers, and it is not certain that any of these conflicts of interest will be resolved in our favor. This could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We are currently subject to litigation and we may be subject to similar or other litigation in the future.

We, and our former Chief Executive Officer, are defendants in a purported class action lawsuit brought in 2017 and currently pending in the U.S. District Court for the Eastern District of New York. The lawsuit alleges violations of the Securities Exchange Act of 1934, as amended. In addition, we, our Chief Executive Officer, the Chairperson of the Board, five former directors of the Board, and two entities affiliated with our Chief Executive Officer and Chairperson of the Board were named as defendants in a lawsuit commenced on October 27, 2023 in New York State Supreme Court, County of New York, alleging, among other things, violations of fiduciary duties by the named defendants in connection with the exchange offer commenced in December 2021. For more information see "Item 8. Financial information—Legal Proceedings."

While we believe these claims to be without merit and intend to defend these lawsuits vigorously, we cannot predict their outcome. Also, costs associated with the litigation are unpredictable, and could increase our general administrative expenses above their current levels. Furthermore, we may, from time to time, be a party to other litigation in the normal course of business. Monitoring and defending against legal actions, whether or not meritorious, is time-consuming for our management and detracts from our ability to fully focus our internal resources on our business activities. Uncertainty regarding such pending legal actions, even if eventually resolved in our favor, could have an adverse effect on our ability to obtain financing, raise capital, or otherwise execute our business strategy. In addition, legal fees and costs incurred in connection with such activities may be significant, and we could in the future be subject to judgments or enter into settlements of claims for significant monetary damages. A decision adverse to our interests could result in the payment of substantial damages and could have a material adverse effect on our cash flow, results of operations, and financial position.

With respect to any litigation, our insurance may not reimburse us or may not be sufficient to reimburse us for the expenses or losses we may suffer in contesting and concluding such a lawsuit. Substantial litigation costs, including the substantial self-insured retention that we are required to satisfy before any insurance is applied to the claim, or an adverse result in any litigation may adversely impact our business, operating results, or financial condition.

We expect to continue to operate substantially outside the United States, which will expose us to political and governmental instability, which could harm our operations.

We expect that our operations will continue to be primarily conducted outside the United States and may be adversely affected by changing or adverse political and governmental conditions in the countries where our vessels are flagged or registered and in the regions where we otherwise engage in business. Any disruption caused by these factors may interfere with the operation of our vessels, which could harm our business, financial condition, and results of operations. Past political efforts to disrupt shipping in these regions, particularly in the Arabian Gulf, have included attacks on ships and mining of waterways. In addition, terrorist attacks outside this region and continuing hostilities in the Middle East and globally may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the United States and elsewhere. Any such attacks or disturbances may disrupt our business, increase vessel operating costs, including insurance costs, and adversely affect our financial condition and results of operations. Our operations may also be adversely affected by expropriation of vessels, taxes, regulation, tariffs, trade embargoes, economic sanctions, disruption of or limit to trading activities, or other adverse events or circumstances affecting the countries and regions in which we operate or may operate in the future.

We generate all of our revenues in U.S. dollars and incur a portion of our expenses in other currencies and, therefore, exchange rate fluctuations could have an adverse impact on our results of operations.

We generate all of our revenues in U.S. dollars and incur a portion of our expenses in currencies other than the dollar. This difference could lead to fluctuations in net income due to changes in the value of the U.S. dollar relative to the other currencies, in particular the Euro. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can increase, decreasing our revenues. Further declines in the value of the dollar could lead to higher expenses payable by us.

While we historically have not mitigated the risk associated with exchange rate fluctuations through the use of financial derivatives, we may employ such instruments from time to time in the future in order to minimize this risk. Our use of financial derivatives would involve certain risks, including the risk that losses on a hedged position could exceed the nominal amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results.

Volatility of SOFR could affect our profitability, earnings, and cash flow.

The calculation of interest in most financing agreements in our industry was historically based on the London Interbank Offered Rate ("LIBOR"). LIBOR has been the subject of national, international, and other regulatory guidance and proposals for reform. In response thereto, the Alternative Reference Rate Committee, a committee convened by the Federal Reserve Board that includes major market participants proposed the Secured Overnight Financing Rate, or "SOFR," as an alternative rate to replace U.S. Dollar LIBOR. While our financing arrangements previously used LIBOR, including during the fiscal years ended December 31, 2023, 2022, and 2021, in 2023 we either refinanced, amended or repaid such arrangements. As a result, none of our financing arrangements currently utilize LIBOR, and those that have a reference rate use SOFR, in line with current market practice.

An increase in SOFR, including as a result of the interest rate increases effected by the United States Federal Reserve and the United States Federal Reserve's recent hike of U.S. interest rates in response to rising inflation, would affect the amount of interest payable under our existing loan agreements, which, in turn, could have an adverse effect on our profitability, earnings, cash flow, and ability to pay dividends. Furthermore, as a secured rate backed by government securities, SOFR may be less likely to correlate with the funding costs of financial institutions. As a result, parties may seek to adjust spreads relative to SOFR in underlying contractual arrangements. Therefore, the use of SOFR-based rates may result in interest rates and/or payments that are higher or lower than the rates and payments that were expected when interest was based on LIBOR. If SOFR performs differently than expected or if our lenders insist on a different reference rate to replace SOFR, that could increase our borrowing costs (and administrative costs to reflect the transaction), which would have an adverse effect on our profitability, earnings, and cash flows. Alternative reference rates may behave in a similar manner or have other disadvantages or advantages in relation to our future indebtedness and the transition to SOFR or other alternative reference rates in the future could have a material adverse effect on us.

In order to manage our exposure to interest rate fluctuations, we may, from time to time, use interest rate derivatives to effectively fix some of our floating rate debt obligations. No assurance can be given, however, that the use of these derivative instruments, if any, may effectively protect us from adverse interest rate movements. The use of interest rate derivatives may affect our results through mark to market valuation of these derivatives. Also, adverse movements in interest rate derivatives may require us to post cash as collateral, which may impact our free cash position, and have the potential to cause us to breach covenants in our loan agreements that require maintenance of certain financial positions and ratios.

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

Under the United States Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as us 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, or Section 883, and the applicable Treasury Regulations promulgated thereunder.

We intend to take the position that we qualified for this statutory tax exemption for U.S. federal income tax return reporting purposes for our 2023 taxable year. However, there are factual circumstances that could cause us to lose the benefit of this tax exemption for any future taxable year and thereby become subject to U.S. federal income tax on our U.S.-source shipping income. Due to the factual nature of the issues involved, there can be no assurances on our tax-exempt status.

If we are not entitled to exemption under Section 883 for any taxable year, we would be subject for those years to an effective 2% U.S. federal income tax on the shipping income we derive during the year, which is 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 may be treated as a "passive foreign investment company," which could have certain adverse U.S. federal income tax consequences to U.S. holders.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income", or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, cash will be treated as an asset held for the production of passive income. For purposes of these tests, "passive income" generally includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than those 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." U.S. holders of stock in a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their stock in the PFIC.

Whether we will be treated as a PFIC will depend upon our method of operation. In this regard, we intend to treat the gross income we derive or are deemed to derive from time or voyage chartering activities as services income rather than rental income. Accordingly, we believe that any income from time or voyage chartering activities will not constitute "passive income," and any assets that we may own and operate in connection with the production of that income will not constitute passive assets. However, any gross income that we may be deemed to have derived from bareboat chartering activities will be treated as rental income and thus will constitute "passive income," and any assets that we may own and operate in connection with the production of that income will constitute passive assets. There is substantial legal authority supporting this position consisting of case law and Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position with regard to our status from time to time as a PFIC, and there is a risk that the IRS or a court of law could determine that we are or have been a PFIC for a particular taxable year.

If we are or have been a PFIC for any taxable year, U.S. holders of our common shares will face certain adverse U.S. federal income tax consequences and information reporting obligations. Under the PFIC rules, unless such U.S. holders make certain elections available under the Code (which elections could themselves have certain adverse consequences for such U.S. holders), such U.S. holders would be liable to pay U.S. 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 such U.S. holder's holding period for such common shares. See "Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations, United States Federal Income Taxation of U.S. Holders, PFIC Status and Significant Tax Consequences" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. holders of our common shares if we are or were to be treated as a PFIC.

We may be subject to increased premium payments, or calls, because we obtain some of our insurance through protection and indemnity associations.

We may be subject to increased premium payments, or calls, in amounts based on our claim records as well as the claim records of other members of the protection and indemnity associations in the International Group, which is comprised of 13 mutual protection and indemnity associations and insures approximately 90% of the world's commercial tonnage and through which we receive insurance coverage for tort liability, including pollution-related liability, as well as actual claims. Amounts we may be required to pay as a result of such calls will be unavailable for other purposes.

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

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

A cyber-attack could materially disrupt our business.

We rely on information technology systems and networks in our operations and administration of our business. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. Our business operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks or to steal data. A successful cyber-attack, including as a result of spam, targeted phishing-type emails, and ransomware attacks, or other breaches of or significant interruption or failure of our information technology systems, could materially disrupt our operations, including the safety of our operations, or lead to the unauthorized release of information or alteration of information in our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business and results of operations. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect or disrupt our business and could result in decreased performance and increased operating costs, causing our business and operating results to suffer.

Additionally, any changes in the nature of cyber threats might require us to adopt additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. Most recently, the escalation of the war between Russia and Ukraine has been accompanied by cyber-attacks against the Ukrainian government and other countries in the region. It is possible that these attacks could have collateral effects on additional critical infrastructure and financial institutions globally, which could adversely affect our operations. We rely on industry-accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches and, therefore, it is difficult to assess the likelihood of such threat and any potential impact at this time.

If we do not identify suitable vessels for acquisition or successfully integrate any acquired vessels, we may not be able to grow or effectively manage our growth.

One of our strategies is to continue to grow by expanding our operations and adding tanker vessels to our fleet. Our future growth will depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

- identify suitable vessels for acquisitions at attractive prices, which may not be possible if asset prices rise too quickly;
- obtain financing for our existing and new operations;
- manage relationships with customers and suppliers;
- identify businesses engaged in managing, operating, or owning tanker vessels for acquisitions or joint ventures;
- integrate any acquired vessels successfully with our then-existing operations;
- attract, hire, train, integrate, and retain qualified, highly trained personnel and crew to manage and operate our growing business and fleet;
- identify additional new markets;
- enhance our customer base;
- improve our operating, financial, and accounting systems and controls; and
- obtain required financing for our existing and new operations.

Our failure to effectively identify, purchase, develop, and integrate any new 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. We may incur unanticipated expenses as an operating company. Our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet. Finally, additional acquisitions may require additional equity issuances, which may dilute our common shareholders if issued at lower prices than the price they acquired their shares or debt issuances (with amortization payments), both of which could reduce our cash flow. If we are unable to execute the points noted above, our financial condition may be adversely affected.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. The expansion of our fleet may impose significant additional responsibilities on our management and staff, and the management and staff of our commercial and technical managers, and may necessitate that we, and they, increase the number of personnel. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth.

Inflation could adversely affect our operating results and financial condition.

Inflation could have an adverse impact on our operating results and, subsequently, on our financial condition both directly through the increase of various costs necessary for the operation of our vessels such as crew, repairs, and materials, and indirectly through its adverse impact on the world economy in terms of increasing interest rates and slowing global growth. If inflationary pressures intensify further, we may be unable to raise our charter rates enough to offset the increasing costs of our operations, which would decrease our profit margins. Inflation may also raise our costs of capital, which would result in the deterioration of our financial condition.

The IMO 2020 regulations may cause us to incur substantial costs and procure low-sulfur fuel oil directly on the wholesale market for storage at sea and onward consumption on our vessels.

Effective January 1, 2020, the IMO implemented a new regulation for a 0.50% global sulfur cap on emissions from vessels (the “IMO 2020 Regulations”). Under this new global cap, vessels are required to use marine fuels with a sulfur content of no more than 0.50% against the former regulations specifying a maximum of 3.50% sulfur in an effort to reduce the emission of sulfur oxide into the atmosphere.

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

As of January 1, 2020, our fleet has been burning IMO compliant fuels except for our vessel P. Aliki that was acquired with an approved exhaust gas cleaning system for the compliance with the existing sulfur emission regulations. Low sulfur fuel is more expensive than standard marine fuel containing 3.5% sulfur content and may become more expensive or difficult to obtain as a result of increased demand. If the cost differential between low sulfur fuel and high sulfur fuel is significantly higher than anticipated, or if low sulfur fuel is not available at ports on certain trading routes, it may not be feasible or competitive to operate our vessels on certain trading routes without installing scrubbers or without incurring deviation time to obtain compliant fuel. Scrubbers may not be available to be installed on such vessels at a favorable cost or at all if we seek them at a later date.

Furthermore, although as of the date of this annual report, over two years has passed since the IMO 2020 Regulations became effective, it is uncertain how the availability of high-sulfur fuel around the world will be affected by the implementation of the IMO 2020 Regulations, and both the price of high-sulfur fuel generally and the difference between the cost of high-sulfur fuel and that of low-sulfur fuel are also uncertain. Scarcity in the supply of high-sulfur fuel, or a lower-than-anticipated difference in the costs between the two types of fuel, may cause us to fail to recognize anticipated benefits from installing scrubbers.

Fuel is a significant, if not the largest, expense in our shipping operations when vessels are under voyage charter and is an important factor in negotiating charter rates. Our operations and the performance of our vessels, and as a result, our results of operations, face a host of challenges. These include concerns over higher costs, international compliance, and the availability of low-sulfur fuel at key international bunkering hubs such as Rotterdam and Singapore. In addition, we take seriously concerns raised in Europe that certain blends of low-sulfur fuels can emit greater amounts of harmful black carbon than the high-sulfur fuels they are meant to replace. Costs of compliance with these and other related regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows, and financial position. As a result, an increase in the price of fuel beyond our expectations may adversely affect our profitability at the time of charter negotiation.

While we carry cargo insurance to protect us against certain risks of loss of or damage to the procured commodities, we may not be adequately insured to cover any losses from such operational risks, which could have a material adverse effect on us. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, results of operations, cash flows and financial condition, and our available cash.

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, the adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives, or mandates for renewable energy. In July 2023, the IMO adopted a strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies levels of ambition to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through the implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely.

Since January 1, 2020, ships have been required to either remove sulfur from emissions or buy fuel with low sulfur content, which may lead to increased costs and supplementary investments for ship owners. The interpretation of “fuel oil used on board” includes use in main engines, auxiliary engines, and boilers. Shipowners may comply with this regulation by (i) using 0.5% sulfur fuels on board, which are available around the world but at a higher cost; (ii) installing scrubbers for cleaning of the exhaust gas; or (iii) by retrofitting vessels to be powered by liquefied natural gas, which may not be a viable option due to the lack of supply network and high costs involved in this process. Costs of compliance with these regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows, and financial position.

In addition, although the emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and required adopting countries to implement national programs to reduce emissions of certain gases (this task was delegated under the Kyoto Protocol to the IMO for action), a new treaty may be adopted in the future that includes restrictions on shipping emissions.

Furthermore, on January 1, 2024 the EU Emissions Trading Scheme, or the ETS, for ships sailing into and out of EU ports came into effect, and the FuelEU Maritime Regulation is expected to come into effect on January 1, 2025. The ETS is to apply gradually over the period from 2024 to 2026. 40% of allowances would have to be surrendered in 2025 for the year 2024; 70% of allowances would have to be surrendered in 2026 for the year 2025; and 100% of allowances would have to be surrendered in 2027 for the year 2026. Compliance is to be on a companywide (rather than per ship) basis and "shipping company" is defined widely to capture both the ship owner and any contractually appointed commercial operator/ship manager/bareboat charterer who assumes full compliance under the ETS and the ISM Code. If the latter contractual arrangement is entered into this needs to be reflected in a certified mandate signed by both parties and presented to the administrator of the scheme. The cap under the ETS would be set by taking into account EU MRV system emissions data for the years 2018 and 2019, adjusted, from year 2021 and is to capture 100% of the emissions from intra-EU maritime voyages; 100% of emissions from ships at berth in EU ports and 50% of emissions from voyages which start or end at EU ports (but the other destination is outside the EU). Furthermore, the newly passed EU Emissions Trading Directive 2023/959/EC makes clear that all maritime allowances would be auctioned and there will be no free allocation. 78.4 million emissions allowances are to be allocated specifically to maritime. If we do not have allowances, we will be forced to purchase allowances from the market, which can be costly, especially if other shipping companies are similarly looking to do the same. New systems, including personnel, data management systems, costs recovery mechanisms, revised service agreement terms, and emissions reporting procedures, will have to be put in place, at significant cost, to prepare for and manage the administrative aspect of ETS compliance. The cost of compliance, and of our future EU emissions and costs to purchase an allowance for emissions (if we must purchase in order to comply) are unknown and difficult to predict, and are based on a number of factors, including the size of our fleet, our trips within and to and from the EU, and the prevailing cost of allowances.

Compliance with changes in laws, regulations, and obligations relating to climate change affects the propulsion options in subsequent vessel designs and could increase our costs related to acquiring new vessels, operating and maintaining our existing tanker vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

Adverse effects upon the crude oil and natural gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also adversely affect demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for crude oil and natural gas in the future or create greater incentives for the use of alternative energy sources. In addition, the physical effects of climate change, including changes in weather patterns, extreme weather events, rising sea levels, and scarcity of water resources, may negatively impact our operations. Any long-term material adverse effect on the crude oil and natural gas industry could have a significant financial and operational adverse impact on our business that we cannot predict with certainty at this time.

Increasing regulation as well as 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 that do not adapt to, or comply with, investor, lender, or other industry shareholder evolving expectations and standards, 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 crude oil 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.

On March 6, 2024, the SEC adopted final rules to enhance and standardize climate-related disclosures by public companies and in public offerings. The final rules will become effective 60 days following publication of the adopting release in the Federal Register. As a non-accelerated filer, we will be required to provide the enhanced climate-related disclosures in our annual reports for the year ending December 31, 2027. On March 15, 2024, the Fifth Circuit Court of Appeals stayed application of these rules pending further judicial review, but on March 25, 2024, the Fifth Circuit Court of Appeals ordered the transfer of the petition to the Eighth Circuit Court of Appeals and the dissolution of the administrative stay. The impact of the ongoing litigation with respect to these rules on the content of these rules or the timing of their effectiveness is uncertain. Costs of compliance with these new rules may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

Additionally, certain investors and lenders may exclude oil transport companies, such as us, from their investing portfolios altogether due to environmental, social, and governance factors. 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.

If we are unable to operate our vessels profitably, we may be unsuccessful in competing in the highly competitive international tanker vessel market, which would negatively affect our financial condition and our ability to expand our business.

The operation of tanker vessels and transportation of crude oil and refined petroleum products is extremely competitive, and reduced demand for transportation of crude oil and refined petroleum products could lead to increased competition. Competition arises primarily from other tanker vessel owners, including major oil companies and national oil companies or companies linked to authorities of oil producing or importing countries, as well as independent tanker companies, some of whom have substantially greater resources than we do. Competition for the transportation of oil and oil products can be intense and depends on price, location, size, age, condition, and acceptability of the tanker and its operator to the charterers. Our ability to operate our vessels profitably depends on a variety of factors, including, but not limited to, the (i) loss or reduction in business from significant customers, (ii) unanticipated changes in demand for transportation of crude oil and petroleum products, (iii) changes in the production of, or demand for, oil and petroleum products, generally or in particular regions, (iv) greater than anticipated levels of tanker vessel newbuilding orders or lower than anticipated levels of tanker vessel recyclings, and (v) changes in rules and regulations applicable to the tanker vessel industry, including legislation adopted by international organizations, such as IMO, and the EU or by individual countries.

If we expand our business or provide new services in new geographic regions, we may not be able to compete profitably. New markets may require different skills, knowledge, or strategies than we use in our current markets, and the competitors in those new markets may have greater financial strength and capital resources than we do.

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

The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the International Oil Pollution Prevention (IOPP) renewal survey, existing vessels constructed before September 8, 2017, are required to comply with the updated D-2 standard on or after September 8, 2019. For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Vessels constructed on or after September 8, 2017, are required to comply with the D-2 standards on or after September 8, 2017. The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the International Oil Pollution Prevention (IOPP) renewal survey, existing vessels constructed before September 8, 2017, are required to comply with the updated D-2 standard on or after September 8, 2019. Vessels are required to meet the D-2 standard by installing an approved Ballast Water Management System (or BWMS). BWMSs installed on or after October 28, 2020 shall be approved in accordance with BWMS Code, while BWMSs installed before October 23, 2020 must be approved taking into account guidelines developed by the IMO or the BWMS Code. All of our vessels have installed approved ballast water management systems.

Furthermore, United States regulations are currently changing. Although the 2013 Vessel General Permit (VGP) program and U.S. National Invasive Species Act (NISA) are currently in effect to regulate ballast discharge, exchange, and installation, the Vessel Incidental Discharge Act or VIDA, which was signed into law on December 4, 2018, requires that the EPA develop national standards of performance for approximately 30 discharges, similar to those found in the VGP within two years. On October 26, 2020, the EPA published a Notice of Proposed Rulemaking for Vessel Incidental Discharge National Standards of Performance under VIDA, and in November 2020, held virtual public meetings. On October 18, 2023, the EPA published a Supplemental Notice to the Vessel Incidental Discharge National Standards of Performance, which shares new ballast water information that the EPA received from the USCG. Under VIDA, all provisions of the VGP 2018 and the USCG ballast water regulations remain in force and effect as currently written until the EPA publishes standards. The new regulations could require the installation of new equipment, which may cause us to incur substantial costs, which may adversely affect our profitability.

Insurance may be difficult to obtain or, if obtained, may not be adequate to cover our losses that may result from our operations due to the inherent operational risks of the shipping industry.

There are a number of risks associated with the operation of ocean-going vessels, including mechanical failure, collision, fire, human error, war, terrorism, piracy, loss of life, contact with floating objects, property loss, cargo loss or damage, and business interruption due to political circumstances in foreign countries, hostilities, and labor strikes. Any of these events may result in loss of revenues, increased costs, and decreased cash flows. In addition, the operation of any vessel is subject to the inherent possibility of marine disaster, including oil spills and other environmental mishaps.

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 risk insurance. However, we may not be adequately insured to cover losses from our operational risks, 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 actions, such as failing to maintain certification of our vessels with applicable maritime regulatory organizations. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, results of operations, cash flows, financial condition, and available cash. In addition, we may not be able to obtain adequate insurance coverage at reasonable rates in the future during adverse insurance market conditions.

Under our vessel management agreements with UOT, UOT is responsible for procuring and paying for insurance for our vessels. Our insurance policies contain standard limitations, exclusions, and deductibles. The policies insure against those risks that the shipping industry commonly insures against, which are hull and machinery, protection and indemnity, and war risk. UOT currently maintains hull and machinery coverage in an amount at least equal to the vessels' market value. UOT maintains an amount of protection and indemnity insurance that is at least equal to the standard industry level of coverage. We cannot assure you that UOT will be able to procure adequate insurance coverage for our fleet in the future or that our insurers will pay any particular claim.

In addition, changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain due to increased premiums, or reduced or restricted coverage for losses caused by terrorist acts generally.

Since we obtain some of our insurance through protection and indemnity associations, which result in significant expenses to us, we may be required to make additional premium payments. We may be subject to increased premium payments, or calls, in amounts based on our claim records, the claim records of our managers, as well as the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows, financial condition, and available cash.

Adverse market conditions could cause us to breach covenants in our credit facilities and adversely affect our operating results.

The market values of tanker vessels are subject to significant volatility. Indicatively, market prices for ten-year-old Aframax tankers over the past ten years have fluctuated significantly from a high level of $55 million in 2023 to a low level of $18 million in 2016. You should expect the market value of our vessels to fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charter rates, competition from other tanker companies and other modes of transportation, types, sizes, and ages of vessels, applicable governmental regulations, and the cost of newbuildings. We believe that our vessels' current aggregate market value will be in excess of loan to value amounts required under our credit facilities. Our credit facilities generally require that the fair market value of the vessels pledged as collateral never be less than 125% or 135% of the aggregate principal amount outstanding under the loans. We were in compliance with these requirements as of December 31, 2023, and as of the date of this annual report.

A decrease in vessel values could cause us to breach certain covenants in our existing credit facilities and future financing agreements that we may enter into from time to time. If we breach such covenants and are unable to remedy the relevant breach or obtain a waiver, our lenders could accelerate our debt and foreclose on our owned vessels. Additionally, if we sell one or more of our vessels at a time when vessel prices have fallen, the sale price may be less than the vessel's carrying value on our consolidated financial statements, resulting in a loss on sale or an impairment loss being recognized, ultimately leading to a reduction in earnings.

A shift in consumer demand from crude oil towards other energy sources or changes to trade patterns for crude oil and refined petroleum products may have a material adverse effect on our business.

A significant portion of our earnings are related to the crude oil industry. A shift in the consumer demand from crude oil towards other energy resources, such as wind energy, solar energy, hydrogen energy, or nuclear energy, will potentially affect the demand for our vessels. This could have a material adverse effect on our future performance, results of operations, cash flows, and financial position.

Seaborne trading and distribution patterns are primarily influenced by the relative advantage of the various sources of production, locations of consumption, pricing differentials, and seasonality. Changes to the trade patterns of crude oil and oil products may have a significant negative or positive impact on the ton-mile and, therefore, the demand for our tanker vessels. This could have a material adverse effect on our future performance, results of operations, cash flows, and financial position.

Risks Relating to our Common and Preferred Shares

The market price of our common shares is subject to significant fluctuations.

The market price of our common shares has been and may in the future be subject to significant fluctuations as a result of many factors, some of which are beyond our control.

During the period from January 1, 2023 to March 26, 2024, the trading price of our common shares has ranged from an intra-day high of $3.69 on January 3, 2023 to an intra-day low of $0.68 on June 26, 2023.

Among the factors that have in the past and could in the future affect our share price are:

- the failure of securities analysts to publish research about us or make appropriate changes in their financial estimates;
- announcements by us or our competitors of significant contracts, acquisitions, or capital commitments;
- variations in quarterly operating results;
- general economic conditions, including inflationary pressures;
- terrorist or piracy acts;
- unforeseen events, such as natural disasters or pandemics;
- international sanctions, embargoes, import and export restrictions, nationalizations, piracy, and wars or other conflicts, including the ongoing war between Ukraine and Russia and the war between Israel and Hamas;

- actual or anticipated fluctuations in our operating results from period to period;
- fluctuations in interest rates;
- fluctuations in the availability or the price of oil and chemicals;
- fluctuations in foreign currency exchange rates;
- the loss of any of our key management personnel;
- our failure to successfully implement our business plan;
- future sales of our common shares or other securities;
- stock splits or reverse stock splits;
- shareholder activism, such as the tender offer and related actions commenced by Sphinx Investment Corp. during 2023; and
- investors' perception of us and the international tanker sector.

These broad market and industry factors may materially reduce the market price of our common shares, regardless of our operating performance. The seaborne transportation industry has been highly unpredictable and volatile. The market for common shares of companies in this industry may be volatile as a consequence. Therefore, we cannot assure you that you will be able to sell any of our common shares you may have purchased at a price greater than or equal to its original purchase price, or that you will be able to sell them at all.

In addition, over the last few years, the stock market has experienced price and volume fluctuations, including due to factors relating to the outbreak of COVID-19 and its variants, and the governmental responses thereto, and the war in Ukraine and between Israel and Hamas, and this volatility has sometimes been unrelated to the operating performance of particular companies. As a result, there is a potential for rapid and substantial decreases in the price of our common shares, including decreases unrelated to our operating performance or prospects. This market and share price volatility relating to the effects of COVID-19 and its variants, and the governmental responses thereto, or the war in Ukraine and between Israel and Hamas, as well as general economic, market, or political conditions, has and could further reduce the market price of our common shares in spite of our operating performance and could also increase our cost of capital, which could prevent us from accessing debt and equity capital on terms acceptable to us or at all.

In addition, the market price and trading volume of our common shares have at certain times in the past exhibited, and may continue to exhibit, extreme volatility, including within a single trading day. For example, over a period of three trading days from August 9, 2022, through August 11, 2022, the trading price of our common shares ranged from an intra-day high of $9.75 to an intra-day low of $5.25. Such price volatility could cause purchasers of our common shares to incur substantial losses. With respect to certain such instances of trading volatility, including the period beginning on August 9, 2022, we are not aware of any material changes in our financial condition or results of operations that would explain such price volatility or trading volume, which we believe reflect market and trading dynamics unrelated to our operating business or prospects and outside of our control. We are thus unable to predict when such instances of trading volatility will occur or how long such dynamics may last. Under these circumstances, we would caution you against investing in our common shares unless you are prepared for the risk of incurring substantial losses.

Extreme fluctuations in the market price of our common shares may occur in response to strong and atypical retail investor interest, including on social media and online forums, the direct access by retail investors to broadly available trading platforms, the amount and status of short interest in our common shares and our other securities, access to margin debt, trading in options and other derivatives on our common shares, and any related hedging and other trading factors. In particular, a proportion of our common shares may be traded by short sellers which may put pressure on the supply and demand for our common shares, creating further price volatility. A possible "short squeeze" due to a sudden increase in demand of our common shares that largely exceeds supply may lead to sudden extreme price volatility in our common shares. Investors may purchase our common shares to hedge existing exposure in our common shares or to speculate on the price of our common shares. Speculation on the price of our common shares may involve long and short exposures. To the extent aggregate short exposure exceeds the number of common shares available for purchase in the open market, investors with short exposure may have to pay a premium to repurchase our common shares for delivery to lenders of our common shares. Those repurchases may in turn, dramatically increase the price of our common shares until investors with short exposure are able to purchase additional common shares to cover their short position. This is often referred to as a "short squeeze." Following such a short squeeze, once investors purchase the shares necessary to cover their short position, the price of our common shares may rapidly decline. A short squeeze could lead to volatile price movements in our shares that are not directly correlated to the performance or prospects of our company and could cause purchasers of our common shares to incur substantial losses.

Further, shareholders may institute securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

Future sales of our common shares, including through the exercise of conversion rights under our outstanding convertible preferred shares, could cause the market price of our common shares to decline.

Our amended and restated articles of incorporation authorize us to issue up to 500,000,000 common shares, of which 12,279,676 shares were issued and outstanding as of March 26, 2024.

As of the date of this report, 1,428,372 of our Series C Preferred Shares are currently issued and outstanding. Each Series C Preferred Share will be convertible, at the option of the holder at any time and from time to time after six months from the date of original issuance of such Series C Preferred Share, into a number of common shares equal to the Series C Preferred Share liquidation preference of $25.00 divided by a conversion price equal to $1.3576 (subject to adjustment from time to time). The conversion price is subject to customary adjustments, including for any stock splits, reverse stock splits or stock dividends, and will also be adjusted to equal the lowest price at which common shares are sold by us in any registered offering, provided that such adjusted conversion price shall not be less than $0.50. For additional information regarding the terms of our issued and outstanding Series C Preferred Shares, please see "Item 10. Additional Information—B. Memorandum and Articles of Association" and "Item 3. Key Information—D. Risk Factors" entitled "Aliki Paliou, the Chairperson of the Board, controls a majority of voting power over matters on which our shareholders are entitled to vote, and accordingly, may exert considerable influence over us and may have interests that are different from the interests of our other shareholders." We may offer and sell our common shares or securities convertible into our common shares from time to time, through one or more methods of distribution, subject to market conditions and our capital needs. The market price of our common shares could decline from its current levels due to sales of a large number of shares in the market, including sales of shares by our large shareholders, our issuance of additional shares, or securities convertible into our common shares 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 shares of our common shares. The issuance of such additional common shares would also result in the dilution of the ownership interests of our existing shareholders.

We might issue additional common shares or other securities to finance our growth as market conditions warrant. These issuances, which would generally not be subject to shareholder approval, may lower your ownership interests and may depress the market price of our common shares.

We have in the past conducted significant offerings of our common shares and securities convertible into common shares pursuant to previous public and private offerings of our equity and equity-linked securities. We may finance potential future expansions of our fleet in large part through equity and debt financing. Pursuant to our amended and restated articles of incorporation, we are authorized to issue up to 500,000,000 common shares and 25,000,000 preferred shares, each with a par value of $0.01 per share. Therefore, subject to Nasdaq rules that are applicable to us, we may issue additional common shares and other equity securities of equal or senior rank, without shareholder approval, in a number of circumstances from time to time.

On April 21, 2023, we filed a registration statement on Form F-3, which was declared effective on May 4, 2023, and is available for the registered sale of up to $250.0 million of our securities.

In addition, we may be obligated to issue pursuant to the terms of outstanding convertible securities, options, or warrants:

- any common shares issuable pursuant to the exercise of conversion rights under our Series C Preferred Shares, of which 1,428,372 shares are currently outstanding;
- 8,000 common shares issuable upon the exercise of outstanding options exercisable at a price range between $150.00 and $450.00 per share, for a term expiring January 1, 2026;
- up to 567,366 common shares issuable upon the exercise of our Class A Warrants (at an exercise price of $15.75 per share as of March 26, 2024) which expire in January 2028;
- up to 1,033,333 common shares that may be issued upon the exercise of warrants (the "July 2022 Warrants") issued pursuant to a registered direct offering on July 19, 2022 (at an exercise price of $1.65 per share as of March 26, 2024) which expire in January 2028;
- up to 2,122,222 common shares that may be issued upon the exercise of warrants (the "August 2022 Warrants") issued pursuant to a registered direct offering on August 12, 2022 (at an exercise price of $1.65 per share as of March 26, 2024) which expire in August 2027;
- up to 14,300 common shares that may be issued upon the exercise (at an exercise price of $2.25 per share as of March 26, 2024) or exchange (for no additional cash consideration) of the Series A warrants (the "Series A Warrants"), which expire in March 2028; and
- up to 4,167,000 common shares that may be issued upon the exercise of the Series B Warrants (at an exercise price of $2.25 per share as of March 26, 2024) which expire in March 2028.

Our existing common shareholders will experience significant dilution if we sell shares at prices significantly below the price at which they invested. We may issue additional common shares or other equity securities of equal or senior rank in the future to raise additional capital in connection with, among other things, debt prepayments, future vessel acquisitions, payment of dividends on our Series B or Series C Preferred Shares, redemptions of our Series C Preferred Shares, or any future equity incentive plan, without shareholder approval, in a number of circumstances. Holders of our common shares have no preemptive rights that entitle such holders to purchase their pro rata share of any offering of shares of any class or series of shares and, therefore, are at risk of dilution.

Our issuance of additional common shares or other equity securities of equal or senior rank will have the following effects:

- our existing shareholders' proportionate ownership interest in us may decrease;
- the relative voting strength of each previously outstanding share may be diminished;
- the market price of our common shares may decline; and
- the amount of cash available for dividends payable on our common shares, if any, may decrease.

The market price of our common shares could decline due to sales, or the announcements of proposed sales, of a large number of common shares in the market, including sales of common shares by our large shareholders or by holders of securities convertible into common shares, or the perception that these sales could occur. These sales or the perception that these sales could occur could also depress the market price of our common shares and impair our ability to raise capital through the sale of additional equity securities or make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate. We cannot predict the effect that future sales of common shares or other equity-related securities would have on the market price of our common shares.

There is no guarantee of a continuing public market for you to resell our common shares.

Our common shares commenced trading on the Nasdaq Global Market on January 19, 2011. Since January 2, 2013, our common shares have traded on the Nasdaq Global Select Market, and since March 6, 2020, our common shares have traded on the Nasdaq Capital Market. We cannot assure you that an active and liquid public market for our common shares will continue. The Nasdaq Capital Market and each national securities exchange have certain corporate governance requirements that must be met in order for us to maintain our listing. If we fail to maintain the relevant corporate governance requirements, our common shares could be delisted, which would make it harder for you to monetize your investment in our common shares and would cause the value of your investment to decline.

We are required to meet certain qualitative and financial tests (including a minimum bid price for our common shares of $1.00 per share, at least 500,000 publicly held shares, at least 300 public holders, a market value of publicly held securities of $1 million, and net income from continuing operations of $500,000), as well as other corporate governance standards, to maintain the listing of our common shares on the Nasdaq Capital Market, or Nasdaq. It is possible that we could fail to satisfy one or more of these requirements. There can be no assurance that we will be able to maintain compliance with the minimum bid price, shareholders' equity, number of publicly held shares, net income requirements, or other listing standards in the future. A decline in the closing price of our common shares could result in a breach of the requirements for listing on the Nasdaq Capital Market. Although we would have an opportunity to take action to cure such a breach, if we do not succeed, Nasdaq could commence suspension or delisting procedures in respect of our common shares. We may receive notices from Nasdaq that we have failed to meet its requirements, and proceedings to delist our stock could commence. We have received in the past, and most recently received on April 18, 2023, a written notification from The Nasdaq Stock Market LLC, indicating that because the closing bid price of our common shares for the previous 30 consecutive business days was below $1.00 per share, we no longer met the minimum bid price requirement under Nasdaq rules. With respect to the most recent such notification, we regained compliance on August 15, 2023 as a result of the closing price of our common shares being $1.00 or greater for ten consecutive trading days.

With respect to prior such notifications, we have regained compliance through by means of a reverse stock split. For more information, please see "Item 4. Information on the Company—A. History and Development of the Company." Since June 2016, we have effected eight reverse stock splits of our common shares, each of which was approved by our board of directors and by our shareholders at an annual or special meeting of such shareholders. There were no changes to the trading symbol, number of authorized shares, or par value of our common shares in connection with any of the reverse stock splits. All share amounts in this report, not including amounts incorporated by reference, have been retroactively adjusted to reflect these reverse stock splits. If we are required to conduct a reverse stock split in the future to maintain compliance with the continued listing requirements of the Nasdaq Capital Market, the market price of our common shares may be negatively affected.

The issuance of common shares in future offerings may trigger anti-dilution provisions in our outstanding convertible securities and warrants and affect the interests of our common shareholders.

The July 2022 Warrants, August 2022 Warrants, and Series C Preferred Shares contain anti-dilution provisions that have been triggered by our subsequent issuance of securities, and those of the Series C Preferred Shares, our Series A Warrants and Series B Warrants and any other securities we issue in the future containing similar anti-dilution provisions could be further triggered by future issuances of common shares or securities convertible into common shares, depending on the offering price of equity issuances, the conversion price or formula of convertible shares, or the exercise price or formula of warrants. Pursuant to the anti-dilution provisions of the July 2022 Warrants and the August 2022 Warrants, the exercise price was adjusted and currently is equal to the minimum exercise price under such warrants of $1.65 per common share. Any future issuance or deemed issuance of common shares below the applicable conversion price of the Series C Preferred Shares may result in a further adjustment downward of the conversion price of the Series C Preferred Shares and would result in a corresponding increase in the number of common shares issuable upon conversion of such securities. The current conversion price of the Series C Preferred Shares is $1.3576 per common share, subject to anti-dilution adjustments to a minimum conversion price of $0.50. Generally, the anti-dilution provisions of the Series C Preferred Shares will operate to adjust the conversion price to the lowest price at which we sell shares in any future offering, if such price is below the then-applicable conversion price and equal to or greater than the minimum conversion price. If the holders of such securities elect to convert or exercise following an adjustment of the exercise or conversion price of such securities, the interests of the holders of our common shares may be diluted.

We cannot assure you that our board of directors will declare dividend payments on our common shares in the future or when such payment might occur.

On October 20, 2020, we announced that our board of directors approved a new variable quarterly dividend policy, after previously suspending the quarterly cash dividend on our common shares since the quarter ended June 30, 2016. On November 9, 2020, we made a dividend payment in the aggregate amount of $0.01 per share (or $0.10 per share as adjusted for the reverse stock split effected on November 2, 2020) to the shareholders of record at the close of business on October 30, 2020, with respect to the third quarter of 2020. While we have declared and paid cash dividends on our common shares in the past, there can be no assurance that our board of directors will declare dividend payments in the future. If declared, our variable quarterly dividend is expected to be paid each February, May, August, and November and will be subject to reserves for the replacement of our vessels, scheduled drydockings, intermediate and special surveys, dividends to holders of our preferred shares, if paid in cash, and other purposes as our board of directors may from time to time determine are required, after taking into account contingent liabilities, the terms of any credit facility, our growth strategy and other cash needs, as well as the requirements of Marshall Islands law, among other factors. In addition, any credit facility that we may enter into in the future may include restrictions on our ability to pay dividends.

The declaration and payment of dividends, even during times when we have sufficient funds and are not restricted from declaring and paying dividends by our lenders or any other party, will always be subject to the discretion of our board of directors. Our board of directors may review and amend our dividend policy from time to time, taking into consideration our plans for future growth and other factors. The actual timing and amount of dividend payments, if any, will be determined by our board of directors and will be affected by various factors, including our cash earnings, financial condition and cash requirements, the loss of a vessel, the acquisition of one or more vessels, required capital expenditures, reserves established by our board of directors, increased or unanticipated expenses, a change in our dividend policy, additional borrowings, and future issuances of securities, among other factors, many of which will be beyond our control.

We may incur expenses or liabilities or be subject to other circumstances in the future that reduce or eliminate the amount of cash that we have available for distribution as dividends, including as a result of the risks described in this report. Our growth strategy contemplates that we will finance the acquisition of additional tanker vessels through a combination of primarily equity capital and, to a lesser extent, cash on hand and debt financing on terms acceptable to us. If external sources of funds on terms acceptable to us are limited, our board of directors may determine to finance acquisitions with cash from operations, which would reduce or even eliminate the amount of cash available for the payment of dividends.

We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us to satisfy our financial obligations and make dividend payments. In addition, our existing or future credit facilities may include restrictions on our ability to pay dividends.

The shipping sector is highly cyclical and volatile. We cannot predict with accuracy the amount of cash flows our operations will generate in any given period. Our quarterly dividends, if any, will vary significantly from quarter to quarter as a result of variations in our operating performance, cash flow, and other contingencies, and we cannot assure you that we will generate available cash for distribution in any quarter, and so we may not declare and pay any dividends in certain quarters, or at all. Our ability to resume payment of dividends will be subject to the limitations set forth in this report.

In times when we have debt outstanding, we intend to limit our dividends per share, if dividend payment is reinstated, to the amount that we would have been able to pay if we were financed entirely with equity. In addition, any credit facilities that we may enter into in the future may include restrictions on our ability to pay dividends. Marshall Islands law generally prohibits the payment of dividends other than from surplus or while a company is insolvent or would be rendered insolvent by the payment of such a dividend.

Future offerings of debt securities and amounts outstanding under any future credit facilities or other borrowings, which would rank senior to our common shares upon our liquidation, may adversely affect the market value of our common shares.

In the future, we may attempt to increase our capital resources with further borrowing under credit facilities, making offerings of debt or additional offerings of equity securities, including commercial paper, medium-term notes, senior or subordinated notes, and classes of preferred stock. Upon liquidation, holders of our debt securities and certain series of our preferred stock and lenders with respect to our credit facilities and other borrowings will receive a distribution of our available assets prior to the holders of our common shares. Any preferred stock could, and our Series B Preferred Shares and Series C Preferred Shares do, have a preference on liquidating distributions or a preference on dividend payments that would limit amounts available for distribution to holders of our common shares. As our decision to borrow additional amounts under credit facilities or issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of our future indebtedness or offering of securities. Therefore, holders of our common shares bear the risk of our future offerings reducing the market value of our common shares and diluting their shareholdings in us or that, in the event of bankruptcy, liquidation, dissolution, or winding-up of the Company, all or substantially all of our assets will be distributed to holders of our debt securities or preferred stock or lenders with respect to our credit facilities and other borrowings.

We may not have sufficient cash from our operations to enable us to pay dividends on or redeem our Series B Preferred Shares and Series C Preferred Shares following the payment of expenses and the establishment of any reserves.

We will pay quarterly dividends on the Series B Preferred Shares and Series C Preferred Shares only from funds legally available for such purpose when, as, and if declared by our board of directors or, at our option, through the issuance of additional common shares, valued at the volume-weighted average price of the common shares for the 10 trading days prior to the dividend payment date. We may not have sufficient cash available each quarter to pay dividends. In addition, we may have insufficient cash available to redeem the Series B Preferred Shares or Series C Preferred Shares. The amount of cash we can use to pay dividends or redeem our Series B Preferred Shares or Series C Preferred Shares depends on the amount of cash we generate from our operations, which may fluctuate significantly, and other factors, including the following:

- changes in our operating cash flow, capital expenditure requirements, working capital requirements, and other cash needs;
- the amount of any cash reserves established by our board of directors;
- restrictions under Marshall Islands law, which generally prohibits the payment of dividends other than from surplus and while a company is insolvent or would be rendered insolvent by the payment of such a dividend;
- restrictions under our credit facilities and other instruments and agreements governing our existing and future indebtedness; and
- our overall financial and operating performance, which, in turn, is subject to prevailing economic and competitive conditions, the risks associated with the shipping industry, and other factors, many of which are beyond our control.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, and our board of directors, at its discretion, may elect not to declare any dividends. We may incur other expenses or liabilities that could reduce or eliminate the cash available for distribution as dividends. As a result of these and the other factors mentioned above, we may pay dividends during periods when we record losses and may not pay dividends during periods when we record net income.

Our ability to pay dividends on and redeem our Series B Preferred Shares and Series C Preferred Shares, and, therefore, your ability to receive payments on the Series B Preferred Shares and Series C Preferred Shares, is limited by the requirements of Marshall Islands law and our contractual obligations.

Marshall Islands law provides that we may pay dividends on and redeem the Series B Preferred Shares and Series C Preferred Shares only to the extent that assets are legally available for such purposes. Legally available assets generally are limited to our surplus. In addition, under Marshall Islands law, we may not pay dividends on or redeem the Series B Preferred Shares or Series C Preferred Shares if we are insolvent or would be rendered insolvent by the payment of such a dividend or the making of such redemption.

Further, the terms of some of our outstanding or future credit facilities may prohibit us from declaring or paying any dividends or distributions on preferred stock, including the Series B Preferred Shares and Series C Preferred Shares, or redeeming, purchasing, acquiring, or making a liquidation payment on preferred stock in certain circumstances.

Our Series B Preferred Shares and Series C Preferred Shares are subordinated to our debt obligations, and the interests of the holders of Series B Preferred Shares and Series C Preferred Shares could be diluted by the issuance of additional shares, including other preferred shares, or by other transactions.

Our Series B Preferred Shares and Series C Preferred Shares are subordinated to all of our existing and future indebtedness. We may incur additional indebtedness under our existing or future credit facilities or other debt agreements. The payment of principal and interest on our debt reduces cash available for distribution to us and on our shares, including the Series B Preferred Shares and Series C Preferred Shares.

Our Series B Preferred Shares and Series C Preferred Shares rank pari passu as to the payment of dividends and amounts payable upon liquidation or reorganization. If less than all dividends payable with respect to the Series C Preferred Shares and Series B Preferred Shares are paid, any partial payment shall be made pro rata with respect to the Series C Preferred Shares and any Series B Preferred Shares entitled to a dividend payment at such time in proportion to the aggregate amounts remaining due in respect of such shares at such time.

The issuance of additional preferred shares on a parity with or senior to our Series B Preferred Shares and Series C Preferred Shares would dilute the interests of the holders of our Series B Preferred Shares and Series C Preferred Shares, and any issuance of such additional preferred shares or additional indebtedness could affect our ability to pay dividends on, redeem, or pay the liquidation preference on our Series B Preferred Shares and Series C Preferred Shares.

The Series B Preferred Shares and Series C Preferred Shares represent perpetual equity interests in us.

The Series B Preferred Shares and Series C Preferred Shares represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As a result, holders of the Series B Preferred Shares and Series C Preferred Shares may be required to bear the financial risks of an investment in the Series B Preferred Shares and Series C Preferred Shares for an indefinite period of time.

There is no established trading market for the Series B Preferred Shares or Series C Preferred Shares, which may negatively affect the market value of the Series B Preferred Shares and Series C Preferred Shares and your ability to transfer or sell them.

There is no established trading market for the Series B Preferred Shares or Series C Preferred Shares. We do not intend to apply to list the Series B Preferred Shares or Series C Preferred Shares on any stock exchange or in any trading market.

Since the Series B Preferred Shares and Series C Preferred Shares will have no stated maturity date, holders of Series B Preferred Shares and Series C Preferred Shares may be forced to hold such shares indefinitely, with no guarantee as to ever receiving the liquidation preference. No trading market for the Series B Preferred Shares or Series C Preferred Shares is expected to develop, and holders of the Series B Preferred Shares or Series C Preferred Shares may not be able to transfer or sell such shares and, if they do, the price received may be substantially less than the stated liquidation preference.

The Series B Preferred Shares and Series C Preferred Shares are only redeemable at our option and investors should not expect us to redeem the Series B Preferred Shares or Series C Preferred Shares in the future.

At our option, we may redeem all or, from time to time, part of the Series C Preferred Shares at any time on or after the date that is the date immediately following the 15-month anniversary of the first date of issuance of the Series C Preferred Shares, subject to any applicable restrictions in agreements governing our current or future indebtedness and Marshall Islands law. If we redeem the Series C Preferred Shares, holders of the Series C Preferred Shares will be entitled to receive a redemption price equal to $25.00 plus any accumulated and unpaid dividends thereon to and including the date of redemption (or, if less than 25% of the authorized number of Series C Preferred Shares are outstanding, we may pay the redemption price in common shares). Additionally, at our option, we may redeem all or, from time to time, part of the Series B Preferred Shares at any time on or after the date that is the date immediately following the 15-month anniversary of the first date of issuance of the Series B Preferred Shares, subject to any applicable restrictions in agreements governing our current or future indebtedness and Marshall Islands law. Any decision we may make at any time to propose a redemption of the Series B Preferred Shares or Series C Preferred Shares will depend upon, among other things, our evaluation of our capital position, the composition of our shareholders' equity, and general market conditions at that time, and investors should not expect us to redeem the Series B Preferred Shares or Series C Preferred Shares on any particular date in the future, or at all. If the Series B Preferred Shares or Series C Preferred Shares are redeemed, such redemption generally will be a taxable event for you. In addition, you might not be able to reinvest the money you receive upon redemption of the Series B Preferred Shares or Series C Preferred Shares in a similar security or at similar rates. We may elect to exercise our redemption right on multiple occasions. Any such optional redemption for cash would be effected only out of funds legally available for such purpose.

We are a holding company, and we depend on the ability of our current and future subsidiaries to distribute funds to us in order to satisfy our financial obligations and make dividend payments.

We are a holding company, and our subsidiaries, which are directly or indirectly wholly owned by us, conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our wholly-owned subsidiaries. As a result, our ability to satisfy our financial obligations and pay dividends, if any, to our shareholders will depend on the ability of our subsidiaries to distribute funds to us. In turn, the ability of our subsidiaries to make dividend payments to us will depend on them having profits available for distribution. If we are unable to obtain dividends from our subsidiaries, the discretion of our board of directors to pay or recommend the payment of dividends will be limited. Also, our subsidiaries are limited by Marshall Islands law, which generally prohibits the payment of dividends other than from surplus and while a company is insolvent or would be rendered insolvent by the payment of such a dividend.

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

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law and may make it more difficult for our shareholders to protect their interests. Our corporate affairs are governed by our amended and restated articles of incorporation, our amended and restated bylaws, and the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors, or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction.

Additionally, the Republic of the Marshall Islands does not have a legal provision for bankruptcy or a general statutory mechanism for insolvency proceedings. As such, in the event of a future insolvency or bankruptcy, our shareholders and creditors may experience delays in their ability to recover for their claims after any such insolvency or bankruptcy. Further, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization, or similar proceeding involving us or any of our subsidiaries, bankruptcy laws other than those of the United States could apply. If we become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court's jurisdiction if any other bankruptcy court would determine it had jurisdiction.

As a Marshall Islands corporation with principal executive offices in Greece, and also having subsidiaries in the Republic of the Marshall Islands, our operations may be subject to economic substance requirements.

In March 2019, the Council of the European Union, or the Council, published a list of non-cooperative jurisdictions for tax purposes, or the 2019 Conclusions. In the 2019 Conclusions, the Republic of the Marshall Islands, among others, was placed by the E.U. on the list of non-cooperative jurisdictions for failing to implement certain commitments previously made to the E.U. by the agreed deadline. However, it was announced by the Council in October 2019 that the Marshall Islands had been removed from the list of non-cooperative jurisdictions. In February 2023, the Marshall Islands was added again to the list of non-cooperative jurisdictions, and removed again in October 2023. E.U. member states have agreed upon a set of measures, which they can choose to apply against the listed countries, including, inter alia, increased monitoring and audits, withholding taxes and non-deductibility of costs. The European Commission has stated it will continue to support member states' efforts to develop a more coordinated approach to sanctions for the listed countries. E.U. legislation prohibits E.U. funds from being channeled or transited through entities in non-cooperative jurisdictions.

We are a Marshall Islands corporation with principal executive offices in Greece and our significant subsidiaries are organized in the Republic of the Marshall Islands. The Marshall Islands have enacted economic substance regulations with which we are obligated to comply. The Marshall Islands economic substance regulations require certain entities that carry out particular activities to comply with a three-part economic substance test whereby the entity must show that it (i) is directed and managed in the Marshall Islands in relation to that relevant activity, (ii) carries out core income-generating activity in relation to that relevant activity in the Marshall Islands (although it is being understood and acknowledged by the regulators that income-generated activities for shipping companies will generally occur in international waters) and (iii) having regard to the level of relevant activity carried out in the Marshall Islands has (a) an adequate amount of expenditures in the Marshall Islands, (b) adequate physical presence in the Marshall Islands and (c) an adequate number of qualified employees in the Marshall Islands.

If we fail to comply with our obligations under such regulations or any similar law applicable to us in any other jurisdictions, we could be subject to financial penalties and spontaneous disclosure of information to foreign tax officials, or could be struck from the register of companies, in related jurisdictions. Any of the foregoing could be disruptive to our business and could have a material adverse effect on our business, financial conditions and operating results.

We do not know (i) if the E.U. will once again add the Marshall Islands to the list of non-cooperative jurisdictions, (ii) how quickly the E.U. would react to any changes in regulations of the Marshall Islands, or (iii) how E.U. banks or other counterparties will react while we remain as an entity organized and existing under the laws of the Marshall Islands. The effect of the E.U. list of non-cooperative jurisdictions, and any noncompliance by us with any legislation or regulations adopted by applicable countries to achieve removal from the list, including economic substance regulations, could have a material adverse effect on our business, financial conditions and operating results.

It may not be possible for our investors to enforce judgments of U.S. courts against us.

We are incorporated in the Republic of the Marshall Islands. Substantially all of our assets are located outside of the United States. All of our directors and officers are non-residents of the U.S., and all or a substantial portion of the assets of these non-residents are located outside of the U.S. As a result, it may be difficult or impossible for U.S. shareholders to serve process within the United States upon us or to enforce a judgment upon us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we are incorporated or where our assets are located (1) would enforce judgments of U.S. courts obtained in actions against us based upon the civil liability provisions of applicable U.S. federal and state securities laws or (2) would enforce, in original actions, liabilities against us based upon these laws.

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

Several provisions of our amended and restated articles of incorporation and amended and restated bylaws could make it difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay, or prevent a merger or acquisition that shareholders may consider favorable.

These provisions include:

- authorizing our board of directors to issue "blank check" preferred stock without shareholder approval;
- providing for a classified board of directors with staggered, three-year terms;
- prohibiting cumulative voting in the election of directors;
- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of two-thirds of the outstanding common shares entitled to vote generally in the election of directors;
- limiting the persons who may call special meetings of shareholders; and
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings.

In addition, we have entered into a stockholders' rights agreement, dated December 20, 2021, or the Stockholders' Rights Agreement, pursuant to which our board of directors may cause the substantial dilution of any person that attempts to acquire us without the approval of our board of directors.

These anti-takeover provisions, including provisions of our Stockholders' Rights Agreement, could substantially impede the ability of our shareholders to benefit from a change in control and, as a result, may adversely affect the value of our securities, if any, and the ability of our shareholders to realize any potential change of control premium.

Item 4. Information on the Company

A. History and Development of the Company

Performance Shipping Inc. (formerly Diana Containerships Inc.) is a corporation incorporated under the laws of the Republic of the Marshall Islands on January 7, 2010. Each of our vessels is owned by a separate wholly owned subsidiary. Performance Shipping Inc. is the owner of all the issued and outstanding shares of the subsidiaries listed in Exhibit 8.1 to this annual report. We maintain our principal executive offices at 373 Syngrou Avenue, 175 64 Palaio Faliro, Athens, Greece. Our telephone number at that address is +30 216 600 2400. Our agent and authorized representative in the United States is our wholly owned subsidiary, established in the State of Delaware in July 2014 under the name Container Carriers (USA) LLC and amended to change the name of the company to Performance Shipping USA LLC as of November 20, 2020, which is located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. Our website is http://www.pshipping.com/. The SEC maintains a website that contains reports, proxy and information statements, and other information that we file electronically at http://www.sec.gov. The information contained on, or that can be accessed through, these websites is not incorporated by reference herein and does not form part of this annual report.

Business Development, Capital Expenditures and Divestitures and Share History

On January 1, 2021, we granted our Chief Financial Officer stock options to purchase 8,000 of our common shares as share-based remuneration, which can be exercised only when our stock price increases. The stock options are exercisable at a price range between $150.00 and $450.00 per share, for a term of five years. The stock options were granted pursuant to, and in accordance with, our Equity Incentive Plan.

On February 25, 2021, the re-election of Aliki Paliou and Reidar Brekke as Class II Directors was approved by the requisite vote at our 2021 Annual Meeting.

On March 5, 2021, we entered into an At The Market Offering Agreement with H.C. Wainwright & Co., LLC, as sales agent, pursuant to which we could offer and sell, from time to time, up to an aggregate of $5.9 million of our common shares. Pursuant to the agreement, we sold 35,128 common shares at an average price of $44.11 per share, for net proceeds of $1.3 million after payment of commissions and fees. We terminated this agreement effective August 23, 2022.

In November 2021, we sold to a subsidiary of Diana Shipping Inc. our co-owned indivisible share in a plot of land, located in Athens, Greece, for a purchase price of Euro 1,100,000 (or $1.2 million based on a $1.13 Euro/USD exchange rate). In connection with this sale, we recorded a gain, net of $0.2 million taxes and expenses, of $0.1 million, which is presented as Gain from property sale in the consolidated statement of operations.

On December 20, 2021, we entered into a Stockholders' Rights Agreement with Computershare Inc., as rights agent, and our board of directors authorized and declared a dividend distribution of one right for each outstanding common share to stockholders of record as of the close of business on December 30, 2021. Each right entitles the registered holder to purchase from us one one-thousandth of a share of Series A Participating Preferred Stock at an exercise price of $750.00 per one one-thousandth of a preferred share, subject to adjustment. For additional information, please see "Item 10. Additional Information—B. Memorandum and Articles of Association—Stockholders' Rights Agreement."

On December 21, 2021, we offered to exchange up to 271,078 of our then issued and outstanding common shares for newly issued shares of our Series B Convertible Cumulative Perpetual Preferred Stock, par value $0.01 and liquidation preference $25.00 (the "Series B Preferred Shares") at a ratio of 4.2 Series B Preferred Shares for each common share. The offer expired on January 27, 2022 and a total of 188,974 common shares were validly tendered and accepted for exchange in the offer, which resulted in the issuance of 793,657 Series B Preferred Shares, out of which 657,396 were beneficially owned by Aliki Paliou, 28,171 were beneficially owned by Andreas Michalopoulos and 29,510 in aggregate were beneficially owned by other former members of our board of directors.

On February 28, 2022, the election of Loïsa Ranunkel as a Class I Director and elections of Alex Papageorgiou and Mihalis Boutaris as Class III Directors were approved by the requisite vote at our 2022 Annual Meeting. Symeon Palios, Giannakis (John) Evangelou and Christos Glavanis did not stand for re-election. Effective February 28, 2022, Antonios Karavias and Reidar Brekke resigned from our board of directors, the size of our board of directors decreased from seven to five members, and Aliki Paliou was appointed as Chairperson of our board of directors.

On March 2, 2022, we entered into an unsecured credit facility with Mango Shipping Corp. ("Mango Shipping"), an affiliated entity whose beneficial owner is Aliki Paliou, for up to $5.0 million, to be used for general working capital purposes. The facility, which was repayable in one year from the date of the agreement, was utilized in advances at our request and bore interest of 9.0% per annum and commitment fees of 3.0% per annum on any undrawn amount. Arrangement fees of $0.2 million were payable on the date of the agreement.

On June 1, 2022, we completed a public offering of 508,000 units, each unit consisting of (i) one common share or a pre-funded warrant to purchase one common share at an exercise price equal to $0.01 per common share, and (ii) one Class A Warrant to purchase one common share at an exercise price equal to $15.75 per Common Share (a "Class A Warrant"), at a public offering price of $15.75 per unit.

In June 2022, we acquired the tanker vessel *P. Sophia* (formerly "Maran Sagitta"), a 2009-built Aframax tanker of 105,071 dwt for $27.6 million. The vessel was delivered to us in July 2022.

On July 19, 2022, we issued 1,133,333 of our common shares in a registered direct offering concurrently with a private placement of warrants (the "July 2022 Warrants") exercisable to purchase up to 1,133,333 common shares for an exercise price of $5.25 (currently $1.65 per common share, as adjusted pursuant to the terms of the July 2022 Warrants), for a purchase price of $5.25 per common share and July 2022 Warrant.

On August 16, 2022, in a registered direct offering, we issued 2,222,222 of our common shares and warrants to purchase up to 2,222,222 common shares (the "August 2022 Warrants"), each exercisable to purchase one common share for an exercise price of $6.75 (currently $1.65 per common share, as adjusted pursuant to the terms of the August 2022 Warrants), for a purchase price of $6.75 per share and August 2022 Warrant.

In August 2022, we acquired the tanker vessel *P. Aliki* (formerly "Alpine Amalia"), a 2010-built LR2 Aframax oil product tanker of 105,304 dwt, for $36.5 million. The vessel was delivered to us in November 2022.

In September 2022, we acquired the tanker vessel *P. Monterey* (formerly "Phoenix Beacon"), a 2011-built Aframax tanker vessel of 105,525 dwt, for $35 million. The vessel was delivered to us in December 2022.

In October 2022, we sold the 2007-built Aframax tanker vessel *P. Fos* for $34.0 million and delivered the vessel to her new owners in November 2022.

On October 17, 2022, we entered into a stock purchase agreement with Mango Shipping, pursuant to which we agreed to issue to Mango, in a private placement, 1,314,792 shares of our newly-designated Series C Preferred Shares in exchange for (i) all 657,396 Series B Preferred Shares held by Mango and (ii) the agreement by Mango to apply $4.93 million (an amount equal to the aggregate cash conversion price payable upon conversion of such Series B Preferred Shares into Series C Preferred Shares pursuant to their terms) as a prepayment by us of an unsecured credit facility agreement dated March 2, 2022 and made between us as borrower and Mango as lender, maturing in March 2023 and bearing interest at 9.0% per annum. We subsequently repaid the remaining amounts of $0.07 million due and terminated the credit facility. The transaction was approved by a special independent committee of our board of directors.

In November 2022, we acquired the tanker vessel *P. Long Beach* (formerly "Fos Hamilton"), a 2013-built LR2 Aframax tanker vessel of 105,408 dwt, for $43.75 million. The vessel was delivered to us in December 2022.

On November 8, 2022, our board of directors determined to effect a reverse stock split of our common shares at a ratio of one-for-fifteen. Our shareholders had previously approved the reverse stock split at the Company's Special Meeting of Shareholders held on November 7, 2022. The reverse stock split was effective as of the opening of trading on November 15, 2022. All share amounts in this report, not including amounts incorporated by reference, have been retroactively adjusted to reflect this reverse stock split.

On November 30, 2022, we regained compliance with the minimum bid price requirements for continued listing on the Nasdaq Capital Market, as a result of the closing bid price of the Company's common shares having been at $1.00 per share or greater for at least ten consecutive business days, from November 15, 2022 through November 29, 2022.

On December 9, 2022, we entered into an ATM Sales Agreement with Virtu Americas LLC (the "ATM Agreement"), as sales agent, pursuant to which we offered and sold, from time to time, up to an aggregate of $30 million of our common shares. We terminated the ATM Agreement on February 27, 2023. Prior to termination, we issued and sold 365,196 common shares under the ATM Agreement at an average price per share of $3.30, raising total gross proceeds of approximately $1.2 million, net of agent's commissions.

On February 13, 2023, we notified our Series B preferred stockholders, that pursuant to the effective registration statement on Form F-3 that we filed with the SEC on January 27, 2023, the holders of the Company's issued and outstanding Series B Preferred Shares may at any time through and including March 15, 2023, convert, at the option of the holder, one Series B Preferred Share, for additional cash consideration of $7.50 per converted Series B Preferred Share, into two shares of Series C Convertible Cumulative Perpetual Preferred Stock. Upon the closing of the conversion period on March 15, 2023, 85,535 Series B preferred shares have been converted to 171,070 Series C preferred shares, and we collected gross proceeds of $0.6 million.

On February 22, 2023, the re-election of Andreas Michalopoulos and Loïsa Ranunkel, each as a Class I director was approved by the requisite vote at our 2023 Annual Meeting.

On February 28, 2023, we entered into a securities purchase agreement with certain unaffiliated institutional investors to purchase (i) 5,556,000 of our common shares, (ii) the Series A Warrants to purchase 3,611,400 Common Shares and (iii) Series B warrants (the "Series B Warrants") to purchase 4,167,000 Common Shares, at a purchase price of $2.25 per common share together with the accompanying Series A and Series B Warrants in a registered direct offering. The terms of the Series A Warrants provided that, as an alternative to exercise, they could be exchanged for common shares for no additional cash consideration under certain circumstances. The gross proceeds to us were approximately $12.5 million before deducting the placement agent's fees and other offering expenses. Subsequent to the closing, we issued 3,597,100 common shares in exchange for 3,597,100 Series A Warrants for no additional cash consideration, according to the terms of the Series A Warrants.

On March 7, 2023, we entered into a shipbuilding contract with China Shipbuilding Trading Company Limited and Shanghai Waigaoqiao Shipbuilding Company Limited for the construction of a 114,000 DWT LNG ready LR2 Aframax product/crude oil tanker for a gross contract price of $63.3 million. We expect to take delivery of the vessel in the fourth quarter of 2025. In April 2023, we paid the first installment of $9.5 million, as per the terms of the shipbuilding contract.

In April 2023, our board of directors authorized a share repurchase plan (the "April 2023 Repurchase Plan") to purchase up to an aggregate of $2.0 million of our common shares. Under the April 2023 Repurchase Plan, we repurchased a total of 2,222,936 common shares for a total amount of approximately $2.0 million, successfully completing the April 2023 Repurchase Plan in the third quarter of 2023.

On April 18, 2023, we received written notification from NASDAQ, indicating that because the closing bid price of our common stock for 30 consecutive business days was below the minimum $1.00 per share bid price requirement for continued listing on The NASDAQ Capital Market, we were not in compliance with Nasdaq Listing Rule 5550(a)(2).

On August 7, 2023, we refinanced our existing loan facility with Nordea Bank Abp, filial i Norge ("Nordea") by entering into a new revolving credit facility with Nordea of up to $20.0 million. For more information regarding the new revolving credit facility, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Loan Facilities—Nordea Bank Abp, Filial i Norge (Nordea)."

On August 15, 2023, we regained compliance with the minimum bid price requirements for continued listing on the Nasdaq Capital Market, as a result of the closing bid price of the Company's common shares having been at $1.00 per share or greater for at least ten consecutive business days, from August 1, 2023 through August 14, 2023. We regained such compliance as a result of an organic increase in the market price of our shares, without the need to effect a reverse stock split.

In August 2023, our board of directors authorized a new share repurchase plan (the "August 2023 Repurchase Plan") to repurchase up to $2.0 million of our outstanding common shares. As of March 26, 2024, 327,100 common shares have been repurchased for a total amount of approximately $0.7 million under the August 2023 Repurchase Plan.

On September 29, 2023, 100,000 of the July 2022 Warrants and 100,000 of the August 2022 Warrants were exercised by their holders, generating net proceeds of $0.3 million for us.

On October 11, 2023, Sphinx Investment Corp., a corporation incorporated under the laws of the Republic of the Marshall Islands (the "Offeror"), launched a cash tender offer to purchase from all of our outstanding common shares and associated preferred stock purchase rights issued pursuant to our Stockholders' Rights Agreement (the "Rights" and, together with the common shares, the "Shares"), at a price of $3.00 per Share (without interest and less any applicable withholding taxes, upon the terms and subject to the conditions set forth in (a) the Amended and Restated Offer to Purchase, dated October 30, 2023, as amended and supplemented by the Supplement to the Amended and Restated Offer to Purchase dated December 5, 2023 and (b) the related revised Notice of Guaranteed Delivery and the related revised Letter of Transmittal, as set forth in the Offeror's Tender Offer Statement on Schedule TO filed with the SEC on October 11, 2023, as amended) (the "Offer"). Unless the Offer is extended by the Offeror, the Offer and withdrawal rights thereunder will expire at 11:59 p.m., New York City Time, on June 28, 2024.

In December 2023, we sold the 2007-built Aframax tanker vessel *P. Kikuma* for $39.3 million and delivered the vessel to her new owners.

On December 18, 2023, we completed the approximately $44.6 million voluntary prepayment of all of our existing loans with Piraeus Bank S.A. and released the security over our vessels *P. Monterey*, *P. Yanbu* and *P. Sophia*. The prepayment was completed through the deployment of our excess liquidity.

On December 18, 2023, we entered into two shipbuilding contracts with China Shipbuilding Trading Co. Ltd. and Shanghai Waigaoqiao Shipbuilding Co. Ltd. for the construction of two 114,000 DWT LNG-ready LR2 Aframax product/crude oil tanker vessels, for a purchase price of $64.845 million per vessel, payable in instalments, net of third-party commission. The vessels are expected to be delivered in January and April of 2026. On January 30, 2024, the Company paid an aggregate amount of $19.5 million, representing the first installment of the purchase price for each of these two newbuildings.

During 2023, 57,490 Series C Preferred Shares were converted at the option of their holders into 1,064,207 common shares, calculated with an adjusted conversion price of $1.3576.

Recent Developments

On March 8, 2024, we entered into time charter contracts with Clearlake Shipping Pte Ltd for our three newbuilding Aframax tanker vessels. Each employment will be for a firm period of five years with the charterer's option to extend for a sixth and seventh year. The gross charter rate will be US$31,000 per vessel per day for the firm period and a base rate plus profit share for the optional periods, if declared. Employment is expected to commence upon delivery of the vessels.

B. Business Overview

We provide global shipping transportation services through the ownership of tanker vessels. As of the date of this annual report, our fleet consists of seven Aframax tanker vessels with a combined carrying capacity of 735,910 DWT and a weighted average age of approximately 12.9 years, and also one newbuild LR2/Aframax tanker vessel of which we expect to take delivery in the fourth quarter of 2025, and two newbuild LR2 Aframax product/crude oil tanker vessels of which we expect to take delivery in January and April of 2026, respectively. At our inception in January 2010, our business was focused on the ownership of container vessels and we have since gradually transitioned to a purely tanker fleet, completing our exit from the containership sector in August 2020.

During 2023, 2022 and 2021, we had a fleet utilization (including ballast leg) of 98.7%, 96.8%, and 85.5% respectively, our vessels achieved a daily time charter equivalent rate of $36,954, $29,579, and $9,963, respectively, and we generated revenues from our vessels of $108.9 million, $75.1 million, and $36.5 million, respectively.

Set forth below is summary information concerning our fleet as of March 26, 2024.

Vessel	Year of Build	Capacity	Builder	Charter Type
			Aframax Tanker Vessels	
BLUE MOON	2011	104,623 DWT	Sumitomo Heavy Industries Marine & Engineering Co., LTD.	Time charter
BRIOLETTE	2011	104,588 DWT	Sumitomo Heavy Industries Marine & Engineering Co., LTD.	Time charter
P. YANBU	2011	105,391 DWT	Sumitomo Heavy Industries Marine & Engineering Co., LTD.	Time charter
P. SOPHIA	2009	105,071 DWT	Hyundai Heavy Industries Co. LTD.	Pool
P. ALIKI	2010	105,304 DWT	Hyundai Heavy Industries Co. LTD.	Pool
P. MONTEREY	2011	105,525 DWT	Hyundai Heavy Industries Co. LTD.	Time charter
P. LONG BEACH	2013	105,408 DWT	Hyundai Heavy Industries Co. LTD.	Time charter

Management of Our Fleet

The business of Performance Shipping Inc. is the ownership of vessels. Performance Shipping Inc. wholly owns, directly or indirectly, the subsidiaries which own the vessels that comprise our fleet. The holding company sets the general overall direction for the company and interfaces with various financial markets. The day-to-day commercial and technical management of our fleet, as well as the provision of administrative services relating to our fleet's operations, have been carried out since March 1, 2013, by UOT, our in-house fleet manager. Pursuant to an Administrative Services Agreement, we pay UOT a fixed monthly administrative fee of $10,000 in exchange for providing us with accounting, administrative, financial reporting, and other services necessary for the operation of our business. In addition, in exchange for providing us with day-to-day commercial and technical services, we pay UOT a commission of 2.00% of our gross revenues, a fixed management fee of $15,000 per month for each vessel in operation, and a fixed monthly fee of $7,500 for any vessels under construction or laid-up. For as long as part of the management services were assigned to third-party managers (see below), we paid to UOT a reduced monthly management fee in the range of $1,000 to $5,000, and a commission of 1.00% or 2.00% of our gross revenues, depending on the level of involvement of the third-party managers. Furthermore, for as long as our vessels are chartered under pool arrangements, UOT receives no commission on the vessels' gross revenues. All management fees and commissions payable to UOT are considered inter-company transactions and are, therefore, eliminated from our consolidated financial statements.

Business Strategy

Our primary objective is to operate our business on behalf of our shareholders in a manner that is consistent with our business strategy. The key elements of our strategy are:

Fleet

Modern, High Specification Fleet. We intend to operate a fleet of modern, high specification tanker vessels that include high cargo-carrying capacity and competitive fuel efficiency. We believe these features will be commercially attractive to charterers because the high specifications will result in cost-effective vessels with increased flexibility, and we expect these factors will, in turn, maximize our vessels' utilization rates. We believe that owning a versatile, modern, well-maintained fleet reduces operating costs, improves the quality of service we deliver, and enables us to secure employment with high-quality counterparties. As we grow our fleet, we intend to continue acquiring secondhand vessels built in well-established shipyards in South Korea, Japan, and China with high specifications and fuel efficiency standards. Depending on market conditions, we may also opportunistically purchase newbuild vessels equipped with the latest high specification engines and meeting the stringent emission requirements, which will be constructed in large and reputable shipyards and will result in an even more modern and highly competitive fleet composition.

Growing Sector Presence. While we cannot assure you that we will do so, we intend to grow our fleet over time primarily through selective acquisitions of secondhand vessels. This will increase our market presence and enhance our attractiveness to charterers and other customers, including major oil companies, oil traders, and refineries. We believe that by expanding our fleet, we will gain a significant presence in the tanker vessel market, enabling us to offer customers greater flexibility and a higher level of service while achieving greater efficiencies through economies of scale and enhanced vessel utilization.

Continuous Fleet Renewal. We are focused on renewing our fleet as our vessels age. We plan to acquire younger vessels as we dispose of our older ones to continuously renew and replace our fleet. We expect that this will, in part, be funded through our mandatory debt repayments and replacement reserves and will enable us to maintain a fleet of modern, high-specification tankers.

Secondhand Acquisitions and Construction. We expect to grow our fleet primarily through selective acquisitions of secondhand tanker vessels from unaffiliated third parties. We may acquire vessels upon their delivery from the shipyard or may enter into newbuilding contracts opportunistically. During 2023, we have entered into three shipbuilding contracts for the construction of three Aframax product/crude oil tanker vessels with scheduled deliveries from October 2025 to April 2026. When evaluating acquisitions, we will consider and analyze our expectation of fundamental developments in the seaborne transportation of crude oil and refined petroleum products, changes in trading patterns, the cash flow currently earned and our expectation of future cash flows to be earned by the target vessel relative to its value, as well as its condition and technical specifications.

Management

Significant Management Expertise. We believe that our executive management team has extensive public company and vessel operations experience. In the competitive tanker vessel industry, charterers are focused on the quality of vessel operators and we believe that our wholly owned subsidiary fleet manager has a reputation as a respected commercial and technical manager. The long experience of our executive, commercial and technical management team ensures we have established relationships with charterers, financial institutions, insurers, suppliers, ship repair yards, and other industry participants. We believe that these relationships will assist us in further developing our position as a sought-after business partner with our charterers and provide access to attractive acquisition opportunities.

Highly Efficient Operations. We believe that we have established our Company as a cost-efficient and reliable operator due to the skill of our executive management team, backed by an experienced commercial and technical team comprised of industry veterans, and the quality and maintenance standards of our fleet. We intend to actively monitor and seek to control vessel operating expenses without compromising the quality of our vessels by utilizing regular inspection and maintenance programs, employing and retaining qualified crew members, and taking advantage of the economies of scale that we expect to enjoy when we acquire additional vessels.

Commercial

Spot Market Focus. Our commercial policy is focused mainly on voyage charters and short-term time charters of less than 12 months and, in some cases, medium-term charters of less than 36 months to provide our shareholders with exposure to cyclical fluctuations in charter rates. When available, we will also consider entering pool arrangements or time charters with a fixed floor rate and profit-sharing participation in the spot market. Our spot market focus should allow us and our shareholders to realize the benefits from rising charter rates. Still, the spot market is very volatile, and our strategy will also expose us and our shareholders to periods when spot rates decline below the cash breakeven level of our fleet. In line with our strategy, our current fleet of tankers operate primarily under voyage charters and through pool arrangements that enhance our spot market exposure and enable us to achieve economies of scale, obtain increased cargo, better flow of information and greater vessel utilization.

Established Commercial Relationships. We expect to capitalize on our commercial and technical management team's long-standing relationships with leading charterers such as multinational oil companies, including Shell, BP, Saudi Aramco, Total, Marathon Petroleum, Exxon, and Chevron; international oil traders, including Glencore, Vitol, Trafigura and Gunvor; refiners, including Valero and Reliance. We believe that our experienced management team will assist us in securing employment for our vessels and will provide us with an established and diverse customer base in both western and eastern geographical basins. Following their delivery to us, we expect all our vessels to be acceptable for business by one or more major oil companies, oil traders, and refineries based on their inspections of our vessels and their review of our operational procedures.

Financial

Maintain Low Leverage. Our policy is to incur an amount of debt that, upon its incurrence, does not cause our ratio of net debt-to-market value of our fleet to exceed our target of 35%. We believe that having a level of indebtedness upon its incurrence that is at or below our target will allow us to operate in adverse market conditions. On December 31, 2023, our outstanding debt was $55.2 million, we held approximately $68.3 million in cash and cash equivalents (including restricted cash of $1.0 million), and our ratio of net debt to the value of our fleet was approximately -4%. However, despite our current negative net leverage, the possible new debt financing, which is expected to be used to partially fund the construction costs of our newbuilding vessels and will be incurred at the time of the vessels' delivery to us, may increase our net debt-to-market value of our fleet, at or above our target level..

Equity Capital Reliance. Depending on market conditions, we may partially rely on follow-on offerings of common shares to fund the acquisition of additional vessels. Consistent with our low leverage strategy, we may enter into new credit agreements or access the public or private debt markets to fund the remaining portion of these acquisitions. The issuance of common shares to grow our fleet generally may increase our market capitalization and the trading activity for the common shares, but there can be no assurances that such increases will materialize or be sustained. In addition, our potential reliance on follow-on offerings of our common shares may significantly dilute existing shareholders.

Governance

In-House Management. We wholly own, directly or indirectly, the subsidiaries that own the vessels comprising our fleet. Our executive management team's responsibilities include working to ensure the implementation of our business strategy, general corporate oversight, interfacing with financial markets, and supervising the day-to-day commercial and technical management teams. The day-to-day commercial and technical management of our fleet, and the provision of administrative services relating to the fleet's operations, is carried out by our wholly owned subsidiary company, UOT, our fleet manager. For accounting and administrative purposes only, in exchange for providing us with commercial and technical services, we pay UOT certain fees and commissions. These amounts are considered inter-company transactions and are, therefore, eliminated from our consolidated financial statements.

Transparent Corporate Structure. In addition to performing all management functions in-house, we maintain a majority independent board of directors comprising of individuals with extensive experience in all aspects of our business. We do not intend to enter into any transactions with related parties for the acquisition or disposal of vessels. Members of our executive, commercial, and technical management teams have no other ownership in other tanker vessel companies, and do not have any executive positions in other public or private shipping companies.

Our Customers

Our customers include national, regional, and international companies, such as Aramco Trading Company, Dhahran, Saudi Arabia, BP Singapore PTE LTD, Reliance Industries Limited, Nayara Energy Limited, Trafigura. In 2023, four of our charterers accounted for 84% of our revenues: ST Shipping Transport (28%), Aramco Trading Company (11%), Signal Maritime Aframax Pool LTD (13%) and Penfield Tankers (Aframax) LLC (32%). In 2022, two of our charterers accounted for 59% of our revenues: Signal Maritime Aframax Pool LTD (41%) and Penfield Tankers (Aframax) LLC (18%). In 2021, two of our charterers accounted for 43% of our revenues: Aramco Trading Company, Dhahran, Saudi Arabia (26%) and Vitol (17%). We believe that developing strong relationships with the end-users of our services allows us to better satisfy their needs with appropriate and capable vessels. A prospective charterer's financial condition, creditworthiness, reliability, and track record are important factors in negotiating our vessels' employment.

The Tanker Shipping Industry

The oil tanker shipping industry constitutes a vital link in the global energy supply chain, in which tanker vessels play a critical role by carrying large quantities of crude oil. The rationale behind this is that only tanker vessels can carry crude oil from one continent to the other and across the oceans based on practical and economical terms. The shipping of crude oil is the only transportation method that implies the lower cost per oil barrel compared to other methods, such as pipelines.

An oil tanker shipping company earns revenues by the freight rates paid for transportation capacity. Freight is paid for the movement of cargo between a load port and a discharge port. The cost of moving the ship from a discharge port to the next load port is not directly compensated by the charterers in the freight payment but is an expense of the owners if not on time charter.

Types of Crude Tanker Vessels

The main categories of crude tanker vessels are:

- **VLCCs**, with an oil cargo carrying capacity in excess of 200,000 dwt (typically 300,000 to 320,000 dwt or approximately two million barrels). VLCCs generally trade on long-haul routes from the Middle East and West Africa to Asia, Europe, and the U.S. Gulf or the Caribbean.

- **Suezmax tankers**, with an oil cargo carrying capacity of approximately 120,000 to 200,000 dwt (typically 150,000 to 160,000 dwt or approximately one million barrels). Suezmax tanker vessels are engaged in a range of crude oil trades across a number of major loading zones.

- **Aframax tankers**, with an oil cargo carrying capacity of approximately 80,000 to 120,000 dwt (or approximately 500,000 barrels). Aframax tanker vessels are employed in shorter regional trades, mainly in North West Europe, the Caribbean, the Mediterranean, and Asia.

Tanker Newbuilding Prices

The factors which influence new-built prices include ship type, shipyard capacity, demand for ships, "berth cover", i.e., the forward book of business of shipyards, buyer relationships with the yard, individual design specifications, including fuel efficiency or environmental features and the price of ship materials, engine and machinery equipment and particularly the price of steel.

Tanker Secondhand Prices

Second-hand prices are primarily driven by trends in the supply and demand for vessel capacity. During extended periods of high demand, as evidenced by high charter rates, secondhand vessel values tend to appreciate, and during periods of low demand, evidenced by low charter rates, vessel values tend to decline. Vessel values are also influenced by age and specification and by the replacement cost (new-built price) in the case of vessels up to five years old.

The sale and purchase (S&P) market, where vessels are sold and bought through specialized brokers, determines vessel values on a daily basis. The S&P market is transparent and liquid, with a significant number of vessels changing hands annually.

Values for younger vessels tend to fluctuate on a percentage basis less than values for older vessels. This is due to the fact that younger vessels with a longer remaining economic life are less susceptible to the level of charter rates than older vessels with limited remaining economic life.

The Crude Oil Tanker Freight Market

Charter Types

Employment of oil tanker vessels occurs through the following chartering options:

Bareboat Charter: In this charter type, vessels are usually employed for several years. All voyage related costs such as bunkers, port dues, and daily operating expenses are paid by the charterer. The owner of the vessel is entitled to monthly charter hire payments and covers the capital cost associated with the vessel.

Time Charter: Involves the use of the vessel for a number of months or years or for a trip between specific delivery and redelivery positions. The charterer covers all voyage related costs while the owner receives monthly charter hire payments on a per day basis and pays all operating expenses and capital costs of the vessel.

Pool Charter: In this charter type, the vessel's owner earns a portion of total revenues generated by the pool, net of expenses incurred by the pool. The amount allocated to each pool participant vessel, is determined in accordance with an agreed-upon formula, which is determined by the margins awarded to each vessel in the pool based on the vessel's age, design and other performance characteristics.

Spot or Voyage Charter: Vessels are used for a single voyage for the carriage of a specific amount and type of cargo on a load port to discharge port. The owner covers the repositioning cost of the ship as well as all expenses, namely voyage, operating, and capital costs of the ship.

Tanker Vessels Charter Rates

The main factors affecting vessel charter rates are primarily the supply and demand for tanker shipping. The shorter the charter period, the greater the vessel charter rate is affected by the current supply to demand balance and by the current phase of the market cycle (high point or low point). For longer charter periods, vessel charter rates tend to be more stable and less cyclical because the period may cover not only a particular phase of a market cycle but a full market cycle or several market cycles. Other factors affecting charter rates include the age and characteristics of the ships (fuel consumption, speed), the price of new-built and secondhand ships (buying as an alternative to chartering ships), and market conditions.

Seasonality

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, charter rates. Historically, peaks in tanker vessel demand quite often precede seasonal oil consumption peaks, as refiners and suppliers anticipate consumer demand. Seasonal peaks in oil demand can broadly be classified into two main categories: (1) increased demand prior to Northern Hemisphere winters as heating oil consumption increases and (2) increased demand for gasoline prior to the summer driving season in the United States. Unpredictable weather patterns and variations in oil reserves disrupt tanker scheduling. Unpredictable weather patterns and variations in oil reserves disrupt tanker scheduling. This seasonality may result in quarter-to-quarter volatility in our operating results, as many of our vessels trade in the spot market. Seasonal variations in tanker vessel demand will affect any spot market-related rates that we may receive.

Environmental and Other Regulations in the Shipping Industry

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

A variety of government and private entities subject our vessels to both scheduled and unscheduled rigorous inspections. These entities include the local port authorities (applicable national authorities such as the Ports State Controls (PSC) or USCG, harbormaster or equivalent), classification societies, flag state administrations (countries of registry), and particularly the charterers through the SIRE inspection regime and terminal inspections. SIRE inspection program stands for Ship Inspection Report and is a comprehensive, worldwide inspection regime utilizing inspectors with common training and oversight to inspect oil tankers, chemical tankers, and gas carriers, based on a standardized set of questions and requirements known as the SIRE Vessel Inspection Questionnaire. Certain of these entities require us to obtain permits, licenses, certificates, and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

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

International Maritime Organization

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (the "IMO"), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as "MARPOL," the International Convention for the Safety of Life at Sea of 1974 ("SOLAS Convention"), International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, or STCW, and the International Convention on Load Lines of 1966 (the "LL Convention"). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids, and the handling of harmful substances in packaged forms. MARPOL applies to vessels of any type, operating in the marine environment, 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; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

In 2013, the IMO's Marine Environmental Protection Committee, or the "MEPC," adopted a resolution amending MARPOL Annex I Condition Assessment Scheme, or "CAS." These amendments became effective on October 1, 2014, and require compliance with the 2011 International Code on the Enhanced Programme of Inspections during Surveys of Bulk Carriers and Oil Tankers, or "ESP Code," which provides for enhanced inspection programs. In January 2023, amendments to the ESP Code relating to thickness measurements for double hull oil tankers at the first renewal survey of double hull oil tankers became effective. We may need to make certain financial expenditures to comply with these amendments.

Air Emissions

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

The Marine Environment Protection Committee, or "MEPC," adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter, and ozone-depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used onboard ships. Effective January 1, 2020, there has been a global 0.5% m/m sulfur oxide emissions limit (reduced from 3.50%). 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% sulfur on ships were adopted and took effect on March 1, 2020. Additional amendments to Annex VI revising, among other terms, the definition of "Sulphur content of fuel oil" and "low-flashpoint fuel" and relating to the sampling and testing of onboard fuel oil, became effective in April 2022. These regulations subject ocean-going vessels to stringent emissions controls and may cause us to incur substantial costs.

MEPC 77 adopted a non-binding resolution which urges member states and ship operators to voluntarily use distillate or other cleaner alternative fuels or methods of propulsion that are safe for ships and could contribute to the reduction of black carbon emissions from ships when operating in or near the Arctic.

Sulfur content standards are even stricter within certain "Emission Control Areas" or ("ECAs"). As of January 1, 2015, ships operating within an ECA were not permitted to use fuel with sulfur content over 0.1% m/m. Amended Annex VI establishes procedures for designating new ECAs. Currently, the IMO has designated four ECAs, including specified portions of the Baltic Sea area, North Sea area, North American area, and the United States Caribbean Sea area. In December 2022, the MEPC adopted a resolution establishing a new ECA for the Mediterranean Sea as a whole. These amendments will enter into force on May 1, 2024, however ships operating in this ECA will be exempted from compliance with the 0.10%m/m sulfur content standard for fuel oil until July 1, 2025. Ocean-going vessels in these areas will be subject to stringent emission controls and ocean-going vessels trading in ECAs may see increased operational costs due to the higher price of fuel with low sulfur content and may cause us to incur additional costs. Other areas in China are subject to local regulations that impose stricter emission controls. If other ECAs are approved by the IMO, or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency ("EPA") or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

MEPC 79 adopted amendments to Annex VI on the reporting of mandatory values related to the implementation of the IMO short-term GHG reduction measure, including attained EEXI, CII and rating values to the IMO DCS, which will become effective May 1, 2024. MEPC 80 adopted the 2023 IMO Strategy on Reduction of GHG Emissions from Ships with enhanced targets to mitigate harmful emissions. The revised IMO GHG Strategy comprises a common ambition to ensure an uptake of alternative zero and near-zero GHG fuels by 2030 and to achieve net-zero emissions from international shipping by 2050. MEPC 81 will take place in spring 2024 in which the IMO will decide on the market-based mechanism to reach the emission reduction targets– either through a global emissions trading scheme for shipping or a global carbon levy.

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

As determined at the MEPC 70, Regulation 22A of MARPOL Annex VI became effective as of March 1, 2018, and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection having commenced on January 1, 2019. The IMO intends to use such data as the first step in its roadmap (through 2023) for developing its strategy to reduce greenhouse gas emissions from ships, as discussed further herein. Amendments to Annex VI requiring bunker delivery notes to include a flashpoint of fuel oil or a statement that the flashpoint has been measured at or above 70°C as mandatory information, will become effective May 1, 2024. Pursuant to MPC 80, in July 2023, the IMO adopted the 2023 IMO Strategy on Reduction of GHG Emissions from Ships, which identifies a number of levels of ambition, including (1) decreasing the carbon intensity from ships through implementation of further phases of energy efficiency for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030; and (3) pursuing net-zero GHG emissions by or around 2050.

As of January 1, 2013, MARPOL made certain measures mandatory relating to energy efficiency for ships. All ships are now required to develop and implement a Ship Energy Efficiency Management Plan ("SEEMP"), and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index ("EEDI"). Under these measures, by 2025, all new ships built will be 30% more energy-efficient than those built-in 2014. Additionally, MEPC 75 adopted amendments to MARPOL Annex VI which brought forward the effective date of the EEDI's "phase 3" requirements from January 1, 2025, to April 1, 2022, for several ship types, including gas carriers, general cargo ships, and LNG carriers.

Additionally, MEPC 76 adopted amendments to Annex VI which impose new regulations to reduce greenhouse gas emissions from ships. The revised Annex VI entered into force in November 2022, and includes requirements to assess and measure the energy efficiency of all ships and set the required attainment values, to reduce the carbon intensity of international shipping. The requirements include (1) a technical requirement to reduce carbon intensity based on a new Energy Efficiency Existing Ship Index ("EEXI"), and (2) operational carbon intensity reduction requirements based on a new operational carbon intensity indicator ("CII"). The attained EEXI is required to be calculated for ships of 400 gross tonnage and above, under different values set for ship types and categories. Concerning the CII, ships of 5,000 gross tonnage are required to document and verify their actual annual operational CII achieved against a determined required annual operational CII. The EEXI and CII certification requirements became effective in January 1, 2023.. We have conducted a thorough baseline evaluation of the current CII ratings of all vessels in the fleet. This includes analyzing historical data on fuel consumption, distances traveled, and cargo loads. We will use it to set clear performance improvement targets for each vessel based on their baseline CII ratings. To achieve this the Company is currently investigating technologies to install advanced performance monitoring systems on vessels to collect real-time data on fuel consumption, speed, and emissions. We will use this data to optimize operational efficiency and track progress toward CII targets. We are also cooperating with the vessel's charterers and commercial operators to implement speed optimization strategies, considering weather routing to reduce fuel consumption while maintaining operational schedules, and collaborating with industry partners to share best practices.

Additionally, MEPC 76 adopted amendments requiring ships of 5,000 gross tonnage and above to revise their SEEMP to include a methodology for calculating the ship's attained annual operation CII and the required annual operational CII, on or before January 1, 2023. MEPC 76 also approved amendments to MARPOL Annex I to prohibit the use and carriage for use as fuel of heavy fuel oil ("HFO") by ships in Arctic waters on and after July 1, 2024. For ships subject to Regulation 12A (oil fuel tank protection), the prohibition becomes effective on or after July 1, 2029.

Pursuant to the IMO's short-term targets for the reduction of greenhouse gas emissions in the shipping industry by 2030, we may incur costs to comply with these revised standards. Additional or new conventions, laws, and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows, and financial condition.

Management System Requirements

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

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

The Military Sealift Command adopted amendments to modernize the Global Maritime Distress and Safety System (or GMDSS), which entered into force on January 1, 2024. The amendments, which include amendments to SOLAS, may require vessel owners/operators to ensure their radio equipment is compliant.

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

Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels to comply with the International Maritime Dangerous Goods Code ("IMDG Code"). Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing, and classification requirements for dangerous goods; and (3) new mandatory training requirements. Amendments which took effect on January 1, 2020, also reflect the latest material from the UN Recommendations on the Transport of Dangerous Goods, including (1) new provisions regarding IMO type 9 tank, (2) new abbreviations for segregation groups; and (3) special provisions for carriage of lithium batteries and vehicles powered by flammable liquid or gas. Amendments to the IMDG Code relating to segregation requirements for certain substances, and classification and transport of carbon, following incidents involving the spontaneous ignition of charcoal, came into effect in June 2022. Updates to the IMDG Code, in line with the updates to the United Nations Recommendations on the Transport of Dangerous Goods, which set the recommendations for all transport modes, became effective January 1, 2024.

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

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

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in 2004. The BWM Convention entered into force on September 9, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless, or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast water management certificate.

Specifically, ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. For most ships, compliance with the D-2 standard will involve installing onboard systems to treat ballast water and eliminate unwanted organisms. Ballast Water Management systems (or BWMS), which include systems that make use of chemical, biocides, organisms, or biological mechanisms, or which alter the chemical or physical characteristics of the Ballast Water, must be approved per IMO Guidelines (Regulation D-3). Under the BWM Convention amendments that entered into force in October 2019, BWMS installed on or after October 28, 2020, shall be approved per BWMS Code, while BWMS installed before October 23, 2020, must be approved taking into account guidelines developed by the IMO or the BWMS Code. As of October 13, 2019, MEPC 72's amendments to the BWM Convention took effect, requiring all ships to meet the D-2 standard by September 8, 2024. Costs of compliance with these regulations may be substantial. The cost of compliance could increase for ocean carriers and may have a material effect on our operations. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The U.S., for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and comply with certain reporting requirements. Amendments to the BWM Convention concerning commissioning testing of BWMS became effective in 2022.

Although mid-ocean ballast exchange or ballast water treatment is not yet mandated by many countries, the cost of compliance could increase for ocean carriers and may have a material effect on our operations.

The IMO adopted the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocols in 1976, 1984, and 1992, and amended in 2000 ("the CLC"). Under the CLC and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner may be strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain exceptions. The 1992 Protocol changed certain limits on liability expressed using the International Monetary Fund currency unit, the Special Drawing Rights. The limits on liability have since been amended so that the compensation limits on liability were raised. The right to limit liability is forfeited under the CLC where the spill is caused by the shipowner's actual fault and under the 1992 Protocol where the spill is caused by the shipowner's intentional or reckless act or omission where the shipowner knew pollution damage would probably result. The CLC requires ships over 2,000 tons covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner's liability for a single incident. We have protection and indemnity insurance for environmental incidents. P&I Clubs in the International Group issue the required Bunkers Convention "Blue Cards" to enable signatory states to issue certificates. All of our vessels have a CLC State-issued certificate attesting that the required insurance coverage is in force.

The IMO also adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the "Bunker Convention") to impose strict liability on ship owners (including the registered owner, bareboat charterer, manager, or operator) for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated per the LLMC). Concerning 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.

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

Anti-Fouling Requirements

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships or the "Anti-fouling Convention." The Anti-fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. Vessels of over 400 gross tons engaged in international voyages will also be required to undergo an initial survey before the vessel is put into service, or before an International Anti-fouling System Certificate is issued for the first time and subsequent surveys when the anti-fouling systems are altered or replaced. In 2023, amendments to the Anti-fouling Convention came into effect which includes controls on the biocide cybutryne; ships shall not apply cybutryne or re-apply anti-fouling systems containing cybutryne from January 1, 2023.

All of our vessels have obtained Anti-fouling System Certificates per the Anti-fouling Convention.

Compliance Enforcement

Noncompliance with the ISM Code or other IMO regulations may subject the shipowner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this report, each of our vessels has a valid Safety Management Certificate (SMC) per ISM Code, a document issued to the vessel which signifies that the Company and its shipboard management operate under the approved Management System. However, there can be no assurance that such certificates will be maintained in the future. The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect if any, such regulations might have on our operations.

United States Regulations

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

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

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

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

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

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

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

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

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

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 23, 2022, the USCG adjusted the limits of OPA liability for a tank vessel, other than a single-hull tank vessel, over 3,000 gross tons liability to the greater of $2,500 per gross ton or $21,521,000 (subject to periodic adjustment for inflation), for non-tank vessels, edible oil tank vessels, and any oil spill response vessels, to the greater of $1,300 per gross ton or $1,076,000 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of any applicable U.S. federal safety, construction, or operating regulation by a responsible party (or its agent, employee, or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident as required by law where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

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

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

The 2010 Deepwater Horizon oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including higher liability caps under OPA, new regulations regarding offshore oil and gas drilling, and a pilot inspection program for offshore facilities. However, several of these initiatives and regulations have been or may be revised. For example, the U.S. Bureau of Safety and Environmental Enforcement's ("BSEE") revised Production Safety Systems Rule ("PSSR"), effective December 27, 2018, modified and relaxed certain environmental and safety protections under the 2016 PSSR. Additionally, in August 2023, the BSEE amended the Well Control Rule, which strengthens testing and performance requirements, and may affect offshore drilling operations. Compliance with any new requirements of OPA and future legislation or regulations applicable to the operation of our vessels could impact the cost of our operations and adversely affect our business.

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

We currently maintain pollution liability coverage insurance for $1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage it could have an adverse effect on our business and results of operation.

Other United States Environmental Initiatives

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) ("CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. The CAA also requires states to draft State Implementation Plans, or "SIPs," designed to attain national health-based air quality standards in each state. Although state-specific, SIPs may include regulations concerning emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. Our vessels operating in such regulated port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these existing requirements.

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

The U.S. Clean Water Act ("CWA") prohibits the discharge of oil, hazardous substances, and ballast water in U.S. navigable waters unless authorized by a duly issued permit or exemption and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation, and damages and complements the remedies available under OPA and CERCLA. In 2015, the EPA expanded the definition of "waters of the United States" ("WOTUS"), thereby expanding federal authority under the CWA. On December 30, 2022, the EPA and U.S. Army Corps of Engineers announced the final revised WOTUS rule, which was published on January 18, 2023. In August 2023, the EPA and Department of the Army issued a final rule to amend the revised WOTUS definition to conform the definition of WOTUS to the U.S. Supreme Court's interpretation of the CWA in its decision dated May 25, 2023. The final rule became effective on September 8, 2023 and operates to limit the CWA.

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 requires that the USCG develop implementation, compliance and enforcement regulations regarding ballast water. On October 26, 2020, the EPA published a Notice of Proposed rulemaking for Vessel Incidental Discharge National Standards of Performance under VIDA, and in November 2020, held virtual public meetings. On October 18, 2023, the EPA published a Supplemental Notice to the Vessel Incidental Discharge National Standards of Performance, which shares new ballast water information that the EPA received from the USCG. Comments to the Supplemental Notice were due by December 18, 2023. Under VIDA, all provisions of the VGP 2018 and the USCG ballast water regulations remain in force and effect as currently written until the EPA publishes implementation regulations (anticipated in 2026). The new regulations could require the installation of new equipment. Currently USCG ballast water management regulations adopted under the U.S. National Invasive Species Act, or NISA, require 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. Until new USCG regulations are final and enforceable, non-military non-recreational vessels at least 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 shall submit NOIs for our vessels where required.

Compliance with the EPA, U.S Coast Guard, and state regulations requires the installation of ballast water treatment equipment on our vessels or the implementation of other port facility disposal procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly, or with serious negligence, and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting, and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually, which may cause us to incur additional expenses. As of January 2019, large ships calling at EU ports have been required to collect and publish data on carbon dioxide emissions and other information. The system entered into force on 1 March 2018. July 2020 saw the European Parliament's Committee on Environment, Public Health and Food Safety vote in favor of the inclusion of vessels of 5000 gross tons and above in the EU Emissions Trading System (in addition to voting for a revision to the monitoring, reporting, and verification of CO2 emissions). In September 2020, the European Parliament adopted the proposal from the European Commission to amend the regulation on monitoring carbon dioxide emissions from maritime transport.

On July 14, 2021, the European Commission published a package of draft proposals as part of its 'Fit for 55' environmental legislative agenda and as part of the wider EU Green Deal growth strategy. There are two key initiatives relevant to maritime arising from the package: (a) a bespoke emissions trading scheme for maritime (Maritime ETS) which has commenced in 2024 and which applies to all ships above a gross tonnage of 5000; and (b) a FuelEU regulation which seeks to require all ships above a gross tonnage of 5000 to carry on board a 'FuelEU certificate of compliance' from 30 June 2025 as evidence of compliance with the limits on the greenhouse gas intensity of the energy used on-board by a ship and with the requirements on the use of on-shore power supply (OPS) at berth. Maritime ETS was agreed in December 2022 and FuelEU was passed into law on July 25, 2023 and will apply from January 2025. More specifically, Maritime ETS is to apply gradually over the period from 2024 to 2026. 40% of allowances would have to be surrendered in 2025 for the year 2024; 70% of allowances would have to be surrendered in 2026 for the year 2025; 100% of allowances would have to be surrendered in 2027 for the year 2026. Compliance is to be on a company-wide (rather than per ship) basis and "shipping company" is defined widely to capture both the ship owner and any contractually appointed commercial operator/charterer. The cap under the ETS would be set by taking into account EU MRV system emissions data for the years 2018 and 2019, adjusted, from the year 2021, and is to capture 100% of the emissions from intra-EU maritime voyages; 100% of emissions from ships at berth in EU ports; and 50% of emissions from voyages which start or end at EU ports (but the other destination is outside the EU). More recent proposed amendments signal that 100% of non-EU emissions may be caught if the IMO does not introduce a global market-based measure by 2028. All maritime allowances will be auctioned and there will be no free allocation We note that from a risk management perspective, new systems, including personnel, data management systems, cost recovery mechanisms, revised service agreement terms, and emissions reporting procedures will have to be put in place, at significant cost, to prepare for and manage the administrative aspects of ETS compliance.

Responsible recycling and scrapping of ships are becoming increasingly important issues for shipowners and charterers alike as the industry strives to replace old ships with cleaner, more energy-efficient models. The recognition of the need to impose recycling obligations on the shipping industry is not new. In 2009, the IMO oversaw the creation of the Hong Kong Ship Recycling Convention (the "Hong Kong Convention"), which sets standards for ship recycling. Concerned at the lack of progress in satisfying the conditions needed to bring the Hong Kong Convention into force, the EU published its own Ship Recycling Regulation 1257/2013 (SRR) in 2013, to facilitate early ratification of the Hong Kong Convention both within the EU and in other countries outside the EU. The 2013 regulations are vital to responsible ship recycling in the EU. SRR requires that, from 31 December 2020, all existing ships sailing under the flag of EU member states and non-EU flagged ships calling at an EU port or anchorage must carry on board an Inventory of Hazardous Materials (IHM) with a certificate or statement of compliance, as appropriate. For EU-flagged vessels, a certificate (either an Inventory Certificate or Ready for Recycling Certificate) will be necessary, while non-EU-flagged vessels will need a Statement of Compliance. Now that the Hong Kong Convention has been ratified and will enter into force on June 26, 2025, it is expected the EU Ship Recycling Regulation will be reviewed in light of this.

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

EU Directive 2004/35/CE (as amended) regarding the prevention and remedying of environmental damage addresses liability for environmental damage (including damage to water, land, protected species, and habitats) based on the "polluter pays" principle. Operators whose activities caused the environmental damage are liable for the damage (subject to certain exceptions). Concerning specified activities causing environmental damage, operators are strictly liable. The directive applies where damage has already occurred and where there is an imminent threat of damage. The directive requires preventative and remedial actions, and that operators report environmental damage or an imminent threat of such damage.

In 2021, the EU adopted a European Climate Law (Regulation (EU) 2021/1119), establishing the aim of reaching net-zero greenhouse gas emissions in the EU by 2050, with an intermediate target of reducing greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. In July 2021, the European Commission launched the Fit for 55 (described above) to support the climate policy agenda.

On November 10, 2022, the EU Parliament adopted the Corporate Sustainability Reporting Directive ("CSRD"). EU member states have 18 months to integrate it into national law. The CSRD will create new, detailed sustainability reporting requirements and will significantly expand the number of EU and non-EU companies subject to the EU sustainability reporting framework. The required disclosures will go beyond environmental and climate change reporting to include social and governance matters (for example, respect for employee and human rights, anti-corruption and bribery, corporate governance, and diversity and inclusion). In addition, it will require disclosure regarding the due diligence processes implemented by a company in relation to sustainability matters and the actual and potential adverse sustainability impacts of an in-scope company's operations and value chain. The CSRD will begin to apply for financial years starting in 2024 to large EU and non-EU undertakings subject to certain financial and employee thresholds being met. New systems, personnel, data management systems and reporting procedures will have to be put in place, at significant cost, to prepare for and manage the administrative aspect of CSRD compliance.

International Labour Organization

The International Labour Organization (the "ILO") is a specialized agency of the UN that has adopted the Maritime Labor Convention 2006 ("MLC 2006"). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships that are 500 gross tonnage or over and are either engaged in international voyages or flying the flag of a Member and operating from a port, or between ports, in another country. The Company's Management System establishes working and living standards for all seafarers working onboard that exceed MLC 2006 requirements. All our vessels have been issued the MLC Certificate following surveys, inspections, paperwork, and approval by the registered flag state.

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and according to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016, and does not directly limit greenhouse gas emissions from ships. The United States rejoined the Paris Agreement on February 19, 2021

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on the reduction of greenhouse gas emissions from ships was approved. Following this roadmap, at MEPC 80, in July 2023, the IMO adopted the 2023 IMO Strategy on Reduction of GHG Emissions from Ships, which identifies a number of levels of ambition, including (1) decreasing the carbon intensity from ships through the implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely. These regulations could cause us to incur substantial additional expenses.

As noted above, the 70th MEPC meeting in October 2016 adopted a mandatory data collection system (DCS) which requires ships above 5,000 gross tons to report consumption data for fuel oil, hours under way and distance travelled. Unlike the EU MRV (see below), the IMO DCS covers any maritime activity carried out by ships, including dredging, pipeline laying, ice-breaking, fish-catching and off-shore installations. The SEEMPs of all ships covered by the IMO DCS must include a description of the methodology for data collection and reporting. After each calendar year, the aggregated data are reported to the flag state. If the data have been reported in accordance with the requirements, the flag state issues a statement of compliance to the ship. Flag states subsequently transfer this data to an IMO ship fuel oil consumption database, which is part of the Global Integrated Shipping Information System (GISIS) platform. IMO will then produce annual reports, summarizing the data collected. Thus, currently, data related to the GHG emissions of ships above 5,000 gross tons calling at ports in the European Economic Area (EEA) must be reported in two separate, but largely overlapping, systems: the EU MRV - which applies since 2018 - and the IMO DCS - which applies since 2019. The proposed revision of Regulation (EU) 2015/757 adopted on 4 February 2019 aims to align and facilitate the simultaneous implementation of the two systems, however it is still not clear when the proposal will be adopted.

IMO's MEPC 76 adopted amendments to Annex VI that will require ships to reduce their greenhouse gas emissions. Effective November 1, 2022, the Revised MARPOL Annex VI will enter into force. The revised Annex VI includes carbon intensity measures (requirements for ships to calculate their Energy Efficiency Existing Ship Index (EEXI) following technical means to improve their energy efficiency and to establish their annual operational carbon intensity indicator and rating. MEPC 76 also adopted guidelines to support the implementation of the amendments.

In 2021, the EU adopted a European Climate Law (Regulation (EU) 2021/1119), establishing the aim of reaching net-zero greenhouse gas emissions in the EU by 2050, with an intermediate target of reducing greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. In July 2021, the European Commission launched the Fit for 55 (described above) to support the climate policy agenda. Starting in January 2018, large ships over 5,000 gross tonnage calling at EU ports have been required to collect and publish data on carbon dioxide emissions and other information. As previously discussed, regulations relating to the inclusion of greenhouse gas emissions from the maritime sector in the European Union's carbon market are also forthcoming.

In the United States, the EPA issued a finding that greenhouse gases endanger public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources, and proposed regulations to limit greenhouse gas emissions from large stationary sources. The EPA or individual U.S. states could enact environmental regulations that would affect our operations. On November 2, 2021, the EPA issued a proposed rule under the CAA designed to reduce methane emissions from oil and gas sources. In November 2022, the EPA issued a supplemental proposal that would achieve more comprehensive emissions reductions and add proposed requirements for sources not previously covered. The EPA held a public hearing in January 2023 on the proposal and in December 2023, issued a final rule to sharply reduce emissions of methane and other air pollution from oil and natural gas operations, including storage vessels.

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

Vessel Security Regulations

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

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port Facility Security Code ("the ISPS Code"). The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate ("ISSC") from a recognized security organization approved by the vessel's flag state. Ships operating without a valid certificate may be detained, expelled from, or refused entry at a port until they obtain an ISSC. The various requirements, some of which are found in the SOLAS Convention, include, for example:

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

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

All vessels have been issued with ISSC, which is subject to Verifications that have ensured that the security system and any associated security equipment of the vessel fully complies with the applicable requirements of MTSA and the ISPS Code, is in satisfactory condition and fit for the service for which the vessel is intended.

The cost of vessel security measures has also been affected by the escalation in the frequency of acts of piracy against ships, notably off the coast of Somalia, including the Gulf of Aden and the Red Sea and Arabian Sea areas and the West Africa area, including the Gulf of Guinea. Substantial loss of revenue and other costs may be incurred as a result of the detention of a vessel or additional security measures, and the risk of uninsured losses could significantly affect our business. Costs are incurred in taking additional security measures per Best Management Practices to Deter Piracy, notably those contained in the BMP5 industry standard.

Inspection by Classification Societies

Every commercial vessel must be classed by a classification society recognized by its country of registry and member of the International Association of Classification Societies, the IACS. The classification society certifies that a vessel is constructed to specific structural standards and carries out regular surveys throughout the vessel's service life to ensure continuing compliance with the standards. The Classification Certificate issued is required to enable the vessel's owner to register the ship and to obtain Marine Insurance on the ship. Commercially, it is required to be produced before a vessel's entry into ports or waterways and is of interest to Charterers and potential Buyers. The IACS has adopted harmonized Common Structural Rules, or the Rules, which apply to oil tankers and bulk carriers contracted for construction on or after July 1, 2015. The Rules attempt to create a level of consistency between IACS Societies. All of our vessels are certified as being "in class" by IACS recognized Classification Societies (e.g., Bureau Veritas, Lloyd's Register of Shipping).

The Class and Statutory Certificates need to be renewed every five (5) years. A vessel must undergo a five-year survey cycle consisting of periodical surveys, such as annual and intermediate surveys, and special or renewal surveys. Periodical surveys are carried out to confirm the vessel's compliance with Rules and Regulations. In the scope of ensuring the vessel's structural integrity, a docking survey is required twice in the five-year cycle and without exceeding a 36 month interval between surveys. Vessels younger than fifteen (15) years old can be exempted from the intermediate docking survey by an Underwater Inspection to Class acceptance. In lieu of a special survey, the vessel's Machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. In addition, Hull and Construction are surveyed and tested, resulting in the renewal of Class and Statutory Certificates. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, docking, or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable, which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

Risk of Loss and Liability Insurance Coverage

General

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

While we maintain hull and machinery insurance, war risks insurance, loss of hire, protection and indemnity cover and freight, demurrage and defense cover for our vessels in amounts and with deductibles (if applicable) that we believe to be prudent to cover normal risks in our operations, we may not be able to achieve or maintain this level of coverage throughout a vessel's useful life. Furthermore, while we believe we procure adequate insurance coverage, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Hull and Machinery and War Risk Insurance

We maintain for our vessels marine hull and machinery and war risks insurance, which covers, among other risks, the risk of actual or constructive total loss. Our vessels are each covered up to at least market value with deductibles which vary according to the size and value of the vessel.

Protection and Indemnity Insurance

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

We procure protection and indemnity insurance coverage for pollution in the amount of $1 billion per vessel per incident. The 12 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. The International Group's website states that the Pool provides a mechanism for sharing all claims in excess of $10 million up to approximately $8.9 billion. As a member of certain P&I Associations which are members of the International Group, we are subject to calls payable to the associations based on the group's claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Associations comprising the International Group. Supplemental calls may be made by the P&I Associations based on estimates of premium income and anticipated and paid claims, and such estimates are adjusted each year by the board of directors of the P&I Associations until the closing of the relevant policy year, which generally occurs within three years from the end of the policy year. We do not know whether any supplemental calls will be charged in respect of any policy year by the P&I Associations in which the Company's vessels are entered. To the extent we experience supplemental calls, our policy is to expense such amounts.

C. Organizational Structure

We are a corporation incorporated under the laws of the Republic of the Marshall Islands on January 7, 2010. We are the sole owner of all of the issued and outstanding shares of the subsidiaries listed in Exhibit 8.1 of this annual report.

D. Property, Plants, and Equipment

Our in-house fleet manager, UOT, rents our office space from unrelated third parties and owns office furniture and equipment. In December 2014, UOT also acquired, jointly with two other related parties, a plot of land in Athens, Greece, which was sold to a subsidiary of Diana Shipping Inc. in November 2021.

Our only material properties are the vessels in our fleet.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

The following management's discussion and analysis should be read in conjunction with our consolidated financial statements, and their notes included elsewhere in this report. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in the section entitled "Item 3. Key Information—D. Risk Factors" and elsewhere in this report.

A. Operating Results

We have historically chartered our vessels to customers primarily pursuant to short-term and medium-term time charters, on spot voyages and pool arrangements. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. Under spot charter arrangements, voyage expenses that are unique to a particular charter are paid for by us. For vessels operating in pooling arrangements, we earn a portion of total revenues generated by the pool, net of expenses incurred by the pool. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes, environmental costs, and other miscellaneous expenses. We also pay commissions to unaffiliated shipbrokers for the arrangement of the relevant charter, and have historically paid for a limited period of time management fees and commissions to third-party managers.

Factors Affecting Our Results of Operations

We believe that the important measures for analyzing trends in our results of operations consist of the following:

- *Ownership days.* We define ownership days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

- *Available days.* We define available days as the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys, including the aggregate amount of time that we spend positioning our vessels for such events. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

- Operating days. We define operating days, including ballast leg, as the number of available days in a period less the aggregate number of days that our vessels are off-hire. The specific calculation counts as on-hire the days of the ballast leg of the spot voyages, as long as a charter party is in place. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

- Fleet utilization. We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades and special surveys, including vessel positioning for such events.

- Time Charter Equivalent (TCE) rates. We define TCE rates as revenue (voyage, time-charter and pool revenue), less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel) expenses, canal charges and commissions. TCE is a non-GAAP measure. TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels despite changes in the mix of charter types (i.e., voyage (spot) charters, time charters, and bareboat charters).

- Daily Operating Expenses. We define daily operating expenses as total vessel operating expenses, which include crew wages and related costs, the cost of insurance and vessel registry, expenses relating to repairs and maintenance, the costs of spares and consumable stores, lubricant costs, tonnage taxes, regulatory fees, environmental costs, lay-up expenses and other miscellaneous expenses divided by total ownership days for the relevant period.

The following table reflects our ownership days, available days, operating days, fleet utilization, TCE rate, and daily operating expenses for our fleet for the periods indicated.

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
Ownership days	2,901	2,069	1,825
Available days	2,830	2,039	1,735
Operating days	2,793	1,974	1,483
Fleet utilization	98.7%	96.8%	85.5%
Time charter equivalent (TCE) rate	$ 36,954	$ 29,579	$ 9,963
Daily operating expenses	$ 7,537	$ 6,683	$ 6,740

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue	$ 108,938	$ 75,173	$ 36,491
Less voyage expenses	$ (4,358)	$ (14,861)	$ (19,205)
Voyage and time charter equivalent rates	$ 104,580	$ 60,312	$ 17,286
Available days	2,830	2,039	1,735
Time charter equivalent (TCE) rate	$ 36,954	$ 29,579	$ 9,963

Revenues

Our revenues are driven primarily by the number of vessels in our fleet, the number of voyage days and the amount of daily charter hire that our vessels earn under charters which, in turn, are affected by a number of factors, including:

- the duration of our charters;
- our decisions relating to vessel acquisitions and disposals;
- the amount of time that we spend positioning our vessels;
- the amount of time that our vessels spend in drydock undergoing repairs;
- maintenance and upgrade work;
- the age, condition, and specifications of our vessels;
- levels of supply and demand in the shipping industry; and
- other factors affecting spot market charter rates for vessels.

Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating in the spot charter market during periods characterized by favorable market conditions. Vessels operating in the spot or pool charter market generate revenues that are less predictable but may enable their owners to capture increased profit margins during periods of improvements in charter rates, although their owners would be exposed to the risk of declining charter rates, which may have a materially adverse impact on financial performance. As we employ vessels on time and spot or pool charters, we mitigate our charter rates fluctuation exposure.

Currently, the vessels in our fleet are employed either on pool charters or on time charters. Our charter agreements subject us to counterparty risk. In depressed market conditions, charterers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Voyage Expenses

We incur voyage expenses that include port and canal charges, bunker (fuel oil) expenses and commissions. Port and canal charges and bunker expenses primarily increase in periods during which vessels are employed on voyage charters because these expenses are for the account of the owner of the vessels, while they are on the account of the charterer when vessels are time-chartered. Laid-up vessels, if any, do not incur bunkers costs. However, at times when our vessels are off-hire due to other reasons, we incur port and canal charges and bunker expenses.

We have paid commissions ranging from 0% to 2.5% of the total daily charter hire rate of each charter to unaffiliated shipbrokers, depending on the number of brokers involved with arranging the charter, and we typically pay address commissions from 0% to 3.75% to our charterers. Additionally, Pure Brokerage and Shipping Corp, an affiliated entity, receives from us a fixed commission of 1.25% on gross freight and hire income generated by the vessels, subject to the specific terms of each employment contract. Our in-house fleet manager, UOT, our wholly owned subsidiary, receives a commission that is equal to 2% of our gross revenues in exchange for providing us with technical and commercial management services in connection with the employment of our fleet. However, this commission is eliminated from our consolidated financial statements as an intercompany transaction.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance and vessel registry, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes, regulatory fees, environmental costs, lay-up expenses, and other miscellaneous expenses. Other factors beyond our control, some of which may affect the shipping industry in general, including, for instance, COVID-related disruptions, inflationary pressures or the war in Ukraine, which could cause our crew costs and other operating expenses to increase, developments relating to market prices for crew wages and insurance, may also cause these expenses to increase. In conjunction with our senior executive officers, UOT has established an operating expense budget for each vessel and performs the day-to-day management of our vessels under separate management agreements with our vessel-owning subsidiaries. We monitor the performance of UOT by comparing actual vessel operating expenses with the operating expense budget for each vessel.

Vessel Depreciation

We depreciate all our vessels on a straight-line basis over their estimated useful lives, which we estimate to be 25 years for our tanker vessels from the date of their initial delivery from the shipyard. Depreciation is based on the cost less the estimated salvage values. Each vessel's salvage value is the product of her light-weight tonnage and estimated scrap rate, which is estimated at $350 per light-weight ton for all vessels in our fleet. We believe that these assumptions are common in the tanker industry.

General and Administrative Expenses

We incur general and administrative expenses, including our onshore related expenses such as legal and professional expenses. Certain of our general and administrative expenses have been provided for, effective June 15, 2020, under our Brokerage Services Agreement with Pure Brokerage and Shipping Corp. We also incur payroll expenses of employees and general and administrative expenses reflecting the costs associated with running a public company, including board of director costs, director and officer insurance, investor relations, registrar and transfer agent fees, and legal and accounting costs related to our compliance with public reporting obligations and the Sarbanes-Oxley Act of 2002. For 2024, we expect our general and administrative expenses to remain approximately at the same levels, as these expenses are relatively fixed and are not widely affected by the expansion (or shrinkage) of our fleet, unless inflation rates reach even higher levels than the current ones, at which case our general and administrative expenses are expected to increase.

Interest and Finance Costs

We have historically incurred interest expense and financing costs in connection with vessel-specific debt. As of December 31, 2023, our aggregate outstanding debt amounted to $55.2 million. We expect to manage any exposure in interest rates through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments.

Lack of Historical Operating Data for Vessels before their Acquisition

Consistent with shipping industry practice, other than inspection of the physical condition of the vessels and examinations of classification society records, there is no historical financial due diligence process when we acquire vessels. Accordingly, we do not obtain the historical operating data for the vessels from the sellers because that information is not material to our decision to make acquisitions, nor do we believe it would be helpful to potential investors in our common shares in assessing our business or profitability. Most vessels are sold under a standardized agreement, which, among other things, provides the buyer with the right to inspect the vessel and the vessel's classification society records. The standard agreement does not give the buyer the right to inspect, or receive copies of, the historical operating data of the vessel. Prior to the delivery of a purchased vessel, the seller typically removes from the vessel all records, including past financial records and accounts related to the vessel. In addition, the technical management agreement between the seller's technical manager and the seller is automatically terminated, and the vessel's trading certificates are revoked by its flag state following a change in ownership.

Consistent with shipping industry practice, we treat the acquisition of a vessel (whether acquired with or without charter) as the acquisition of an asset rather than a business. Although vessels are generally acquired free of charter, we have in the past, and we may in the future, acquire vessels with existing time charters. Where a vessel has been under a voyage charter, the vessel is delivered to the buyer free of charter, and it is rare in the shipping industry for the last charterer of the vessel in the hands of the seller to continue as the first charterer of the vessel in the hands of the buyer. In most cases, when a vessel is under time charter, and the buyer wishes to assume that charter, the vessel cannot be acquired without the charterer's consent and the buyer's entering into a separate direct agreement with the charterer to assume the charter. The purchase of a vessel itself does not transfer the charter, because it is a separate service agreement between the vessel owner and the charterer.

When we purchase a vessel and assume or renegotiate a related time charter, we must take, among other things, the following steps before the vessel will be ready to commence operations:

- obtain the charterer's consent to us as the new owner;
- obtain the charterer's consent to a new technical manager;
- obtain the charterer's consent to a new flag for the vessel;
- arrange for a new crew for the vessel;
- replace all hired equipment on board, such as gas cylinders and communication equipment;

- negotiate and enter into new insurance contracts for the vessel through our own insurance brokers;
- register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state;
- implement a new planned maintenance program for the vessel; and
- ensure that the new technical manager obtains new certificates for compliance with the safety and vessel security regulations of the flag state.

The following discussion is intended to help you understand how acquisitions of vessels affect our business and results of operations.

Our business is mainly comprised of the following elements:

- acquisition and disposition of vessels;
- employment and operation of our vessels; and
- management of the financial, general and administrative elements involved in the conduct of our business and ownership of our vessels.

The employment and operation of our vessels mainly require the following components:

- vessel maintenance and repair;
- crew selection and training;
- vessel spares and stores supply;
- contingency response planning;
- on board safety procedures auditing;
- accounting;
- vessel insurance arrangement;
- vessel chartering;
- vessel hire management;
- vessel surveying; and
- vessel performance monitoring.

The management of financial, general and administrative elements involved in the conduct of our business and ownership of vessels, mainly requires the following components:

- management of our financial resources, including banking relationships, i.e., administration of bank loans and bank accounts;
- management of our accounting system and records and financial reporting;
- administration of the legal and regulatory requirements affecting our business and assets; and
- management of the relationships with our service providers and customers.

The principal factors that may affect our profitability, cash flows and shareholders' return on investment include:

- rates and periods of charter hire;
- levels of vessel operating expenses;
- depreciation expenses;
- financing costs; and
- fluctuations in foreign exchange rates.

See "Item 3. Key Information—D. Risk Factors" for additional factors that may affect our business.

Our Fleet - Comparison of Possible Excess of Carrying Value Over Estimated Charter-Free Market Value of our Vessels

In "Critical Accounting Estimates and Policies" we discuss our policy for impairing the carrying values of our vessels. Historically, the market values of vessels have experienced volatility, which from time to time may be substantial. As a result, the charter-free market value of certain of our vessels may have declined below those vessels' carrying value, even though we would not impair those vessels' carrying value under our accounting impairment policy. In 2023, 2022 and 2021, we did not record any impairment charge.

Based on: (i) the carrying value of each of our vessels as of December 31, 2023 plus the carrying value of any unamortized dry docking cost and cost of any equipment not yet installed; and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2023, the aggregate carrying value of all of our vessels exceeded their aggregate charter-free market values by approximately $98.7 million. Based on: (i) the carrying value of each of our vessels as of December 31, 2022 plus the carrying value of any unamortized dry docking cost and cost of any equipment not yet installed; and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2022, the aggregate carrying value of all of our vessels at the time exceeded their aggregate charter-free market values by approximately $119.9 million.

Our estimates of charter-free market value assume that our vessels were all in good and seaworthy condition without need of repair and if inspected would be certified in class without notations of any kind. Our estimates are based on information available from various industry sources, including:

- reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values;
- news and industry reports of similar vessel sales;
- offers that we may have received from potential purchasers of our vessels; and
- vessel sale prices and values of which we are aware through both formal and informal communications with shipowners, shipbrokers, industry analysts, and various other shipping industry participants and observers.

As we obtain information from various industry reports and other sources, our estimates of charter-free market values are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future charter-free market values of our vessels or prices that we could achieve if we were to sell them. We also refer you to the risk factor under “Item 3. Key Information—D. Risk Factors” entitled “Tanker vessel values may fluctuate due to economic and technological factors, which may adversely affect our financial condition, or result in the incurrence of a loss upon disposal of a tanker vessel, impairment losses, or increases in the cost of acquiring additional tanker vessels”.

Vessel	DWT	Year Built	Carrying Value of vessels; net book value, unamortized drydock cost and cost of equipment not yet installed (in millions of US dollars) At December 31, 2023	At December 31, 2022
1. Blue Moon	104,623	2011	25.4	27.1
2. Briolette	104,588	2011	25.3	26.9
3. P. Kikuma	115,915	2007	0.0	22.3
4. P. Yanbu	105,391	2011	18.8	19.9
5. P. Sophia	105,071	2009	25.2	26.9
6. P. Aliki	105,304	2010	34.0	36.3
7. P. Monterey	105,525	2011	32.9	35.0
8. P. Long Beach	105,408	2013	42.3	43.8
Total Carrying Value			**203.9**	**238.2**

Critical Accounting Estimates and Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

Critical accounting policies are those that reflect significant judgments of uncertainties and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies when we acquire and operate vessels, because they generally involve a comparatively higher degree of judgment in their application. For a description of all our significant accounting policies, see Note 2 to our consolidated financial statements included in this annual report.

Fair Value Measurements

We follow the provisions of ASC 820 "Fair Value Measurements and Disclosures", which defines fair value and provides guidance for using fair value to measure assets and liabilities. The guidance creates a fair value hierarchy of measurement and describes fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. In accordance with the requirements of accounting guidance relating to Fair Value Measurements, we classify and disclose our assets and liabilities carried at the fair value in one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

The fair value measurement assumes that an instrument classified in the shareholders' equity is transferred to a market participant at the measurement date. The transfer of an instrument classified in shareholders' equity assumes that the instrument would remain outstanding, and the market participant takes on the rights and responsibilities associated with the instrument.

The fair values of the Series B and Series C Preferred Shares at their issuance, as well as the fair value of the Series C Preferred Shares and of the Warrants that were assessed on the date of triggering of their down-round feature, were determined through Level 3 of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements, as they are derived by using unobservable inputs. Determining the fair value of the equity instruments requires management to make judgments about the valuation methodologies, including the unobservable inputs and other assumptions and estimates, which are significant in the fair value measurement of the preferred stock. For the estimation of the fair values of the Series C Preferred Stock we used the Black & Scholes and the discounted cash flow model, as applicable, and we also used significant unobservable inputs which are sensitive in nature and subject to uncertainty, such as expected volatility and expected life of convertibility option. Indicatively, the expected volatility used in our various valuations during the year for the fair value measurement of our Series C Preferred Stock fluctuated in a range from 86.83% to 118.14% from January 2023 to December 2023, depending, as applicable, on the expected life of convertibility option which fluctuated between 1 and 5 years in the non-recurring fair value measurements performed during the year. As part of the methodology used to estimate the fair values of these equity instruments, and specifically the value of the embedded convertibility option, which is perpetual in nature, the Company applied moneyness scenarios. Based on these moneyness scenarios, it performed an analysis of the option deltas using different assumed expected life of the convertibility option (term) and equivalent (same term) historical volatilities of the Company's stock price to determine the most appropriate term and volatility inputs for the Black & Scholes option pricing formula. The Company selected the most appropriate term and volatility inputs based on these moneyness scenarios considering the probability that the option will be in the money and thus will be exercised. Therefore, the significant unobservable inputs of the fair value measurement, such as the expected life of the convertibility option (term) and (same term) historical volatility, are determined by applying the option moneyness scenarios and therefore are considered highly interdependent. For example, applying a higher volatility input without altering the expected life of the convertibility option (term) would increase the probability that the option will be exercised and would indicate that a shorter equivalent term should be applied to measure the fair value of the instrument. On the other hand, applying a longer-term input without altering the volatility would increase the probability that the option will be exercised and would indicate that a lower volatility should be applied to measure the fair value of the instrument. As such, the specific assumptions are deemed as complex in nature and highly sensitive, affecting the Company's earnings per share.

Accounting for Revenues

Since our vessels are employed under time charter contracts, voyage charters, and pool arrangements, we disaggregate our revenue from contracts with customers by the type of charter (time charters, spot charters and pool arrangements).

We have determined that all of our time charter agreements contain a lease and are therefore accounted for as operating leases in accordance with ASC 842. Time charter revenues are accounted for over the term of the charter as the service is provided. Vessels are chartered when a contract exists, and the vessel is delivered (commencement date) to the charterer, for a fixed period of time, at rates that are generally determined in the main body of charter parties and the relevant voyage expenses burden the charterer (i.e., port dues, canal tolls, pilotages, and fuel consumption). Upon delivery of the vessel, the charterer has the right to control the use of the vessel (under agreed prudent operating practices) as they have the enforceable right to: (i) decide the delivery and redelivery time of the vessel; (ii) arrange the ports from which the vessel shall pass; (iii) give directions to the master of the vessel regarding vessel's operations (i.e., speed, route, bunkers purchases, etc.); (iv) sub-charter the vessel and (v) consume any income deriving from the vessel's charter. Any off-hires are recognized as incurred. The charterer may charter the vessel with or without the owner's crew and other operating services. In the case of time charter agreements, the agreed hire rates include compensation for part of the agreed crew and other operating services provided by the owner (non-lease components). We, as a lessor, elected to apply the practical expedient which allowed us to account for the lease and the non-lease components of time charter agreements as one, as the criteria of the paragraphs ASC 842-10-15-42A through 42B are met.

Spot, or voyage, charter is a charter where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified freight rate per ton, regardless of time to complete. We have determined that under voyage charters, the charterer has no right to control any part of the use of the vessel. Thus, our voyage charters do not contain a lease and are accounted for in accordance with ASC 606. More precisely, we satisfy our single performance obligation to transfer cargo under the contract over the voyage period. Thus, revenues from voyage charters on the spot market are recognized ratably from the date of loading (Notice of Readiness to the charterer, that the vessel is available for loading) to discharge date of cargo (loading-to-discharge). Voyage charter payments are due upon discharge of the cargo. Demurrage revenue, which is included in voyage revenues, represents charterers' reimbursement for any potential delays exceeding the allowed lay time as per charter party agreement, represents a form of variable consideration and is recognized as the performance obligation is satisfied. We have taken the practical expedient not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

For vessels operating in pooling arrangements, we earn a portion of total revenues generated by the pool, net of expenses incurred by the pool. The amount allocated to each pool participant vessel, including our vessels, is determined in accordance with an agreed-upon formula, which is determined by the margins awarded to each vessel in the pool based on the vessel's age, design and other performance characteristics. Revenue under pooling arrangements is accounted for as variable rate operating lease on the accrual basis and is recognized in the period in which the variability is resolved. We recognize net pool revenue on a quarterly basis, when the vessel has participated in a pool during the period and the amount of pool revenue can be estimated reliably based on the pool report. The allocation of such net revenue may be subject to future adjustments by the pool, however, such changes are not expected to be material.

Impairment of Long-lived Assets

We follow ASC 360-10-40 "Impairment or Disposal of Long-Lived Assets", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. We review vessels for impairment whenever events or changes in circumstances (such as market conditions, the economic outlook, technological, regulatory and environmental developments, obsolesce or damage to the asset, potential sales and other business plans) indicate that the carrying amount of a vessel plus her unamortized dry-dock costs and cost of any equipment not yet installed may not be recoverable. When the estimate of future undiscounted net operating cash flows, excluding interest charges, expected to be generated by the use of the vessel over her remaining useful life and her eventual disposition is less than her carrying amount plus unamortized dry-dock costs and cost of any equipment not yet installed, we evaluate the vessel for an impairment loss. The measurement of the impairment loss is based on the fair value of the vessel. We determine the fair value of our vessels based on assumptions, by making use of available market data and taking into consideration third-party valuations. We evaluate the carrying amounts and periods over which vessels are depreciated to determine if events have occurred which would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, management reviews certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans, and overall market conditions. In developing estimates of future undiscounted cash flows, we make assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates and fleet utilization, while other assumptions include vessels' operating expenses, vessels' residual value, dry-dock costs, and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. We also take into account factors such as the vessels' age and employment prospects under the then current market conditions, and determine the future undiscounted cash flows considering its various alternatives, including sale possibilities existing for each vessel as of the testing dates.

In detail, the projected net operating cash flows are determined by considering the historical and estimated vessels' performance and utilization, as well as historical utilization of other vessels of similar type and size considering our recent shift to the tanker market and the lack of extended historical data, the charter revenues from existing time charters for the fixed fleet days and an estimated daily rate for the unfixed days (based on the most recent 10 year average historical rates available for each type of vessel) over the remaining estimated life of each vessel, net of commissions, expected outflows for scheduled vessels' maintenance and vessel operating expenses assuming an average annual inflation rate. Effective fleet utilization, which is estimated based on the vessels' historical performance, is included in our exercise, taking into account the period(s) each vessel is expected to undergo her scheduled maintenance (dry docking and special surveys), assumptions in line with our historical performance since the acquisition of our tanker vessels, peers' historical performance, and our expectations for future fleet utilization under our fleet employment strategy. For 2023 and 2022, we assessed that there were no indications for potential impairment of any of our vessels. For 2021, the review of the tanker vessels' carrying values plus unamortized dry-dock costs and cost of any equipment not yet installed, in connection with the estimated recoverable amounts did not result in a recognition of impairment charge.

RESULTS OF OPERATIONS

Year ended December 31, 2023, compared to the year ended December 31, 2022

Results of Operations

	For the Years Ended December 31,			
	2023	**2022**	**variation**	**% change**
	in millions of U.S. dollars			
Revenue	108.9	75.2	33.7	44.8%
Voyage expenses	(4.4)	(14.9)	10.5	(70.5)%
Vessel operating expenses	(21.9)	(13.8)	(8.1)	58.7%
Depreciation and amortization of deferred charges	(14.8)	(9.3)	(5.5)	59.1%
General and administrative expenses	(8.0)	(6.7)	(1.3)	19.4%
Gain on vessels' sale	15.7	9.5	6.2	65.3%
Interest and finance costs	(9.6)	(4.0)	(5.6)	140%
Loss from debt extinguishment	(0.4)	0.0	(0.4)	-
Interest income	3.3	0.3	3.0	1,000%
Changes in fair value of warrants' liability	0.6	0.0	0.6	-
Net income / (loss) from continuing operations	69.4	36.3	33.1	91.2%

Net Income / (Loss) from continuing operations. Net income from continuing operations for 2023 amounted to $69.4 million, compared to a net income of $36.3 million in 2022. The income of the year ended December 31, 2023, was mainly attributable to the increase in the size of the Company's fleet as well as the improvement of the vessel's utilization, and partially to increased revenues as a result of the recovery in the tanker market industry.

Revenues. Revenues for 2023 amounted to $108.9 million, compared to $75.2 million in 2022. In 2023, revenues increased as a result of higher average time charter equivalent rates achieved by the Company during the year. On average, the TCE's achieved by our tanker vessels amounted to $36,954 in 2023 and $29,579 in 2022. Furthermore, the increase was further enhanced by the increase in fleet utilization, as well as the increase in operating days during 2023, following the increase of the average fleet during the year.

Voyage Expenses. Voyage expenses for 2023 amounted to $4.4 million, compared to $14.9 million in 2022. Voyage expenses mainly consist of bunkers costs, port and canal expenses, and commissions paid to third-party brokers. The decrease in voyage expenses in 2023 compared to 2022 was mainly attributable to the fact that our vessels operated primarily under time charter agreements, whereby voyage expenses, such as bunkers and port costs, are borne by the charterers.

Vessel Operating Expenses. Vessel operating expenses for 2023 amounted to $21.9 million, compared to $13.8 million in 2022, and mainly consist of crew wages and related costs, consumables and stores, insurances, repairs and maintenance costs, environmental compliance and other miscellaneous expenses. The increase in operating expenses is attributable to the increase in all our operating expenses categories, and primarily in stores, spares and repairs costs associated with the repairs of our vessels that have undergone drydock during 2023, and also to the increase in our ownership days. On an average basis, daily operating expenses for our vessels increased during the year ($7,537 in 2023, as compared to $6,683 in 2022).

Depreciation and Amortization of Deferred Charges. Depreciation and amortization of deferred charges in 2023 amounted to $14.8 million, compared to $9.3 million in 2022, and mainly represent the depreciation expense and the amortization of the dry-dock costs for our vessels. The increase in 2023 is mainly attributable to the 40% increase in our ownership days.

General and Administrative Expenses. General and administrative expenses for 2023 amounted to $8.0 million, compared to $6.7 million in 2022, and mainly consist of payroll expenses of the office employees, consultancy fees, brokerage services fees, compensation cost on restricted stock awards, legal fees and audit fees. The increase in general administrative expenses was mainly attributable to the costs associated with the Sphinx lawsuit, and partially to the increase in our payroll costs. These increases were counterbalanced by a slight decrease in our D&O insurance costs, and lower board of directors' fees and expenses.

Gain on Vessel's Sale. Gain on vessel's sale for 2023 amounted to $15.7 million compared to $9.5 million in 2022 and relates to the gains from the disposal of the vessel *P. Kikuma* in 2023 and the vessel *P. Fos* in 2022.

Interest and Finance Costs. Interest and finance costs for 2023 amounted to $9.6 million, compared to $4.0 million in 2022. The increase in 2023 is attributable to the increase in our loan interest rates, as our weighted average interest rate in 2023 was 7.60%, compared to 4.85% in 2022, and also to the increase in our average debt.

Loss from Debt Extinguishment. Loss from debt extinguishment for 2023 amounted to $0.4 million and relates to the write off of the unamortized financing costs of our loans with Piraeus Bank, which were fully repaid in 2023.

Changes in Fair Value of Warrants' Liability. Changes in fair value of warrant's liability for 2023 amounted to $0.6 million and represent the subsequent changes in the fair values of our Series A Warrants, which were classified as non-current liabilities on our consolidated balance sheets.

Interest Income. Interest income for 2023 and 2022 amounted to $3.3 million and $0.3 million respectively, and mainly consisted of interest income received on deposits of cash and cash equivalents. The increase in 2023 was due to the increase in the interest rates on our time deposits, and also the average increase in our placed time deposits.

Year ended December 31, 2022, compared to the year ended December 31, 2021

Please refer to our annual report on Form 20-F for the year ended December 31, 2022, as filed with the SEC on April 28, 2023.

B. Liquidity and Capital Resources

We have historically financed our capital requirements with cash flow from operations, equity contributions from shareholders, and long- and medium-term debt. Our operating cash flow is generated from charters on our vessels, through our subsidiaries. Our main uses of funds have been capital expenditures for the acquisition of new vessels, expenditures incurred in connection with ensuring that our vessels comply with international and regulatory standards, repayments of loans, and payments of dividends. At times when we are not restricted by our lenders from acquiring additional vessels, we will require capital to fund vessel acquisitions and debt service.

During the COVD-19 pandemic, global financial markets, including financial markets in the U.S., experienced even greater relative volatility and a steep and abrupt downturn, which volatility and downturn may continue as COVID-19 continues to spread. More recently, the war in Ukraine and resulting sanctions have disrupted supply chains and cause instability in the energy markets and the global economy, which have experienced significant volatility. Credit markets and the debt and equity capital markets have been distressed, and the uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide, particularly for the shipping industry. These issues, along with significant write-offs in the financial services sector, the repricing of credit risk, and the current weak economic conditions, have made, and will likely continue to make it difficult to obtain additional financing. The current state of global financial markets and current economic conditions might adversely impact our ability to issue additional equity at prices that will not be dilutive to our existing shareholders or preclude us from issuing equity at all.

As of December 31, 2023 and 2022, our working capital, which is current assets minus current liabilities, including the current portion of long-term debt, was $64.6 million and $27.4 million, respectively. Management monitors the Company's liquidity position to ensure that it has access to sufficient funds to meet its forecasted cash requirements, including debt service commitments, and to monitor compliance with the financial covenants within its loan facilities. Our loan facilities require that we maintain a minimum liquidity balance (compensating cash balance) and a certain level of restricted cash throughout the life of the loans. Currently, and in the short- and long-term, our primary sources of funds are and are expected to be available cash, cash from operations, proceeds from long-term debt and proceeds from equity offerings, or a combination of those. Our primary liquidity needs in the short-and long-term are expected to include debt amortization, capital expenditures for the acquisition of new vessels, and the payment of preferred dividends. We believe that our working capital will be sufficient to meet our liquidity needs and to comply with our banking covenants for at least twelve months from the end of the period presented in the financial statements included in this report, and that these sources of funds which we anticipate being available to us will be sufficient to meet our long-term liquidity needs. For the upcoming 12 months, we are obligated to make debt amortization payments of $7.5 million in the aggregate under the terms of our existing loan facilities and dividends of $1.8 million in the aggregate will accrue on our outstanding Series B Preferred Shares and Series C Preferred Shares, assuming that the number of our Series B Preferred Shares and Series C Preferred Shares remained unaltered, and that such dividends were paid in cash. Installment payments under the shipbuilding contracts we entered into on March 7, 2023 and December 18, 2023 are tied to specific construction milestones, the timing of which is uncertain. With respect to the shipbuilding contract entered into in March 2023, in April 2023, we paid the first installment of $9.5 million, and 10% of the purchase price is payable at each of the milestones of steel cutting, keel laying and launching of the vessel, and the remaining 55% of the purchase price is payable upon the vessel's delivery. With respect to the two shipbuilding contracts entered into in December 2023, in January 2024, we paid the first installment of the purchase price in the amount of $9.7 million for each of the newbuildings; 10% of the purchase price is payable at each of the milestones of steel cutting, keel laying, and launching of the vessels, and the remaining 55% of the purchase price is payable upon the delivery of the vessels. For additional information on the amortization of our long-term debt obligations, see "- Loan Facilities." For information on our future capital expenditures, see "- Capital Expenditures." In order to meet our liquidity needs, we may enter into new debt facilities in the future, as well as equity or debt instruments, although there can be no assurance that we will be able to obtain additional debt or equity financing on terms acceptable to us, which will also depend on financial, commercial and other factors, as well as a significant recovery in capital market conditions and a sustainable improvement in the tankers' charter market, that are beyond our control.

Cash Flow

As of December 31, 2023, cash and cash equivalents amounted to $68.3 million (including restricted cash of $1.0 million and compensating cash balances of $10.0 million), compared to $39.7 million (including compensating cash balances of $10.5 million) for the prior year. We consider highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in U.S. dollars.

Net Cash Provided by / (Used in) Operating Activities

Net cash provided by operating activities in 2023 amounted to $68.0 million. Net cash provided by operating activities in 2022 amounted to $33.8 million. Net cash used in operating activities in 2021 amounted to $3.1 million. Cash from operations in 2023 increased compared to 2022, mainly due to the higher revenues generated during 2023 as a result of the recovery market conditions in the tankers' shipping industry which are depicted in the higher time charter equivalent ("TCE") achieved by the Company, as compared to 2022. Cash from operations in 2022 increased compared to 2021, mainly due to the higher revenues generated during 2022 as a result of the stronger market conditions in the tankers' shipping industry.

Net Cash Provided by/ (Used in) Investing Activities

Net cash provided by investing activities in 2023 was $25.7 million and consists of $37.6 million net proceeds received from the sale of one Aframax tanker vessel during the year, $11.3 million that we paid as advances and other capitalized costs for our newbuildings, $0.1 million that we paid for vessel acquisitions, $0.5 million that we paid for vessels' improvement costs mainly relating to the installation of the ballast water treatment system on certain of our vessels, and $38 thousand we paid for equipment additions.

Net cash used in investing activities in 2022 was $113.0 million and consists of $2.1 million we paid for vessels' improvement costs mainly relating to the installation of the ballast water treatment system on certain of our vessels, $143.4 million that we paid for the acquisition of four tanker vessels, $32.6 million net proceeds received from the sale of one Aframax tanker vessel during the year, and $27 thousand we paid for equipment additions.

Net cash used in investing activities in 2021 was $0.8 million and consists of $1.8 million we paid for vessels' improvement costs mainly relating to the installation of the ballast water treatment system on certain of our vessels, $1.0 million we received from the sale of a plot of land located in Athens, Greece to a subsidiary of Diana Shipping Inc., and $8 thousand we paid for equipment additions.

Net Cash Provided by / (Used in) Financing Activities

Net cash used in financing activities from continuing operations in 2023 was $65.1 million and consists of $75.4 million of bank loan repayments, $2.1 million of bank loan proceeds, $11.4 million net proceeds from the issuance of units, common shares and warrants, $0.3 million proceeds from the exercise of warrants, $0.5 million proceeds from the issuance of preferred shares, $0.7 million net proceeds from the issuance of common shares under our ATM program, $2.8 million that we paid for the repurchase of our common shares and $1.9 million that we paid as cash dividends to our preferred shareholders.

Net cash provided by financing activities from continuing operations in 2022 was $109.3 million and consists of $5 million of related parties loans proceeds, $108.6 million of bank loan proceeds, $70 thousands of repayments of related party loans, $30.3 million of bank loan repayments, $26.1 million proceeds from issuance of common shares, $1.8 million proceed from issuance of common shares under our ATM program, $0.9 million that we paid for the repurchase of our common shares and $0.9 million that we paid as cash dividends to our shareholders.

Net cash used in financing activities from continuing operations in 2021 was $7.9 million and related solely to principal repayments of our long-term bank debt (continuing operations).

Loan Facilities

As of December 31, 2023, we had $55.2 million of long-term debt outstanding under our bank loan facilities. As of March 26, 2024, we had $53.3 million aggregate amount of indebtedness outstanding under our bank loan facilities.

As of December 31, 2023, and the date of this report, we have not used any derivative instruments for hedging purposes or other purposes.

Our loans are repayable in quarterly installments plus one balloon installment per loan agreement to be paid together with the last installment, and currently bear variable interest at SOFR plus a fixed margin ranging from 2.35% to 2.60%. Their maturities fall due from November 2027 to August 2028. As of December 31, 2023, all our loans were collateralized by four out of our seven tanker vessels. For a description of our loan facilities, please see Note 7 to our annual consolidated financial statements included elsewhere in this annual report.

Nordea Bank Abp, Filial i Norge (Nordea):

On July 24, 2019, we, through two of our wholly owned subsidiaries (the "Initial Borrowers"), entered into a loan agreement with Nordea for a senior secured term loan facility of up to $33.0 million (as amended from time to time, the "Nordea Facility"). The purpose of the loan facility was to partially finance the acquisition cost of the tanker vessels *Blue Moon* and *Briolette*. In July and November 2019, the Initial Borrowers drew down the maximum amount of $16.5 million each.

On December 23, 2019, we, through the "Initial Borrowers" and one new wholly owned subsidiary (collectively "the Borrowers"), entered into the first amendment and restatement loan agreement with Nordea for a senior secured term loan facility of up to $47.0 million. The purpose of the amended agreement was to provide additional financing of up to $14.0 million for the acquisition of the tanker vessel *P. Fos*, and in all other respects included identical terms to the initial agreement of July 2019. On January 22, 2020, we drew down the amount of $14.0 million to support the acquisition of the vessel *P. Fos*, whose delivery took place on January 27, 2020.

On March 20, 2020, we signed the second amendment and restatement loan agreement with Nordea for a senior secured term loan facility of up to $59.0 million. The purpose of the second amendment and restatement loan agreement was to provide additional financing of up to $12.0 million for the acquisition of the tanker vessel *P. Kikuma* (ex *FSL Shanghai)*, and in all other respects included identical terms to the prior agreement of December 2019. On March 26, 2020, we drew down the amount of $12.0 million. The vessel *P. Kikuma* was delivered to us on March 30, 2020.

On December 9, 2020, we refinanced the outstanding indebtedness relating to the vessels *P. Fos* and *P. Kikuma* in the aggregate amount of $21.2 million using a portion of the proceeds from the Piraeus Facility (described below). Concurrently, we entered into a Supplemental Loan Agreement with Nordea, to amend the existing repayment schedules of the *Blue Moon* and *Briolette* tranches and to amend the major shareholder's clause included in the agreement. The First and Second Amendment and Restatement Loan Agreements, and the Supplemental Loan Agreement with Nordea included substantially identical terms to the Initial Agreement.

In November 2021, Nordea provided their consent for a reduction of our minimum liquidity requirement from $9.0 million to $5.0 million, with an effective date December 31, 2021 through June 30, 2022, and effective July 1, 2022, the respective clause was reinstated to its initial requirements.

On August 7, 2023, we refinanced the Nordea Facility, which at that time had an outstanding balance (including interest) of $17.9 million, by entering into an agreement for a Revolving Credit Facility (the "Nordea RCF") in an amount not exceeding $20.0 million at any one time with Nordea, through certain wholly-owned subsidiaries. As such, we drew down an amount of $2.1 million, which is reflected line item "Proceeds from Long-term bank debt" in the accompanying consolidated statements of cash flows. The Nordea RCF matures in 5 years from the signing date of the agreement.

As of December 31, 2023, the outstanding balance on the Nordea RCF was $19.2 million, while there was no amount outstanding under the Nordea Facility.

Piraeus Bank S.A.:

In June 2022, we, through our vessel-owning subsidiaries of the vessels "P. Sophia" and "P. Yanbu", entered into a loan agreement with Piraeus Bank S.A. ("Piraeus Bank") for a senior secured term loan facility of up to $31.9 million. The purpose of this facility was to finance the acquisition of "P. Sophia" by up to $24.6 million and refinance the then- existing indebtedness of $7.3 million of the vessel "P. Yanbu". The Company utilized the full amount of $31.9 million in July 2022.

In November 2022, we, through our vessel-owning subsidiaries of the vessels "P. Monterey" and "P. Kikuma", entered into a new loan agreement with Piraeus Bank for a senior secured term loan facility of up to $37.4 million. The purpose of this facility was to finance the acquisition of "P. Monterey" by up to $29.6 million and refinance the then-existing indebtedness of $7.8 million of the vessel "P. Kikuma." We utilized an amount of $36.5 million in November 2022.

In November 2021, Piraeus Bank provided their consent for a reduction of our minimum liquidity requirement from $9.0 million to $5.0 million, with an effective date December 31, 2021 through September 30, 2022, and effective October 1, 2022, the respective clause was reinstated to its initial requirements.

On December 18, 2023, we completed the approximately $44.6 million voluntary prepayment of all of our existing loans with Piraeus Bank S.A. and released the security over our vessels *P. Monterey*, *P. Yanbu* and *P. Sophia*. The prepayment was completed through the deployment of our excess liquidity. In light of the prepayments, as of December 31, 2023, no amounts are outstanding under the Piraeus Bank loans.

Alpha Bank S.A.:

In November 2022, we, through our vessel-owning subsidiary of the vessel "P. Aliki" signed a loan agreement with Alpha Bank S.A ("Alpha Bank"), to support the acquisition of the vessel by providing a secured term loan of up to $18.3 million. The maximum loan amount was drawn down upon the vessel's delivery to us in November 2022. As of December 31, 2023, the outstanding balance on the Alpha Bank Facility for "P. Aliki" was $16.3 million.

In December 2022, we, through our vessel-owning subsidiary of the vessel "P. Long Beach" signed a loan agreement with Alpha Bank S.A, to support the acquisition of the vessel by providing a secured term loan of up to $22.0 million. The maximum loan amount was drawn down upon the vessel's delivery to us in December 2022. As of December 31, 2023, the outstanding balance on the Alpha Bank Facility for "P. Long Beach" was $19.8 million.

Mango Shipping Corp.:

On March 2, 2022, we entered into an unsecured credit facility with Mango Shipping Corp., an affiliated entity whose beneficial owner is Aliki Paliou, for up to $5.0 million, to be used for general working capital purposes. The loan had a term of one year from the date of the agreement, bore interest of 9.0% per annum, and was drawn in arrears at our request. The agreement also provided for arrangement fees of $0.2 million payable on the date of the agreement, and commitment fees of 3.00% per annum on any undrawn amount until the maturity date. We drew down the $5.0 million loan amount in two advances in March 2022.

On October 17, 2022, we entered into a stock purchase agreement with Mango pursuant to which we agreed to issue to Mango in a private placement 1,314,792 Series C Preferred Stock in exchange for (i) all 657,396 Series B Preferred Shares held then by Mango, and (ii) the agreement by Mango to apply $4.9 million (an amount equal to the aggregate cash conversion price payable upon conversion of such Series B Preferred Shares into Series C Preferred Shares pursuant to their terms) as a prepayment by us of the unsecured credit facility. The transaction was approved by a special independent committee of our board of directors. On October 19, 2022, we repaid the remaining amounts due of $70, together with accrued interest, and terminated the credit facility.

Covenants and Security

Our loan facilities have financial covenants, which require us to maintain, among other things:

- Minimum hull value of the financed vessels.
- Minimum cash liquidity. As of December 31, 2023 and 2022, the maximum compensating cash balance required under our loan agreements amounted to $10.0 million and $10.5 million, respectively.

Our loan facilities also contain undertakings limiting or restricting us from, among other things:

- Effecting dividend distributions following the occurrence of an event of default.
- Effecting certain changes in shareholdings.

Our secured loan facilities are generally secured by, among other things:

- A parent guarantee by Performance Shipping Inc.
- First priority mortgages over the financed tanker vessels.
- First priority assignments of earnings, insurances and of any charters exceeding durations of two years.
- Pledge over the borrowers' shares and over their earnings accounts.
- Undertakings by the vessels' managers.

As of December 31, 2023, and the date of this report, we were in compliance with all of our loan covenants.

Capital Expenditures

Our future capital expenditures relate to the purchase of vessels, building of vessels and vessel upgrades. Our primary sources of funds will be available cash, cash from operations, proceeds from long-term debt and equity contributions from shareholders, or a combination of those.

On March 7, 2023, we entered into a shipbuilding contract with China Shipbuilding Trading Company Limited and Shanghai Waigaoqiao Shipbuilding Company Limited for the construction of a product/crude oil tanker of approximately 114,000 dwt. The newbuilding (H1515) has a gross contract price of $63.3 million and we expect to take delivery of it by the end of October 2025. The purchase price of the newbuilding will be paid in five instalments, with the first one at $9.5 million, the second, third and fourth at $6.3 million each, and the final instalment for the balance of the amount or $34.9 million.

On December 18, 2023, we entered into two shipbuilding contracts with China Shipbuilding Trading Co. Ltd. and Shanghai Waigaoqiao Shipbuilding Co. Ltd. for the construction of two 114,000 DWT LNG-ready LR2 Aframax product/crude oil tanker vessels, at a gross purchase price of $64.8 million per vessel. The two vessels are expected to be delivered in January and April of 2026. The purchase price for each newbuilding will be paid in instalments as follows: 15% of the purchase price was payable upon receipt of a refund guarantee and was paid by the Company on January 30, 2024; 10% of the purchase price is payable at each of the milestones of steel cutting, keel laying, and launching of the vessels, and the remaining 55% of the purchase price is payable upon the delivery of the vessels.

We also expect to incur additional capital expenditures when our vessels undergo surveys. This process of recertification may require us to reposition these vessels from a discharge port to shipyard facilities, which will reduce our operating days during the period. The loss of earnings associated with the decrease in operating days, together with the capital needs for repairs and upgrades results in increased cash flow needs which we fund with cash on hand.

C. Research and Development, Patents and Licenses

From time to time, we incur expenditures relating to inspections for acquiring new vessels that meet our standards. Such expenditures are capitalized to vessel's cost upon such vessel's acquisition or expensed, if the vessel is not acquired, however, historically, such expenses were not material.

D. Trend Information

Tanker Shipping Market

Global crude oil demand increased by 2.3% in 2023 supported by the global need for crude oil restocking and is currently projected to rise by 1.5% in 2024 (102.8 million barrels per day).

'Headline' fundamentals across the crude oil tanker sector currently appear positive for 2024, as crude tanker dwt demand is projected to grow by 3.4% while the crude tanker fleet is projected to grow marginally by 0.2%. With respect to the Aframax tanker segment, which is the market in which we operate, crude Aframax dwt demand is currently projected to increase by 2.3% in 2024 supported by recovering crude oil demand from China and other developing regions in Asia. Geopolitical events, such as the ongoing conflict between Russia and Ukraine and the reported missile attacks to vessels operating in the Red Sea area have had a positive impact on ton mile demand growth as in both cases the disruptions have resulted in significant shifts in crude oil trade patterns towards longer-haul destinations, thus supporting tanker charter rates and ton-mile demand. Nevertheless, the longer-term impact of the geopolitical crisis in the tanker markets remains a challenging factor which remains to be seen.

According to industry sources, the average spot earnings for an Aframax tanker trading on selected routes (e.g., Intra-Asia, Med-Med, Black Sea-Med and others) in 2023 was a daily TCE rate of $56,287. This compares to an estimated daily TCE rate of $55,967 in 2022.

Specifically, in the Aframax crude oil tanker segment it is expected that the trading Aframax crude tanker fleet will grow by just 1.0% in 2024, while demand for transportation via crude Aframax tankers will rise by 2.3% in the same period.

The above market outlook update is based on information, data and estimates derived from industry sources, and there can be no assurances that such trends will continue or that anticipated developments in tanker demand, fleet supply or other market indicators will materialize. While we believe the market and industry information included in this report to be generally reliable, we have not independently verified any third-party information or verified that more recent information is not available. The statements in this "Trend Information" section are forward-looking statements based on our current expectations and certain material assumptions and, accordingly, involve risks and uncertainties that could cause actual results, performance and outcomes to differ materially from those expressed herein.

Impact of War in Ukraine and other global conflicts

Furthermore, the ongoing war between Russia and the Ukraine has amplified volatility in the tanker market, disrupting supply chains and causing instability in the global economy. The United States and the European Union, among other countries, announced sanctions against Russia, including sanctions targeting the Russian oil sector, among those a prohibition on the import of oil from Russia to the United States. The ongoing conflict in Ukraine could result in the imposition of further economic sanctions against Russia and given Russia's role as a major global exporter of crude oil, the Company's business may be adversely impacted. Currently, none of the Company's contracts have been affected by the events in Russia and Ukraine. In the short term, the effect of the invasion of Ukraine has been positive for the tanker market, yet the overall longer term effect on ton-mile demand is uncertain given that cargoes exported previously from Russia will need to be substituted by cargoes from different sources due to the oil and oil products embargo enacted by the United States, the European Union and the United Kingdom. As of December 31, 2023, and during the year ended December 31, 2023, the Company's financial results have not been adversely affected from the impact of war between Russia and Ukraine. However, it is possible that in the future third parties with whom the Company has or will have contracts may be impacted by such events. While in general much uncertainty remains regarding the global impact of the conflict in Ukraine, it is possible that such tensions could adversely affect the Company's business, financial condition, results of operation and cash flows.

Following the outbreak of the 2023 Israel–Hamas war, missile attacks by the Houthis have been reported on vessels passing off Yemen's coast in the Red Sea in December 2023. This has caused several vessels to divert via the Cape of Good Hope in South Africa, in order to avoid transiting the Red Sea. The initial effect of Red Sea tensions on the tanker market has been positive for the tanker market as the longer route via Cape of Good Hope is absorbing more vessels, thereby reducing supply. Looking forward, it is impossible to predict the course of this conflict and whether there would be any serious escalation emanating from the current state of affairs. Similar to the war in Ukraine, we believe that a generalized conflict involving several Middle Eastern nations would possibly result in higher inflation and possibly slower economic growth, which could potentially have an adverse effect on the demand for crude oil and petroleum products. To the extent that Red Sea tensions remain contained to the region, the effects on the tanker market could be similar to what we have seen so far. Apart from the effect on the tanker market, the current situation presents a significant safety hazard for all vessels transiting the Red Sea, and could ultimately potentially result in heavy damage being sustained due to successful missile strikes.

Impact of Inflation and Interest Rate Increases

Also, we see near-term impacts on our business due to elevated inflation in the United States of America, Eurozone and other countries, including ongoing global prices pressures in the wake of the war in Ukraine, political unrest and conflicts in the Middle East, driving up energy prices, commodity prices, which continue to have a moderate effect on our operating expenses. Interest rates have increased rapidly and substantially as central banks in developed countries raise interest rates in an effort to subdue inflation. The eventual implications of tighter monetary policy, and potentially higher long-term interest rates may drive a higher cost of capital for our business.

E. Critical Accounting Estimates

For a description of all our principal accounting policies, see Note 2 to our annual consolidated financial statements included elsewhere in this annual report, and for our critical accounting estimates, see the paragraph under "Item 5. Operating and Financial Review and Prospects—A. Operating Results" entitled "Critical Accounting Estimates and Policies" discussed above.

Item 6. Directors, Senior Management, and Employees

A. Directors and Senior Management

Set forth below are the names, ages, and positions of our directors and executive officers. Our board of directors is elected annually on a staggered basis, and each director elected holds office for a three-year term and until his or her successor is elected and has qualified, except in the event of such director's death, resignation, removal, or the earlier termination of his or her term of office. Officers are appointed from time to time by our board of directors and hold office until a successor is elected.

Effective February 28, 2022, Antonios Karavias and Reidar Brekke resigned from our board of directors. Also, effective February 28, 2022, the size of our board of directors decreased from seven to five members, and Aliki Paliou was appointed as Chairperson of our board of directors. On February 28, 2022, the election of Loïsa Ranunkel as a Class I Director and elections of Alex Papageorgiou and Mihalis Boutaris as Class III Directors were approved by the requisite vote at our 2022 Annual Meeting. Symeon Palios, Giannakis (John) Evangelou, Christos Glavanis did not stand for re-election.

On February 22, 2023, the re-election of Andreas Michalopoulos and Loïsa Ranunkel, each as a Class I director was approved by the requisite vote at our 2023 Annual Meeting.

Name	Age	Position
Andreas Michalopoulos	52	Class I Director, Chief Executive Officer and Secretary
Loïsa Ranunkel	46	Class I Director
Aliki Paliou	48	Class II Director and Chairperson of the Board
Alex Papageorgiou	52	Class III Director
Mihalis Boutaris	49	Class III Director
Anthony Argyropoulos	59	Chief Financial Officer

The term of the Class I directors expires in 2026, the term of the Class II directors expires in 2024, and the term of the Class III directors expires in 2025.

The business address of each officer and director is the address of our principal executive offices, which are located at 373 Syngrou Avenue, 175 64 Palaio Faliro, Athens, Greece.

Biographical information concerning the directors and executive officers as of the date of this annual report is set forth below.

Andreas Michalopoulos has served as the Chief Executive Officer of Performance Shipping Inc. since October 2020 and as a Director since February 2020. From October 2019 to October 2020, he served as our Deputy Chief Executive Officer. From January 13, 2010, to October 2020, he also served as our Chief Financial Officer. Andreas Michalopoulos served as Chief Financial Officer and Treasurer of Diana Shipping Inc. from March 2006 to February 2020, and he also served as a Director of Diana Shipping Inc. from August 2018 to February 2020. He started his career in 1993 when he joined Merrill Lynch Private Banking in Paris. In 1995, he became an International Corporate Auditor with Nestle SA based in Vevey, Switzerland and moved in 1998 to the position of Trade Marketing and Merchandising Manager. From 2000 to 2002, he worked for McKinsey and Company in Paris, France as an Associate Generalist Consultant before joining a major Greek Pharmaceutical Group with U.S. R&D activity as a Vice President of International Business Development and Member of the Executive Committee in 2002 where he remained until 2005. From 2005 to 2006, he joined Diana Shipping Agencies S.A. as a Project Manager. Andreas Michalopoulos graduated from Paris IX Dauphine University with Honors in 1993 obtaining an MSc in Economics and a master's degree in Management Sciences specialized in Finance. In 1995, he also obtained a master's degree in Business Administration from Imperial College, University of London. Andreas Michalopoulos is married to Aliki Paliou, who is also one of our Directors and current Chairperson of our Board.

Loïsa Ranunkel has served as an independent Director of the Company and as the Chairman of our Compensation Committee since the 2022 annual meeting of shareholders. She is an experienced insurance broker specializing in Trade Credit and Political Risks. Since 2018, she has been involved in overseeing the creation and the development of the Political Risks Insurance (PRI) department at AU Group in Paris, a historical and world-leading broker specializing in securing and financing trade receivables. From 2014 to 2018, she worked as a certified Political and Trade Credit Risks Insurance Broker in Greece with clients based in Greece and abroad, focusing on the construction industry, defense industry, renewable energies, and shipbuilding. Loïsa Ranunkel began her career in the PRI market in 2006, when she was appointed manager of the Alcatel-Lucent global Political and Commercial Risks program. Before entering the PRI market, she worked at HSBC Investment Bank as an information and communication expert and spent six years as a business development officer at Egis Group - BDPA, a consulting firm specializing in international development assistance. Loïsa Ranunkel holds an MBA from the IAE - Paris Sorbonne.

Aliki Paliou has served as a Director since February 2020 and as Chairperson of our Board as of the 2022 annual meeting of shareholders. She also serves as Director, Vice-President and Treasurer of Unitized Ocean Transport Limited since January 2020. From 2010 to 2015 she was employed as a Director and Treasurer of Alpha Sigma Shipping Corp. Aliki Paliou studied Theatre Studies at the University of Kent in Canterbury, UK and obtained an M.A. in Scenography at Central Saint Martins School of Art and Design in London, UK. In 2005 she graduated with honors from the Greek School of Fine Art in Athens, Greece. She is married to Andreas Michalopoulos, our current Chief Executive Officer, Director and Secretary.

Alex Papageorgiou has served as an independent Director of the Company and as the Chairman of our Audit Committee since the 2022 annual meeting of shareholders. He has over 25 years of experience in banking, capital markets, real estate, and shipping. Alex Papageorgiou previously served as the Chief Executive Officer of Hystead Limited, a retail real estate company with over Euro 750 million in shopping mall assets located throughout Southeast Europe. He was also the founder and Chief Executive Officer of Assos Capital Limited, a real estate private equity firm focused on real estate in Southeast Europe, as well as Assos Property Management EOOD, a leading retail property management company in Bulgaria. He served as a Director of Seanergy Maritime Corp. (now Seanergy Maritime Holdings Corp.) from December 2008 to November 2009. From 2007 to 2008, he served as a non-executive Director at First Business Bank in Athens, Greece. Between March 2005 and May 2006, he was the chief financial officer of Golden Energy Marine Corp., an international shipping company transporting a variety of crude oil and petroleum products based in Athens, Greece. From March 2004 to March 2005, Alex Papageorgiou served as a director in the equities group in the London office of Citigroup Global Markets Inc., where he was responsible for the management and development of Citigroup's Portfolio Products business in the Nordic region. From March 2001 to March 2004, Alex Papageorgiou served as a vice president in the equities group in the London office of Morgan Stanley & Co., where he was responsible for Portfolio Product sales and sales-trading coverage for the Nordic region and the Dutch institutional client base. From April 1997 to March 2001, he was an associate at J.P. Morgan Securities Ltd. in the Fixed Income and Investment Banking divisions. Alex Papageorgiou holds an MSC in Shipping, Trade and Finance from City University Business School in London, UK and a BA (Hons) in Business Economics from Vrije Universiteit in Brussels, Belgium.

Mihalis Boutaris serves as an independent Director of the Company, as a member of our Audit Committee, and as a member of our Compensation Committee as of the 2022 annual meeting of shareholders. He is the founder and director of Athroa Innovations, an early-stage investor & operator of ventures tackling human & planetary health challenges. He has served as an advisor to the National Centre of Scientific Research "Demokritos" having a track record of cross-border partnerships to bring to market novel technologies including an eco-friendly biopesticide, a small hydroelectric power plant, and the first concentrated solar power plant in Greece. Mr. Boutaris is a fifth-generation winemaker and Vice-President of Kir-Yianni with wine apprenticeships in California, Chile, and France. Based in Shanghai, he established Domaine XiGu, one of the pioneering wineries in China producing fine wine, while developing an exports network for Greek wine in Asia Pacific. He began his career at the Boston Consulting Group after graduating with a BA in philosophy from Harvard and a MSc in horticulture from UCDavis. He has served in the Greek Marine Corps and co-founded Arcturos, a prominent wildlife NGO.

Anthony Argyropoulos has served as our Chief Financial Officer since October 2020. Anthony Argyropoulos is the founder of Seaborne Capital Advisors, an Athens, Greece based financial advisory firm focused on the shipping and maritime industries. Prior to Seaborne Capital Advisors, Anthony Argyropoulos was a Partner at Cantor Fitzgerald & Co. until September 2011, where he was responsible for the investment banking group's activities in the maritime sector. Through early 2004, he was a Senior Vice President with Jefferies & Company, Inc., where he was instrumental in developing their maritime investment banking practice. Anthony Argyropoulos graduated from Deree College, Athens, with a B.A. in Economics and from Bentley College, Waltham, Mass. with an M.B.A. in Finance. He is a member of the Beta Gamma Sigma honor society of collegiate schools of business. He is a frequent speaker in global shipping events, contributor to several publications and recipient of a number of awards.

As a foreign private issuer listed on the Nasdaq Capital Market, we are required to disclose certain self-identified diversity characteristics about our directors pursuant to Nasdaq board diversity and disclosure rules approved by the SEC in August 2021. The Board Diversity Matrix set forth below contains the requisite information as of the date of this annual report.

Board Diversity Matrix (As of March 26, 2024)

To be completed by Foreign Issuers (with principal executive offices outside of the U.S.) and Foreign Private Issuers

Country of Principal Executive Offices	**Greece**
Foreign Private Issuer	**Yes**
Disclosure Prohibited under Home Country Law	**No**
Total Number of Directors	**5**

	Female	**Male**	**Non-Binary**	**Did Not Disclose Gender**
Part I: Gender Identity				
Directors	2	3	0	0
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction			0	
LGBTQ+			0	
Did Not Disclose Demographic Background			0	

B. Compensation

Effective March 1, 2020, our senior management is remunerated based on their consultancy or employment agreements, as applicable. Pursuant to the consultancy agreement we have in place with Anthony Argyropoulos, our Chief Financial Officer, we have agreed to pay Anthony Argyropoulos additional cash compensation in the amount of 0.35%, and retroactively from September 2021 in the amount of 0.50%, of the consideration paid or received by us in connection with certain capital raising and other transactions.

For 2023, the aggregate fees and bonuses of our executive officers amounted to $2.0 million.

During 2023, our non-executive directors received annual compensation in the aggregate amount of $30,000 plus reimbursement of their out-of-pocket expenses incurred while attending any meeting of the board of directors or any board committee, and the chairperson of the board received annual compensation of $60,000. In addition, a committee chairman received an additional $10,000 annually, and other committee members received an additional $5,000 annually. In addition, on October 12, 2023, a special committee was formed in connection with the tender offer commenced by Sphinx Investments Corp. and any related matters, the members of which will receive $10,000 annually and the chairman $20,000 annually. We do not have a retirement plan for our officers or directors. For 2023, fees, bonuses and expenses to non-executive directors amounted to $0.2 million.

On January 1, 2021, we granted to Anthony Argyropoulos, our Chief Financial Officer, stock options to purchase 8,000 of our common shares as share-based remuneration, which can be exercised only when our stock price increases. The stock options are exercisable at a price range between $150.00 and $450.00 per share, for a term of five years. As of December 31, 2023, and as of the date of this annual report, no stock options have been exercised.

In 2023, compensation costs relating to the aggregate amount of stock option awards amounted to $Nil. In addition, in 2023, compensation costs relating to restricted stock awards that were issued in prior years were $0.1 million.

2015 Equity Incentive Plan

On May 5, 2015, we adopted an equity incentive plan, which we refer to as the 2015 Equity Incentive Plan, as amended from time to time, under which directors, officers, employees, consultants and service providers of us and our subsidiaries and affiliates would be eligible to receive options to acquire common shares, stock appreciation rights, restricted stock, restricted stock units and unrestricted common shares. On February 9, 2018, our board of directors adopted Amendment No 1 to the 2015 Equity Incentive Plan, solely to increase the aggregate number of common shares issuable under the plan to 3,666 shares (as adjusted after the effectiveness of the reverse stock splits of November 2, 2020 and of November 15, 2022). Effective December 30, 2020, we amended and restated the 2015 Equity Incentive Plan, primarily to increase the aggregate number of common shares issuable under the plan to 35,922 (as adjusted after the effectiveness of the reverse stock split of November 15, 2022), and to extend the term. The plan will expire ten years from its date of adoption (as amended and restated) unless terminated earlier by our board of directors. During the year ended December 31, 2020, we issued 4,481 restricted shares (as adjusted after the effectiveness of the reverse stock split of November 15, 2022) under the plan to our executive officers and non-executive directors. On January 1, 2021, we granted to our Chief Financial Officer stock options to purchase 8,000 (as adjusted after the effectiveness of the reverse stock split of November 15, 2022) of our common shares as share-based remuneration which can be exercised only when our stock price increases. The stock options are exercisable at a price range between $150.00 and $450.00 per share, for a term of five years.

The 2015 Equity Incentive Plan is administered by our compensation committee, or such other committee of our board of directors as may be designated by the board to administer the plan.

Under the terms of the 2015 Equity Incentive Plan, stock options and stock appreciation rights granted under the plan will have an exercise price per common share equal to the market value of a common share on the date of grant, unless otherwise specifically provided in an award agreement, but in no event will the exercise price be less than the greater of (i) the market value of a common share on the date of grant and (ii) the par value of one common share. Options and stock appreciation rights will be exercisable at times and under conditions as determined by the plan administrator, but in no event will they be exercisable later than ten years from the date of grant.

The plan administrator may grant shares of restricted stock and awards of restricted stock units subject to vesting and forfeiture provisions and other terms and conditions as determined by the plan administrator in accordance with the terms of the plan. Following the vesting of a restricted stock unit, the award recipient will be paid an amount equal to the number of restricted stock units that then vest multiplied by the market value of a common share on the date of vesting, which payment may be paid in the form of cash or common shares or a combination of both, as determined by the plan administrator. The plan administrator may grant dividend equivalents with respect to grants of restricted stock units.

Adjustments may be made to outstanding awards in the event of a corporate transaction or change in capitalization or other extraordinary event. In the event of a "change in control" (as defined in the plan), unless otherwise provided by the plan administrator in an award agreement, awards then outstanding will become fully vested and exercisable in full.

Our board of directors may amend the plan and may amend outstanding awards issued pursuant to the plan, provided that no such amendment may be made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award without the consent of such grantee. Shareholder approval of plan amendments will be required under certain circumstances. The plan administrator may cancel any award and amend any outstanding award agreement, except no such amendment shall be made without shareholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the outstanding award.

C. Board Practices

Actions by our Board of Directors

Our amended and restated bylaws provide that vessel acquisitions and disposals from or to a related party and long term time charter employment with any charterer that is a related party will require the unanimous approval of the independent members of our board of directors and that all other material related party transactions shall be subject to the approval of a majority of the independent members of the board of directors.

Committees of our Board of Directors

Our Audit Committee, comprised of two members of our board of directors, is responsible for reviewing our accounting controls, recommending to the board of directors the engagement of our independent auditors, and pre-approving audit and audit-related services and fees. Each member has been determined by our board of directors to be "independent" under Nasdaq rules and the rules and regulations of the SEC. As directed by its written charter, the Audit Committee is responsible for reviewing all related party transactions for potential conflicts of interest and all related party transactions are subject to the approval of the Audit Committee. Until February 2022, John Evangelou served as Chairman and Antonios Karavias served as member of our Audit Committee. Alex Papageorgiou serves as the Chairman of the Audit Committee as of the 2022 annual meeting of shareholders. We believe that Alex Papageorgiou qualifies as an Audit Committee financial expert as such term is defined under SEC rules. Mihalis Boutaris serves as a member of our Audit Committee.

Our Compensation Committee, comprised of two independent directors, is responsible for, among other things, recommending to the board of directors our senior executive officers' compensation and benefits. As of the 2022 annual meeting of shareholders, Loïsa Ranunkel serves as the Chairman of the Compensation Committee and Mihalis Boutaris serves as a member of our Compensation Committee.

Our Executive Committee is responsible for the overall management of our business. Since November 19, 2020, our Executive Committee is comprised of Aliki Paliou, our Director and Chairperson of our Board, and Andreas Michalopoulos, our Chief Executive Officer.

We also maintain directors' and officers' insurance, pursuant to which we provide insurance coverage against certain liabilities to which our directors and officers may be subject, including liability incurred under U.S. securities law.

D. Employees

We crew our vessels with Filipino officers and crew members, who are referred to us by independent crewing agencies. The crewing agencies handle each seafarer's training and payroll. We ensure that all our seafarers have the qualifications and licenses required to comply with international regulations and shipping conventions. We typically crew our vessels with more crew members than are required by the country of the vessel's flag in order to allow for the performance of routine maintenance duties.

The following table presents the number of shoreside personnel employed by our in-house manager and the number of seafaring personnel employed by our vessel-owning subsidiaries as of December 31, 2023, 2022, and 2021. The decrease in the number of seafaring employees from 2022 to 2023 was due to the sale of the vessel P. Kikuma during 2023.

	As of December 31, 2023	As of December 31, 2022	As of December 31, 2021
Shoreside	30	30	25
Seafaring	179	197	127
Total	**209**	**227**	**152**

E. Share Ownership

With respect to the total amount of common shares owned by our officers and directors individually and as a group, see "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders."

F. Disclosure of a registrant's action to recover erroneously awarded compensation

None.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth current information regarding ownership of our common shares of which we are aware as of March 26, 2024, for (i) beneficial owners of five percent or more of our common shares; and (ii) our officers and directors, individually and as a group. All of our shareholders, including the shareholders listed in this table, are entitled to one vote for each common share held.

Name	Number of Common Shares	Percentage Owned (1)
Mango Shipping Corp. (2)(4)	24,248,967	66.4%
Mitzela Corp.(3)(4)	1,039,534	7.8%
Sphinx Investment Corp.(5)	1,033,859	8.4%
All officers and directors as a group	25,296,501	67.3%

(1) Percentages based on 12,279,676 common shares outstanding as of March 26, 2024.
(2) This information is derived from Amendment No. 1 to Schedule 13D jointly filed with the SEC on September 1, 2023 by Mango Shipping Corp. and Aliki Paliou. Aliki Paliou, the Chairperson of our board of directors, owns and controls Mango Shipping Corp. As a result, Aliki Paliou may be deemed to beneficially own shares held by Mango Shipping. Mango Shipping acquired 156,803 common shares (as adjusted after the effectiveness of the reverse stock splits of November 2, 2020 and of November 15, 2022) from Taracan Investments S.A. ("Taracan"), a Marshall Islands corporation ultimately beneficially owned by Symeon Palios, our Chairman of the Board until the 2022 annual shareholders meeting and former Chief Executive Officer, pursuant to a Contribution Agreement dated September 29, 2020, by and between Taracan and Mango Shipping. In exchange, Mango Shipping issued 999 shares of its own common stock to Taracan. Taracan thereafter distributed as dividend in kind such 999 shares of Mango Shipping (through an intermediary holding company) to its ultimate beneficial owner, Symeon Palios. Subsequently, also on September 29, 2020, Symeon Palios transferred in a private transaction all of his interest in Mango Shipping to Aliki Paliou. We conducted an exchange offer, pursuant to which we offered to exchange issued and outstanding Common Shares for newly issued shares of our Series B Convertible Cumulative Perpetual Preferred Stock, which closed on January 27, 2022. Pursuant to the Exchange Offer, Mango Shipping exchanged 156,523 Common Shares (as adjusted after the effectiveness of the reverse stock splits of November 2, 2020 and of November 15, 2022), representing the majority of the Common Shares beneficially owned by Mango Shipping at that time, for Series B Preferred Shares at an exchange ratio of 0.28 Series B Preferred Shares per Common Share. On October 17, 2022, we entered into a stock purchase agreement with Mango Shipping, pursuant to which we agreed to issue to Mango Shipping in a private placement 1,314,792 shares of our newly-designated Series C Preferred Shares in exchange for, in part, all 657,396 Series B Preferred Shares held by Mango Shipping. See "Related Party Transactions" for a description of the private placement transaction with Mango Shipping. Mango Shipping beneficially owns 1,314,792 Series C Preferred Shares, or 92% of the outstanding Series C Preferred Shares as of the date of this report. The Series C Preferred Shares carry superior voting rights. For a description of the rights of the Series C Preferred Shares, see "Description of Securities," attached hereto as Exhibit 2.5 and incorporated by reference herein, and the risk factor under "Item 3. Key Information—D. Risk Factors" entitled "Aliki Paliou, the Chairperson of the Board, controls a majority of voting power over matters on which our shareholders are entitled to vote, and accordingly, may exert considerable influence over us and may have interests that are different from the interests of our other shareholders." In our annual reports for the years ended December 31, 2022, 2021 and 2020, Aliki Paliou was reported to beneficially own 67.15%, less than 1% and 46.3% of our common shares, respectively.
(3) This information is derived from a Schedule 13D jointly filed with the SEC on September 1, 2023 by Mitzela Corp. and Andreas Michalopoulos. Andreas Michalopoulos, our Chief Executive Officer, Director and Secretary, owns and controls Mitzela Corp. As a result, Andreas Michalopoulos may be deemed to beneficially own shares held by Mitzela Corp. Mitzela Corp. beneficially owns 56,342 Series C Preferred Shares, or 3.9% of the outstanding Series C Preferred Shares as of the date of this report. In our annual reports for the years ended December 31, 2022, 2021 and 2020, Andreas Michalopoulos was reported to beneficially own 8.06%, less than 1% and 2.1% of our common shares, respectively.
(4) Aliki Paliou may be deemed to beneficially own 24,248,687 common shares through Mango Shipping Corp. Andreas Michalopoulos may be deemed to beneficially own 1,039,114 common shares through Mitzela Corp. Additionally, Aliki Paliou may be deemed to beneficially own 280 restricted common shares through Mango Shipping Corp. Andreas Michalopoulos may be deemed to beneficially own 420 restricted common shares through Mitzela Corp. Anthony Argyropoulos, our Chief Financial Officer, holds stock options to purchase up to 8,000 of our common shares, which stock options we granted to Anthony Argyropoulos as stock-based remuneration. The stock options are exercisable at a price range between $150.00 and $450.00 per share, for a term of five years. Anthony Argyropoulos does not directly own any of our common shares. All other officers and directors each own 0% of our outstanding common shares.
(5) This information is derived from an Amendment No. 10 to Schedule 13D jointly filed with the SEC on March 26, 2024 by Sphinx Investment Corp., Maryport Navigation Corp. and Mr. George Economou. Sphinx Investment Corp. is a wholly-owned subsidiary of Maryport Navigation Corp., which is a Liberian company owned by Mr. George Economou.

In the normal course of business, there have been institutional investors that buy and sell our shares, and significant changes in the percentage ownership of such investors has occurred, as reflected in beneficial ownership reports filed with the SEC.

As of March 26, 2024, we had 7 shareholders of record, 1 of which was located in the United States, 1 of which was CEDE & CO., a nominee of The Depository Trust Company, which is located in the United States and held an aggregate of 12,277,896 of our common shares, representing 99.9% of our outstanding common shares. CEDE & CO. is the sole record shareholder of our Class B Preferred Shares and Class C Preferred Shares. We believe that the shares held by CEDE & CO. include shares beneficially owned by both holders in the United States and non-U.S. beneficial owners. We are not aware of any arrangements the operation of which may at a subsequent date result in our change of control.

B. Related Party Transactions

Pure Brokerage and Shipping Corp.

Pure Brokerage and Shipping Corp., or Pure, a company controlled by Aliki Paliou, our Chairperson of the board of directors, provides us with brokerage services since June 15, 2020, pursuant to a Brokerage Services Agreement for a fixed monthly fee of $3,000 for each of our owned tanker vessels. Additionally, Pure Brokerage and Shipping Corp, an affiliated entity, receives from us a fixed commission of 1.25% on gross freight and hire income generated by the vessels, subject to the specific terms of each employment contract, and may also receive sale and purchase brokerage commissions of 1.0% per transaction. For 2023, commissions and brokerage fees paid to Pure Brokerage amounted to $1.3 million and $0.3 million, respectively.

Diana Shipping Inc.

On November 18, 2021, we sold to a subsidiary of Diana Shipping Inc. our co-owned indivisible share in a plot of land, located in Athens, Greece, for a purchase price of Euro 1.1 million (or $1.2 million). In connection with this sale, we recorded a gain, net of $0.2 million taxes and expenses, of $0.1 million, which is presented as Gain from property sale in our consolidated statement of operations.

Mango Shipping Corp.

On March 2, 2022, we entered into an unsecured credit facility with Mango Shipping, an affiliated entity whose beneficial owner is Aliki Paliou, for up to $5.0 million, to be used for general working capital purposes. The facility, which is repayable in one year from the date of the agreement, will be utilized in advances at our request and will bear interest of 9.0% per annum and commitment fees of 3.0% per annum on any undrawn amount. Arrangement fees of $0.2 million are payable on the date of the agreement. As of the date of this annual report, $3.2 million have been drawn under the credit facility. On October 17, 2022, we entered into a stock purchase agreement with Mango Shipping, pursuant to which we agreed to issue to Mango in a private placement 1,314,792 shares of our newly-designated Series C Preferred Shares in exchange for (i) all 657,396 Series B Preferred Shares held by Mango and (ii) the agreement by Mango to apply $4.93 million (an amount equal to the aggregate cash conversion price payable upon conversion of such Series B Preferred Shares into Series C Preferred Shares pursuant to their terms) as a prepayment by us of an unsecured credit facility dated March 2, 2022 and made between us as borrower and Mango as lender, maturing in March 2023 and bearing interest at 9.0% per annum. We subsequently repaid the remaining amounts due and terminated the credit facility. The transaction was approved by a special independent committee of our board of directors. For more information regarding the Series C Preferred Shares, please see our Form 6-K filed on October 21, 2022 and incorporated by reference herein.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial information

A. Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements.”

Legal Proceedings

Between October 23, 2017, and December 15, 2017, three largely similar lawsuits were filed against the Company and three of its executive officers. On October 23, 2017, a complaint captioned Jimmie O. Robinson v. Diana Containerships Inc., Case No. 2:17-cv-6160, was filed in the United States District Court for the Eastern District of New York (“Eastern District”). The complaint was brought as a purported class action lawsuit on behalf of a putative class consisting of purchasers of common shares of the Company between January 26, 2017 and October 3, 2017. On October 25, 2017, a complaint captioned Logan Little v. Diana Containerships Inc., Case No. 2:17-cv-6236, was filed in the Eastern District. The complaint was brought as a purported class action lawsuit on behalf of a putative class consisting of purchasers of common shares of the Company between January 26, 2017, and October 3, 2017. On December 15, 2017, a complaint captioned Emmanuel S. Austin v. Diana Containerships Inc., Case No. 2:17-cv-7329, was filed in the Eastern District. The complaint was brought as a purported class action lawsuit on behalf of a putative class consisting of purchasers of common shares of the Company between June 9, 2016, and October 3, 2017. The complaints named as defendants, among others, the Company and three of its executive officers. The complaints asserted claims under Sections 9, 10(b) and/or 20(a) of the Securities Exchange Act of 1934. On April 30, 2018, the Court consolidated the three lawsuits into the first-filed Robinson lawsuit, appointed lead plaintiffs and approved lead plaintiffs’ selection of lead plaintiffs’ counsel. On July 13, 2018, lead plaintiffs filed a consolidated amended complaint (superseding the three initial complaints). On September 21, 2018, the defendants filed a motion to dismiss the lawsuit. Briefing on that motion was concluded on November 30, 2018. On May 28, 2020, prior to any ruling on that motion, lead plaintiffs filed a superseding second amended complaint. On July 22, 2020, the defendants filed a motion to dismiss the second amended complaint. Briefing on that motion concluded on October 9, 2020. On October 1, 2021, prior to any ruling on that motion, lead plaintiffs filed a superseding third amended complaint. On October 15, 2021, the defendants filed a motion to dismiss the third amended complaint. Briefing on that motion concluded on November 5, 2021. The Court has not issued a ruling on that motion as of the date of this annual report. The Company believes that the lawsuit is without merit and will vigorously defend against the lawsuit.

The Company, its Chief Executive Officer, Chairperson of the Board, five former directors of the Company, and two entities affiliated with the Company’s Chief Executive Officer and Chairperson of the Board were named as defendants in a lawsuit commenced on October 27, 2023 in New York State Supreme Court, County of New York, captioned Sphinx Investment Corp. v. Aliki Paliou et al., Case No. 655326/2023. The complaint alleges, among other things, violations of fiduciary duties by the named defendants in connection with an exchange offer commenced by the Company in December 2021. On January 29, 2024, the defendants filed motions to dismiss the lawsuit. Briefing on that motion is currently scheduled to conclude on April 4, 2024. The Company believes that the lawsuit is without merit and will vigorously defend against the lawsuit.

Except as set forth above, we have not been involved in any legal proceedings which may have, or have had a significant effect on our business, financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our 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 and limitations. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Dividend Policy

Our board of directors has adopted a variable quarterly dividend policy, pursuant to which we may declare and pay a variable quarterly cash dividend to our common shareholders. While we have declared and paid cash dividends on our common shares in the past, there can be no assurance that our board of directors will declare dividend payments on common shares in the future. If declared, the quarterly dividend is expected to be paid each February, May, August and November and will be subject to reserves for the replacement of our vessels, scheduled drydockings, intermediate and special surveys, dividends to holders of our preferred shares, if paid in cash, and other purposes as our board of directors may from time to time determine are required, after taking into account contingent liabilities, the terms of any credit facility, our growth strategy and other cash needs as well as the requirements of Marshall Islands law. In addition, any credit facilities that we may enter into in the future may include restrictions on our ability to pay dividends.

The declaration and payment of dividends, even during times when we have sufficient funds and are not restricted from declaring and paying dividends by our lenders or any other party, will always be subject to the discretion of our board of directors. Our board of directors may review and amend our dividend policy from time to time, taking into consideration our plans for future growth and other factors. The actual timing and amount of dividend payments on common shares, if any, will be determined by our board of directors and will be affected by various factors, including our cash earnings, financial condition and cash requirements, dividend obligations to holders of our preferred shares, the loss of a vessel, the acquisition of one or more vessels, required capital expenditures, reserves established by our board of directors, increased or unanticipated expenses, a change in our dividend policy, additional borrowings or future issuances of securities, many of which will be beyond our control.

We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us to satisfy our financial obligations and to make dividend payments. In times when we have debt outstanding, we intend to limit our dividends per common share, if common share dividend payments are reinstated, to the amount that we would have been able to pay if we were financed entirely with equity. In addition, our existing or future credit facilities may include restrictions on our ability to pay dividends.

The shipping sector is highly cyclical and volatile. We cannot predict with accuracy the amount of cash flows our operations will generate in any given period. Our quarterly dividends, if any, will vary significantly from quarter to quarter as a result of variations in our operating performance, cash flow, and other contingencies, and we cannot assure you that we will generate available cash for distribution in any quarter, and so we may not declare and pay any dividends in certain quarters, or at all. Our ability to resume payment of dividends will be subject to the limitations set forth above and in the section of this annual report entitled “Item 3. Key Information—D. Risk Factors.”

B. Significant Changes

There have been no significant changes since the date of the annual consolidated financial statements included in this annual report, other than those described in “Note 14- Subsequent Events” of our annual consolidated financial statements.

Item 9. The Offer and Listing

A. Offer and Listing Details

Our common shares have traded on the Nasdaq Global Market since January 19, 2011, on the Nasdaq Global Select Market since January 2, 2013, and on the Nasdaq Capital Market since March 6, 2020. Our ticker symbol was “DCIX” through March 30, 2020, at which date it changed to “PSHG.”

B. Plan of Distribution

Not Applicable.

C. Markets

Our common shares have traded on the Nasdaq Global Market since January 19, 2011, on the Nasdaq Global Select Market since January 2, 2013, and on the Nasdaq Capital Market since March 6, 2020. Our ticker symbol was “DCIX” through March 30, 2020, at which date it changed to “PSHG.”

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

Item 10. Additional Information

A. Share capital

Not Applicable.

B. Memorandum and Articles of Association

Our amended and restated articles of incorporation and bylaws were filed as exhibits 3.1 and 3.2, respectively, to our registration statement on Form F-4 (File No. 333-169974) filed with the SEC on October 15, 2010. The information contained in these exhibits is incorporated by reference herein.

Our amended and restated articles of incorporation were amended on (i) June 8, 2016, in connection with our one-for-eight reverse stock split, (ii) July 3, 2017, in connection with our one-for-seven reverse stock split, (iii) July 25, 2017, in connection with our one-for-six reverse stock split, (iv) August 23, 2017, in connection with our one-for-seven reverse stock split, (v) September 22, 2017, in connection with our one-for-three reverse stock split, (vi) November 1, 2017, in connection with our one-for-seven reverse stock split and (vii) October 30, 2020, in connection with our one-for-ten reverse stock split, (viii) November 1, 2017, in connection with our one-for-seven reverse stock split and (ix) November 14, 2022, in connection with our one-for-fifteen reverse stock split. Copies of these articles of amendment to the amended and restated articles of incorporation of the Company were filed as exhibit 3.1 to our reports on Form 6-K filed with the SEC on June 9, 2016, July 6, 2017, July 28, 2017, August 28, 2017, September 26, 2017, November 3, 2017, November 2, 2020 and hereto for our November 14, 2022 stock split respectively. The information contained in these exhibits is incorporated by reference herein. Additionally, (i) on March 21, 2017, we filed a Statement of Designations, Preferences and Rights of our Series B-1 Convertible Preferred Stock, (ii) on March 21, 2017, we filed a Statement of Designations, Preferences and Rights of our Series B-2 Convertible Preferred Stock, (iii) on May 30, 2017, we filed a Statement of Designations of Rights, Preferences and Privileges of our Series C Preferred Stock, (iv) on January 12, 2022, we filed an Amended and Restated Certificate of Designations of Rights, Preferences and Privileges of our Series B Convertible Cumulative Perpetual Preferred Stock and (v) on October, 17, 2022, we filed a Certificate of Designation of Series C Convertible Cumulative Redeemable Perpetual Preferred Shares. Our amended and restated articles of incorporation were further amended on February 25, 2019, in connection with our name change from Diana Containerships Inc. to Performance Shipping Inc. A copy of these articles of amendment to the amended and restated articles of incorporation is filed as an exhibit to this annual report and the information contained in such exhibit is incorporated by reference herein.

A description of the material terms of our amended and restated articles of incorporation and bylaws is included in "Description of Securities," attached hereto as Exhibit 2.5 and incorporated by reference herein.

Description of Common Shares

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding preferred shares, holders of common shares are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of our preferred shares having liquidation preferences, if any, the holders of our common shares will be entitled to receive pro rata our remaining assets available for distribution. Holders of our common shares do not have conversion, redemption or preemptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of common shares are subject to the rights of the holders of our preferred shares, including our existing classes of preferred shares and any preferred shares we may issue in the future.

Description of Preferred Stock

Our amended and restated articles of incorporation authorize our board of directors to establish one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including the designation of the series; the number of shares of the series; the preferences and relative, participating, option or other special rights, if any, and any qualifications, limitations or restrictions of such series; and the voting rights, if any, of the holders of the series.

Stockholders' Rights Agreement

On December 20, 2021, we entered into a Stockholders' Rights Agreement, or the Rights Agreement, with Computershare Inc. as Rights Agent. Pursuant to the Rights Agreement, each common share includes one right, or a Right, that entitles the holder to purchase from us one one-thousandth of a share of our Series A Participating Preferred Stock at an exercise price of $750.00 per one one-thousandth of a Series A Preferred Stock, subject to specified adjustments. The Rights will separate from the common shares and become exercisable only if a person or group acquires beneficial ownership of 10% or more of our common shares in a transaction not approved by our board of directors. In that situation, each holder of a Right (other than the acquiring person, whose Rights will become void and will not be exercisable) will have the right to purchase, in lieu of one one-thousandth of a share of Series A Preferred Stock, upon payment of the exercise price, a number of our common shares having a then-current market value equal to twice the exercise price. In addition, if we are acquired in a merger or other business combination after an acquiring person acquires 10% or more of our common shares, each holder of the Right will thereafter have the right to purchase, in lieu of one one-thousandth of a share of Series A Preferred Stock, upon payment of the exercise price, a number of common shares of the acquiring person having a then-current market value equal to twice the exercise price. The acquiring person will not be entitled to exercise these Rights. Under the Rights Agreement's terms, it will expire on December 20, 2031.

A copy of the Rights Agreement is filed as Exhibit 4.1 to our report on Form 6-K filed with the SEC on December 21, 2021.

C. Material Contracts

The contracts included as exhibits to this annual report are the contracts we consider to be both material and not entered into in the ordinary course of business, which (i) are to be performed in whole or in part on or after the filing date of this annual report or (ii) were entered into not more than two years before the filing date of this annual report. Other than these agreements, we have no material contracts, other than contracts entered into in the ordinary course of business, to which we or any member of the group is a party. We refer you to "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources" for a discussion of our loan facilities, "Item 4. Information on the Company—B. Business Overview" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" for a discussion of our agreements with our related parties and "Item 6. Directors, Senior Management, and Employees—B. Compensation" for a discussion of our 2015 Equity Incentive Plan.

D. Exchange Controls

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

E. Taxation

The following is a discussion of the material Marshall Islands and U.S. federal income tax considerations of the ownership and disposition by a U.S. Holder and a Non-U.S. Holder, each as defined below, of our common shares. This discussion does not purport to deal with the tax consequences of owning common shares to all categories of investors, who may be subject to special rules such as dealers in securities or commodities, financial institutions, insurance companies, tax-exempt organizations, U.S. expatriates, persons liable for the alternative minimum tax, persons who hold common shares as part of a straddle, hedge, conversion transaction or integrated investment, U.S. Holders whose functional currency is not the United States dollar, persons required to recognize income for U.S. federal income tax purposes no later than when such income is reported on an "applicable financial statement", persons subject to the "base erosion and anti-avoidance" tax and investors that own, actually or under applicable constructive ownership rules, 10% or more of the Company's common shares. This discussion deals only with holders who hold the common shares as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or foreign law of the ownership of our common shares.

Marshall Islands Tax Considerations

In the opinion of Watson Farley & Williams LLP, the following are the material Marshall Islands tax consequences of the Company's activities to the Company and of the ownership of the Company's common shares to its shareholders who are not residents of or domiciled or carrying on any commercial activity in the Marshall Islands. Under current Marshall Islands law, the Company is not subject to tax on income or capital gains, no Marshall Islands withholding tax will be imposed upon payments of dividends by the Company to its shareholders, and shareholders will not be subject to tax on the sale or other disposition of the Company's common shares.

United States Federal Income Tax Considerations

The following discussion of U.S. federal income tax matters is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Department of the Treasury, all of which are subject to change, possibly with retroactive effect.

Taxation of Operating Income: In General

The following discussion addresses the U.S. federal income taxation of our operating income from the international operation of vessels.

Unless exempt from U.S. federal income taxation under the rules discussed below, a foreign corporation is subject to U.S. federal income taxation in respect of any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, from the participation in a pool, partnership, strategic alliance, joint operating agreement, code sharing arrangements or other joint venture it directly or indirectly owns or participates in that generates such income, or from the performance of services directly related to those uses, which we refer to as "shipping income," to the extent that the shipping income is derived from sources within the United States. For these purposes, 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States constitutes income from sources within the United States, which we refer to as "U.S.-source shipping income."

Shipping income attributable to transportation that both begins and ends in the United States is considered to be 100% from sources within the United States. We are not permitted by law to engage in transportation that produces income which is considered to be 100% from sources within the United States. Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to any U.S. federal income tax.

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

Under Section 883 of the Code, or Section 883, we will be exempt from U.S. federal income taxation on our U.S.-source shipping income if:

- we are organized in a foreign country that grants an "equivalent exemption" to corporations organized in the United States, or U.S. corporations; and

either:

- more than 50% of the value of our common shares is owned, directly or indirectly, by qualified shareholders, which we refer to as the "50% Ownership Test," or
- our common shares are "primarily and regularly traded on an established securities market" in a country that grants an "equivalent exemption" to U.S. corporations or in the United States, which we refer to as the "Publicly-Traded Test."

The Marshall Islands, the jurisdiction where we are incorporated, grants an "equivalent exemption" to U.S. corporations. We anticipate that any of our shipowning subsidiaries will be incorporated in a jurisdiction that provides an "equivalent exemption" to U.S. corporations. Therefore, we will be exempt from U.S. federal income taxation with respect to our U.S.-source shipping income if either the 50% Ownership Test or the Publicly-Traded Test is met.

Publicly-Traded Test

In order to satisfy the Publicly-Traded Test, our common shares must be primarily and regularly traded on one or more established securities markets. The regulations under Section 883 provide, in pertinent part, that shares of a foreign corporation will be considered to be "primarily traded" on an established securities market in a country if the number of shares of each class of shares that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. Our common shares are "primarily traded" on the Nasdaq Capital Market, which is an established securities market.

Under the regulations, stock of a foreign corporation will be considered to be "regularly traded" on an established securities market if one or more classes of stock representing more than 50% of the outstanding stock, by both total combined voting power of all classes of shares entitled to vote and total value, are listed on such market, to which we refer as the "listing threshold."

It is further required that with respect to each class of stock relied upon to meet the listing threshold, (i) such class of shares is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one-sixth of the days in a short taxable year, which we refer to as the trading frequency test; and (ii) the aggregate number of stock of such class of shares traded on such market during the taxable year is at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year, which we refer to as the trading volume test. Even if these tests are not satisfied, the regulations provide that such trading frequency and trading volume tests will be deemed satisfied if, as is expected to be the case with our common shares, such class of stock is traded on an established securities market in the United States and such shares are regularly quoted by dealers making a market in such shares.

Notwithstanding the foregoing, the regulations provide, in pertinent part, that a class of shares will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified share attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of stock, to which we refer as the "Five Percent Override Rule."

For purposes of being able to determine the persons who actually or constructively own 5% or more of the vote and value of our common shares, or "5% Shareholders," the regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the SEC, as owning 5% or more of our common shares. The regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes.

In the event the Five Percent Override Rule is triggered, the regulations provide that the Five Percent Override Rule will nevertheless not apply if we can establish that within the group of 5% Shareholders, there are sufficient qualified shareholders for purposes of Section 883 to preclude non-qualified shareholders in such group from owning 50% or more of our common shares for more than half the number of days during the taxable year.

We believe that we did not satisfy the Publicly Traded Test during our 2023 taxable year.

50% Ownership Test

Under the regulations, a foreign corporation will satisfy the 50% Ownership Test for a taxable year if (i) for at least half of the number of days in the taxable year, more than 50% of the value of its stock is owned, directly or constructively through the application of certain attribution rules prescribed by the regulations, by one or more shareholders who are residents of foreign countries that grant "equivalent exemption" to corporations organized in the United States and (ii) the foreign corporation satisfies certain substantiation and reporting requirements with respect to such shareholders.

We believe that we satisfied the 50% Ownership Test for our 2023 taxable year, and expect to satisfy the substantiation and reporting requirements to claim the benefits of the 50% Ownership Test. Therefore, we intend to take the position that we were exempt from U.S. federal income tax under Section 883 of the Code during our 2023 taxable year. However, there can be no assurance that we will continue to satisfy the requirements of the 50% Ownership Test in future taxable years. Furthermore, the substantiation requirements are onerous and therefore there can be no assurance that we would be able to satisfy them, even if our share ownership would otherwise satisfy the requirements of the 50% Ownership Test.

Taxation in Absence of Exemption

To the extent the benefits of Section 883 are unavailable, our U.S.-source shipping income, to the extent not considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, which we refer to as the 4% gross basis tax regime. Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being derived from U.S. sources, the maximum effective rate of U.S. federal income tax on our shipping income would never exceed 2% under the 4% gross basis tax regime.

To the extent our U.S.-source shipping income is considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, any such "effectively connected" U.S.-source shipping income, net of applicable deductions, would be subject to the U.S. federal corporate income tax currently imposed at a rate of 21%. In addition, we may be subject to an additional 30% "branch profits" tax on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of such U.S. trade or business.

Our U.S.-source shipping income would be considered "effectively connected" with the conduct of a U.S. trade or business only if:

- we have, or are considered to have, a fixed place of business in the United States involved in the earning of shipping income; and
- substantially all of our U.S.-source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States (or, in the case of income from the bareboat chartering of a vessel, is attributable to a fixed place of business in the United States).

We do not anticipate that we will have any vessel operating to or from the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, we do not anticipate that any of our U.S.-source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

United States Federal Income Taxation of Gain on Sale of Vessels

Regardless of whether we qualify for exemption under Section 883 of the Code, we will not be subject to U.S. federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

United States Federal Income Taxation of U.S. Holders

In the opinion of Watson Farley & Williams LLP, the Company's U.S. counsel, the following are the material U.S. federal income tax consequences to U.S. Holders, as defined below, of the ownership and disposition of our common shares.

As used herein, the term "U.S. Holder" means a beneficial owner of common shares that is an individual U.S. citizen or resident, a U.S. corporation or other U.S. entity taxable as a corporation, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

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

Distributions

Subject to the discussion of the passive foreign investment company, or PFIC, rules below, distributions made by us with respect to our common shares, other than certain pro-rata distributions of our common shares, to a U.S. Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in such U.S. Holder's common shares on a dollar-for-dollar basis and thereafter as a capital gain. Because we are not a United States corporation, U.S. Holders that are corporations will not be entitled to claim a dividends-received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common shares will generally be treated as income from sources outside the United States and will generally constitute "passive category income" or, in the case of certain types of U.S. Holders, "general category income" for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

Dividends paid on our common shares to a U.S. Holder who is an individual, trust or estate, which we refer to as a U.S. Individual Holder, will generally be treated as "qualified dividend income" that is taxable to such U.S. Individual Holders at preferential tax rates, provided that (1) the common shares are readily tradable on an established securities market in the United States such as the Nasdaq Capital Market, on which our common shares are traded; (2) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year, as discussed below; (3) the U.S. Individual Holder has held the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend; and (4) the U.S. Individual Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property.

There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of a U.S. Individual Holder. Any distributions out of earnings and profits we pay which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual Holder.

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

Sale, Exchange or other Disposition of Common Shares

Subject to the discussion of the PFIC rules below, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such stock. A U.S. Holder's tax basis in the common shares generally will equal the U.S. Holder's acquisition cost less any prior return of capital. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition and will generally be treated as U.S.-source income or loss, as applicable, for U.S. foreign tax credit purposes. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

PFIC Status and Significant Tax Consequences

Special U.S. federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a PFIC for U.S. federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such U.S. Holder held our common shares, either:

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business), which we refer to as the income test; or

- at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income, which we refer to as the asset test.

For purposes of determining whether we are a PFIC, cash will be treated as an asset which is held for the production of passive income. In addition, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary companies in which we own at least 25% of the value of the subsidiary's stock or other equity interest. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business.

Our status as a PFIC will depend upon the operations of our vessels. Therefore, we can give no assurances as to whether we will be a PFIC with respect to any taxable year. In making the determination as to whether we are a PFIC, we intend to treat the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities of us or any of our wholly owned subsidiaries as services income, rather than rental income. There is substantial legal authority supporting this position consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. In the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the IRS or a court could disagree with our position. On the other hand, any income we derive from bareboat chartering activities will be treated as passive income for purposes of the income test. Likewise, any assets utilized in bareboat chartering activities will be treated as generating passive income for purposes of the asset test.

On the basis of the foregoing, we do not believe that we were a PFIC in 2023, and do not anticipate becoming a PFIC in the near future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a "Qualified Electing Fund," which election we refer to as a "QEF election," or a "mark-to-market" election with respect to our common shares. In addition, if we are a PFIC, a U.S. Holder will be required to file IRS Form 8621 with the IRS.

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

If a U.S. Holder makes a timely QEF election, which U.S. Holder we refer to as an "Electing Holder," the Electing Holder must report each year for U.S. federal income tax purposes such holder's pro-rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. The Electing Holder's adjusted tax basis in the common shares will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common shares and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common shares. A U.S. Holder would make a QEF election with respect to any year that we are a PFIC by filing IRS Form 8621 with such holder's U.S. federal income tax return. After the end of each taxable year, we will determine whether we were a PFIC for such taxable year. If we determine or otherwise become aware that we are a PFIC for any taxable year, we expect to provide each U.S. Holder with all necessary information, including a PFIC Annual Information Statement, in order to allow such holder to make a QEF election for such taxable year.

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

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate will continue to be the case, our shares are treated as "marketable stock," a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our common shares, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common shares at the end of the taxable year over such holder's adjusted tax basis in the common shares. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common shares over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in such holder's common shares would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election.

Finally, if we were to be treated as a PFIC for any taxable year, a U.S. Holder who has not timely made a QEF or mark-to-market election for the first taxable year in which such holder holds our common shares and during which we are treated as PFIC, whom we refer to as a "Non-Electing Holder," would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common shares in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common shares), and (2) any gain realized on the sale, exchange or other disposition of our common shares. Under these special rules:

- the excess distribution or gain would be allocated ratably to each day over the Non-Electing Holder's aggregate holding period for the common shares;
- the amount allocated to the current taxable year and any taxable year before we became a PFIC would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These adverse tax consequences would not apply to a pension or profit-sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of our common shares. In addition, if a Non-Electing Holder who is an individual dies while owning our common shares, such holder's successor generally would not receive a step-up in tax basis with respect to such common shares.

Net Investment Income Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) such U.S. Holder's "net investment income" (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of such U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's net investment income will generally include its gross dividend income and its net gains from the disposition of our common shares, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). Net investment income generally will not include a U.S. Holder's pro rata share of our income and gain (if we are a PFIC and that U.S. Holder makes a QEF election, as described above in "-Taxation of U.S. Holders Making a Timely QEF Election"). However, a U.S. Holder may elect to treat inclusions of income and gain from a QEF election as net investment income. Failure to make this election could result in a mismatch between a U.S. Holder's ordinary income and net investment income. If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisor regarding the applicability of the net investment income tax to your income and gains in respect of your investment in our common shares.

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

A beneficial owner of our common shares, other than a partnership or entity treated as a partnership for U.S. federal income tax purposes, that is not a U.S. Holder is referred to herein as a Non-U.S. Holder.

Non-U.S. Holders generally will not be subject to U.S. federal income tax or withholding tax on dividends received from us with respect to our common shares, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. In general, if the Non-U.S. Holder is entitled to the benefits of certain U.S. income tax treaties with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

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

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. In general, if the Non-U.S. Holder is entitled to the benefits of certain income tax treaties with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, the income from the common shares, including dividends and the gain from the sale, exchange or other disposition of the stock, that is effectively connected with the conduct of that trade or business will generally be subject to regular U.S. federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, a corporate Non-U.S. Holder's earnings and profits that are attributable to the effectively connected income, subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable U.S. income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to you will be subject to information reporting requirements. Such payments will also be subject to backup withholding tax if you are a non-corporate U.S. Holder and you:

- fail to provide an accurate taxpayer identification number;

- are notified by the IRS that you have failed to report all interest or dividends required to be shown on your U.S. federal income tax returns; or

- in certain circumstances, fail to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on an applicable IRS Form W-8.

If you sell your common shares through a U.S. office of a broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless you certify that you are a non-U.S. person, under penalties of perjury, or you otherwise establish an exemption. If you sell your common shares through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the United States then information reporting and backup withholding generally will not apply to that payment. However, U.S. information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell your common shares through a non-U.S. office of a broker that is a U.S. person or has certain other contacts with the United States, unless you certify that you are a non-U.S. person, under penalty of perjury, or you otherwise establish an exemption.

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

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

F. Dividends and paying agents

Not Applicable.

G. Statement by experts

Not Applicable.

H. Documents on display

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, are available on the SEC's website at http://www.sec.gov as well as on our at website http://www.pshipping.com/. The information contained on, or that can be accessed through, these websites is not incorporated by reference herein and does not form part of this annual report.

I. Subsidiary information

Not Applicable.

I. Annual Report to Security Holders

We are currently not required to provide an annual report to security holders in response to the requirements of Form 6-K.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Interest Rates

We are exposed to market risks associated with changes in interest rates relating to our loan facilities, according to which we pay interest SOFR plus a margin; and as such, increases in interest rates could affect our results of operations. An average increase of 1% in 2023 interest rates would have resulted in interest expenses of $1.3 million. As of December 31, 2023, we had $55.2 million of debt outstanding. In the future, we expect to manage any exposure in interest rates through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Global financial markets and economic conditions have been, and continue to be, volatile. Specifically, due to the COVID-19 outbreak and the recent war in Ukraine and resulting sanctions which have disrupted supply chains and caused instability in the energy markets and the global economy, credit markets and the debt and equity capital markets have been distressed, and the uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide, particularly for the shipping industry. These issues, along with significant write-offs in the financial services sector, the repricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it difficult to obtain additional financing.

As of December 31, 2023, 2022, and 2021 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments.

Currency and Exchange Rates

We generate all of our revenues in U.S. dollars, but currently incur approximately half of our general and administrative expenses (around 46% in 2023 and 46% in 2022) and have historically incurred a significant portion of our operating expenses (around 15% in 2023 and 11% in 2022) in currencies other than the U.S. dollar, primarily the Euro. For accounting purposes, expenses incurred in Euros are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. The amount and frequency of some of these expenses, such as vessel repairs, supplies and stores, may fluctuate from period to period. Since approximately 2002, the U.S. dollar has depreciated against the Euro, but it has recovered during 2023. Depreciation in the value of the dollar relative to other currencies increases the dollar cost to us of paying such expenses. The portion of our expenses incurred in other currencies could increase in the future, which could expand our exposure to losses arising from currency fluctuations.

While we have not mitigated the risk associated with exchange rate fluctuations through the use of financial derivatives, we may determine to employ such instruments from time to time in the future in order to minimize this risk. Our use of financial derivatives would involve certain risks, including the risk that losses on a hedged position could exceed the nominal amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results. Because during 2023 and 2022, our Euro expenses represented 6% and 6%, respectively of our revenues, we do not consider the risk from exchange rate fluctuations to be material for our results of operations and therefore, we are not engaged in derivative instruments to hedge part of those expenses.

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Pursuant to the Stockholders' Rights Agreement dated December 20, 2021, each common share includes one preferred stock purchase right that entitles the holder to purchase from us one-thousandth of a share of our Series A Participating Preferred Stock if any third party acquires beneficial ownership of 10% or more of our common shares without the approval of our board of directors. See "Item 10. Additional Information - B. Memorandum and Articles of Association - Stockholders' Rights Agreement."

The superior voting rights of our Series C Preferred Shares limit the ability of our common shareholders to control or influence corporate matters. See "Description of Securities," attached hereto as Exhibit 2.5 and incorporated by reference herein, and the risk factor under "Item 3. Key Information—D. Risk Factors" entitled "Aliki Paliou, the Chairperson of the Board, controls a majority of voting power over matters on which our shareholders are entitled to vote, and accordingly, may exert considerable influence over us and may have interests that are different from the interests of our other shareholders."

Item 15. Controls and Procedures

a) Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

b) Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. GAAP.

Management has conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this assessment, management has determined that our internal control over financial reporting as of December 31, 2023, is effective.

c) Attestation Report of Independent Registered Public Accounting Firm

This annual report does not contain an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm since under the SEC adopting release implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, companies that are non-accelerated filers are exempt from including auditor attestation reports in their Form 20-Fs.

d) Changes in Internal Control over Financial Reporting

None.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

Alex Papageorgiou serves as the Chairman of our Audit Committee. Our board of directors has determined that Alex Papageorgiou qualifies as an "audit committee financial expert" and is "independent" according to SEC rules.

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to officers, directors, employees and agents. Our code of ethics is posted on our website, http://www.pshipping.com, under "How We Care-Code of Business Conduct and Ethics." Information on or accessed through our website does not constitute a part of this annual report and is not incorporated by reference herein. Copies of our Code of Ethics are available in print, free of charge, upon request to Performance Shipping Inc., 373 Syngrou Avenue, 175 64 Palaio Faliro, Athens, Greece. We intend to satisfy any disclosure requirements regarding any amendment to, or waiver from, a provision of this Code of Ethics by posting such information on our website.

Item 16C. Principal Accountant Fees and Services

a) Audit Fees

Our principal accountants, Ernst and Young (Hellas) Certified Auditors Accountants S.A., have billed us for audit services.

In 2023 and 2022, audit fees amounted to €183,750 or about $200,000 and €114,900 or about $128,000, respectively, at the then-prevailing exchange rates, and related to audit services provided in connection with the audit and AS 4105 interim reviews of our consolidated financial statements.

b) Audit-Related Fees

In 2023 and 2022, our principal accountants, Ernst and Young (Hellas), Certified Auditors Accountants S.A., also billed us for audit-related services provided for the Company's registration statements, which amounted to €43,050 or about $46,313, and €118,125 or about $127,000, respectively, at the then-prevailing exchange rates.

c) Tax Fees

In 2023 and 2022, Ernst and Young LLP, have also billed us for tax services provided for the Company's earnings and profits calculations, which amounted to $9,000 in each of the respective years.

d) All Other Fees

None.

e) Audit Committee's Pre-Approval Policies and Procedures

Our Audit Committee is responsible for the appointment, replacement, compensation, evaluation and oversight of the work of our independent auditors. As part of this responsibility, the Audit Committee pre-approves all audit and non-audit services performed by the independent auditors in order to assure that they do not impair the auditor's independence from the Company. The Audit Committee has adopted a policy which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditors may be pre-approved.

f) Audit Work Performed by Other Than Principal Accountant if Greater Than 50%

Not applicable.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Month	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Units)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 2023(1)	772,371 common shares	$ 0.90	772,371 common shares	$ 1.3 million
May 2023(1)	458,069 common shares	$ 0.78	458,069 common shares	$ 0.9 million
June 2023(1)	463,543 common shares	$ 0.76	463,543 common shares	$ 0.6 million
July 2023(1)	112,933 common shares	$ 0.81	112,933 common shares	$ 0.5 million
August 2023(1)	416,020 common shares	$ 1.21	416,020 common shares	$ 0.0 million
August 2023(2)	33,333 common shares	$ 1.50	33,333 common shares	$ 1.9 million
November 2023(2)	113,026 common shares	$ 2.29	113,026 common shares	$ 1.6 million
December 2023(2)	180,741 common shares	$ 2.29	180,741 common shares	$ 1.3 million

(1) In April 2023, our board of directors authorized a share repurchase plan (the "April 2023 Repurchase Plan") to purchase up to an aggregate of $2.0 million of our common shares. Under the April 2023 Repurchase Plan, we repurchased a total of 2,222,936 common shares for a total amount of approximately $2.0 million, successfully completing the April 2023 Repurchase Plan in the third quarter of 2023.

(2) In August 2023, our board of directors authorized a new share repurchase plan (the "August 2023 Repurchase Plan") to repurchase up to $2.0 million of our outstanding common shares. As of March 26, 2024, 327,100 common shares have been repurchased for a total amount of approximately $0.7 million under the August 2023 Repurchase Plan, and $1.3 million remain available under the August 2023 Repurchase Plan.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

We have certified to Nasdaq that our corporate governance practices are in compliance with, and are not prohibited by, the laws of the Republic of the Marshall Islands. Therefore, we are exempt from many of Nasdaq's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification to Nasdaq of non-compliance with Nasdaq corporate governance practices, prohibition on disparate reduction or restriction of shareholder voting rights, and the establishment of an audit committee satisfying Nasdaq Listing Rule 5605(c)(3) and ensuring that such audit committee's members meet the independence requirement of Listing Rule 5605(c)(2)(A)(ii). The practices we follow in lieu of Nasdaq's corporate governance rules applicable to U.S. domestic issuers are as follows:

- As a foreign private issuer, we are not required to have an audit committee comprised of at least three members. Our audit committee is comprised of two members;
- As a foreign private issuer, we are not required to adopt a formal written charter or board resolution addressing the nominations process. We do not have a nominations committee, nor have we adopted a board resolution addressing the nominations process;
- As a foreign private issuer, we are not required to hold regularly scheduled board meetings at which only independent directors are present;
- In lieu of obtaining shareholder approval prior to the issuance of designated securities, we will comply with provisions of the Marshall Islands Business Corporations Act, which allows the board of directors to approve share issuances;
- As a foreign private issuer, we are not required to solicit proxies or provide proxy statements to Nasdaq pursuant to Nasdaq corporate governance rules or Marshall Islands law. Consistent with Marshall Islands law and as provided in our bylaws, we will notify our shareholders of meetings between 15 and 60 days before the meeting. This notification will contain, among other things, information regarding business to be transacted at the meeting. In addition, our bylaws provide that shareholders must give us between 150 and 180 days advance notice to properly introduce any business at a meeting of shareholders.

Other than as noted above, we are in compliance with all other Nasdaq corporate governance standards applicable to U.S. domestic issuers.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Item 16J. Insider Trading Policies

We have adopted an insider trading policy governing the purchase, sale, and other dispositions of our securities by directors, senior management, and employees. Our insider trading policy is reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to us. A copy of our Insider Trading Policy has been filed as Exhibit 11.1 to this annual report.

Item 16K. Cybersecurity

We believe that cybersecurity is fundamental in our operations and, as such, we are committed to maintaining robust governance and oversight of cybersecurity risks and to implementing comprehensive processes and procedures for identifying, assessing, and managing material risks from cybersecurity threats as part of our broader risk management system and processes. Our cybersecurity risk management strategy prioritizes detection, analysis and response to known, anticipated or unexpected threats; effective management of security risks; and resiliency against incidents. With the ever-changing cybersecurity landscape and continual emergence of new cybersecurity threats, our senior management team ensures that significant resources are devoted to cybersecurity risk management and the technologies, processes and people that support it. We implement risk-based controls to protect our information, our information systems, our business operations, and our vessels.

Third parties also play a role in our cybersecurity. We engage third-party services to conduct evaluations of our security controls, whether through independent audits or consulting on best practices to address new challenges. These evaluations include testing both the design and operational effectiveness of security controls. Our internal auditors audit our information systems, whose findings are reported to our audit committee. Further, any findings relating to the information systems that may result from the audit of the financial statements is also reported to the audit committee.

As part of our cybersecurity risk management system, our incident management teams track and log privacy and security incidents across our Company, including our vessels, to remediate and resolve any such incidents. All incidents are reviewed regularly to determine whether further escalation is appropriate. Any incident assessed as potentially being or potentially becoming material is immediately escalated for further assessment, and then reported to our senior management who then consult with our audit committee. We consult with outside counsel as appropriate, including on materiality analysis and disclosure matters, and our senior management makes the final materiality determinations and disclosure and other compliance decisions. Our senior management apprises our independent public accounting firm of matters and any relevant developments.

Our audit committee has oversight responsibility for risks and incidents relating to cybersecurity threats, including compliance with disclosure requirements, cooperation with law enforcement, and related effects on financial and other risks, and it reports any findings and recommendations, as appropriate, to our board of directors for consideration. Senior management regularly discusses cyber risks and trends and, should they arise, any material incidents with our audit committee.

Overall, our approach to cybersecurity risk management includes the following key elements:

1. Continuous monitoring of cybersecurity threats, both internal and external, through the use of data analytics and network monitoring systems.

2. Engagement of third-party consultants and other advisors to assist in assessing points of vulnerability of our information security systems.

3. Training and Awareness – we have various information technology policies relating to cybersecurity. We also provide employee mandatory training that is administered on a periodic basis that reinforces our information technology policies, standards and practices, as well as the expectation that employees comply with these policies and identify and report potential cybersecurity risks. We also require employees to sign confidentiality agreements, where appropriate to their role.

We continue to invest in our cybersecurity systems and to enhance our internal controls and processes. Our business strategy, results of operations and financial condition have not been materially affected by risks from cybersecurity threats, but we cannot provide assurance that they will not be materially affected in the future by such risks or any future material incidents. While we have dedicated significant resources to identifying, assessing, and managing material risks from cybersecurity threats, our efforts may not be adequate, may fail to accurately assess the severity of an incident, may not be sufficient to prevent or limit harm, or may fail to sufficiently remediate an incident in a timely fashion, any of which could harm our business, reputation, results of operations and financial condition. For more information certain risks associated with cybersecurity, see the risk factor under “Item 3. Key Information—D. Risk Factors” entitled “A cyber-attack could materially disrupt our business.”

PART III

Item 17. Financial Statements

See "Item 18. Financial Statements."

Item 18. Financial Statements

The financial statements required by this "Item 18. Financial Statements" are filed as a part of this annual report beginning on page F-1.

Item 19. Exhibits

(a) Exhibits

Exhibit Number	Description
1.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-4 (File No. 333-169974), filed with the SEC on October 15, 2010).
1.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated June 8, 2016 (incorporated by reference to Exhibit 3.3 to the Company's report on Form 6-K, filed with the SEC on June 9, 2016).
1.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated July 3, 2017 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 6-K, filed with the SEC on July 6, 2017).
1.4	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated July 26, 2017 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 6-K, filed with the SEC on July 28, 2017).
1.5	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated August 23, 2017 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 6-K, filed with the SEC on August 28, 2017).
1.6	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated September 22, 2017 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 6-K, filed with the SEC on September 26, 2017).
1.7	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated November 1, 2017 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 6-K, filed with the SEC on November 3, 2017).
1.8	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated February 25, 2019 (incorporated by reference to Exhibit 1.8 to the Company's Annual Report on Form 20-F, filed with the SEC on March 18, 2019).
1.9	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated October 30, 2020 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 6K, filed with the SEC on November 2, 2020).
1.10	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, dated November 15, 2022*
1.11	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form F-4 (File No. 333-169974), filed with the SEC on October 15, 2010).
2.1	Form of Common Share Certificate (incorporated by reference to Exhibit 4.1 to the Company's report on Form 6-K, filed with the SEC on November 2, 2020).
2.2	Statement of Designations of Rights, Preferences and Privileges of Series A Participating Preferred Stock of Performance Shipping Inc., dated August 2, 2010 (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form F-4 (File No. 333-169974), filed with the SEC on October 15, 2010).
2.3	Amended and Restated Certificate of Designation, Preferences and Rights of the Series B Convertible Cumulative Perpetual Preferred Stock of Performance Shipping Inc., dated January 12, 2022 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 6-K, filed with the SEC on February 4, 2022).
2.4	Certificate of Designation of Series C Convertible Cumulative Redeemable Perpetual Preferred Shares dated October 17, 2022 (incorporated by reference to Exhibit 99.2 to the Company's report on Form 6-K, filed with the SEC on October 21, 2022).
2.5	Description of Securities*
4.1	Registration Rights Agreement dated April 6, 2010 (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form F-4 (File No. 333-169974), filed with the SEC on October 15, 2010).
4.2	Stockholders' Rights Agreement dated December 20, 2021 (incorporated by reference to Exhibit 4.1 to the Company's report on Form 6-K, filed with the SEC on December 21, 2021).

4.3	Amended and Restated 2015 Equity Incentive Plan (incorporated by reference to Exhibit 1 to the Company's report on Form 6-K, filed with the SEC on December 31, 2020).
4.4	Administrative Services Agreement with UOT (incorporated by reference to Exhibit 4.8 to the Company's Annual Report on Form 20-F, filed with the SEC on March 26, 2014).
4.5	Form of Vessel Management Agreement with UOT (incorporated by reference to Exhibit 4.11 to the Company's Annual Report on Form 20-F, filed with the SEC on March 26, 2014).
4.6	Secured Loan Agreement dated 4 August 2023 among Taburao Shipping Company Inc. and Tarawa Shipping Company Inc. as borrowers, Performance Shipping Inc. as guarantor, the financial institutions listed in schedule 1 thereto as lenders, Nordea Bank Abp as hedge counterparties and Nordea Bank Abp, filial I Norge as bookrunner, agent, and security agent.*
4.7	First Supplemental Agreement to Secured Loan Facility Agreement dated July 24, 2019 (incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form F-1/A (File No. 333-255100), filed with the SEC on April 20, 2021).
4.8	Shipbuilding Contract dated March 7, 2023 among Nakaza Shipping Company Inc, China Shipbuilding Trading Company Limited and Shanghai Waigaoqiao Shipbuilding Company Limited (incorporated by reference to Exhibit 4.9 to the Company's Annual Report on Form 20-F, filed with the SEC on April 28, 2023).
4.9	Shipbuilding Contract for the construction of Hull No. H1596 dated December 18, 2023 among Sri Lanka Shipping Company Inc., China Shipbuilding Trading Company Limited and Shanghai Waigaoqiao Shipbuilding Company Limited.*
4.10	Shipbuilding Contract for the construction of Hull No. H1597 dated December 18, 2023 among Guadeloupe Shipping Company Inc., China Shipbuilding Trading Company Limited and Shanghai Waigaoqiao Shipbuilding Company Limited.*
4.11	Credit Facility dated March 2, 2022 between Mango Shipping Corp. and the Company (incorporated by reference to Exhibit 4.10 to the Company's Annual Report on Form 20-F, filed with the SEC on March 11, 2022).
4.12	Warrant Agency Agreement dated as of June 1, 2022 among the Company, Computershare Inc., and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to the Company's report on Form 6-K, filed with the SEC on June 2, 2022).
4.13	Form of Class A Common Share Purchase Warrant (incorporated by reference to Exhibit 4.2 to the Company's report on Form 6-K, filed with the SEC on June 2, 2022).
4.14	Form of Securities Purchase Agreement between the Company and the purchasers thereto (incorporated by reference to Exhibit 4.2 to the Company's report on Form 6-K, filed with the SEC on July 20, 2022).
4.15	Form of Common Share Purchase Warrant (incorporated by reference to Exhibit 4.3 to the Company's report on Form 6-K, filed with the SEC on July 20, 2022).
4.16	Form of Securities Purchase Agreement between the Company and the purchasers thereto (incorporated by reference to Exhibit 4.2 to the Company's report on Form 6-K, filed with the SEC on August 17, 2022).
4.17	Form of Common Share Purchase Warrant (incorporated by reference to Exhibit 4.3 to the Company's report on Form 6-K, filed with the SEC on August 17, 2022).
4.18	Stock Purchase Agreement dated October 17, 2022 between Mango Shipping Corp. and the Company (incorporated by reference to Exhibit 99.3 to the Company's report on Form 6-K, filed with the SEC on October 21, 2022).
4.19	Loan Agreement dated November 1, 2022 between Alpha Bank S.A. as lender and Garu Shipping Company Inc., as borrower (incorporated by reference to Exhibit 4.19 to the Company's Annual Report on Form 20-F, filed with the SEC on April 28, 2023).

4.20	Loan Agreement dated December 7, 2022 between Alpha Bank S.A., as lender and Arbar Shipping Company Inc., as borrower (incorporated by reference to Exhibit 4.21 to the Company's Annual Report on Form 20-F, filed with the SEC on April 28, 2023).
4.21	Form of Securities Purchase Agreement dated as of February 28, 2023 between the Company and the purchasers thereto (incorporated by reference to Exhibit 4.2 to the Company's report on Form 6-K, filed with the SEC on March 3, 2023).
4.22	Form of Series A Common Share Purchase Warrant (incorporated by reference to Exhibit 4.3 to the Company's report on Form 6-K, filed with the SEC on March 3, 2023).
4.23	Form of Series B Common Share Purchase Warrant (incorporated by reference to Exhibit 4.4 to the Company's report on Form 6-K, filed with the SEC on March 3, 2023).
8.1	List of Subsidiaries*
11.1	Insider Trading Policy*
12.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer*
12.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer*
13.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
13.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
15.1	Consent of independent registered public accounting firm*
15.2	Consent of Watson Farley & Williams LLP*
97.1	Policy for the Recovery of Erroneously Awarded Compensation*
101	The following financial information from Performance Shipping Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2023, formatted as Inline eXtensible Business Reporting Language (iXBRL): (1) Consolidated Balance Sheets as of December 31, 2023 and 2022; (2) Consolidated Statements of Operations for the years ended December 31, 2023, 2022, and 2021; (3) Consolidated Statements of Comprehensive Income / (Loss) for the years ended December 31, 2023, 2022, and 2021; (4) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2023, 2022, and 2021; (5) Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022, and 2021; and (6) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline eXtensible Business Reporting Language (iXBRL) and contained in Exhibit 101)

* Filed herewith.

SIGNATURES

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

PERFORMANCE SHIPPING INC.

By: /s/ Andreas Michalopoulos
Andreas Michalopoulos
Chief Executive Officer, Director and Secretary

Dated: March 28, 2024

PERFORMANCE SHIPPING INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Performance Shipping Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Performance Shipping Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income/(loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

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 regarding 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.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Fair value measurement of Series C Preferred Stock using significant unobservable inputs

Description of the matter

As discussed in Notes 2(t), 2(ae), 9(b) and 13 to the consolidated financial statements, during 2023, the Company measured the effect of the down round feature of the Series C preferred stock, categorized as Level 3 of the fair value hierarchy, to be $9.8 million for the year ended December 31, 2023. Management determines the fair value of these Series C Preferred Stock, by applying the methodologies described in Notes 2(t), and 9(b) to the consolidated financial statements and using significant unobservable inputs. Determining the fair value of the Series C Preferred Stock requires management to make significant judgments about the valuation methodologies, including the significant unobservable inputs used in the measurements.

Auditing the fair value measurement of the Company's Series C Preferred Stock was complex given the judgement and estimation uncertainty involved. In particular, to value its Series C Preferred Stock, the Company estimated significant unobservable inputs such as expected volatility and expected life of the convertibility option of the Series C Preferred Stock to common shares, which are significant to the valuation of the Series C Preferred Stock and considered highly interdependent.

How we addressed the matter in our audit

Our audit procedures included, among others, comparing the valuation methodology used by the Company against accounting guidance in ASC 820, testing significant unobservable inputs and the mathematical accuracy of the Company's valuation calculations. To test the significant unobservable inputs, we compared the underlying data used in the Company's fair value measurement to the statement of designations of the Series C Preferred Stock and information available from third-party sources, such as historical volatility. In addition, we independently developed fair value estimates and compared them to the Company's estimates. We involved our valuation specialists to assist with the application of the procedures stated above. We also assessed the adequacy of the disclosures in Notes 2(t), 2(ae), 9(b) and 13.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.

We have served as the Company's auditor since 2010.

Athens, Greece
March 28, 2024

PERFORMANCE SHIPPING INC.
Consolidated Balance Sheets as at December 31, 2023 and 2022
(Expressed in thousands of U.S. Dollars, except for share and per share data)

ASSETS	December 31, 2023	December 31, 2022
CURRENT ASSETS:		
Cash and cash equivalents (Note 2 (e))	$ 67,267	$ 38,726
Accounts receivable, net of provision for credit losses (Notes 2 (g), (h) and 3)	8,280	9,110
Deferred voyage expenses (Note 2 (n))	-	20
Inventories (Note 2 (i))	2,203	3,037
Prepaid expenses and other assets	2,164	2,524
Current assets from discontinued operations (Note 2 (y))	-	46
Total current assets	79,914	53,463
FIXED ASSETS:		
Advances for vessels under construction and other vessels' costs (Note 5)	11,303	-
Vessels, net (Notes 2 (j), (k), (l) and 6)	202,108	236,607
Property and equipment, net	44	72
Total fixed assets	213,455	236,679
NON-CURRENT ASSETS:		
Restricted cash, non-current (Notes 2 (f) and 7)	1,000	1,000
Right of use asset under operating leases (Note 8)	99	163
Deferred charges, net (Note 2 (p))	1,798	1,098
Other non-current assets (Notes 2 (j) and 6)	-	522
Prepaid charter revenue	-	54
Total non-current assets	2,897	2,837
Total assets	$ 296,266	$ 292,979
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term bank debt, net of unamortized deferred fin. costs (Note 7)	$ 7,427	$ 16,746
Accounts payable, trade and other	4,630	4,580
Due to related parties (Note 4)	245	335
Accrued liabilities	2,976	2,889
Deferred revenue (Note 3)	-	1,378
Lease liabilities, current (Note 8)	66	73
Current liabilities from discontinued operations (Note 2 (y))	-	98
Total current liabilities	15,344	26,099
LONG-TERM LIABILITIES:		
Long-term bank debt, net of unamortized deferred financing costs (Note 7)	47,459	110,929
Other liabilities, non-current	214	156
Long-term lease liabilities (Note 8)	33	90
Commitments and contingencies (Note 8)	-	-
Fair value of warrants' liability (Note 9)	32	-
Total long-term liabilities	47,738	111,175
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 25,000,000 shares authorized, 50,726 and 136,261 Series B, and 1,428,372 and 1,314,792 Series C issued and outstanding as at December 31, 2023 and 2022, respectively (Note 9)	15	15
Common stock, $0.01 par value; 500,000,000 shares authorized; 12,279,676 and 4,187,588 issued and outstanding as at December 31, 2023 and 2022, respectively (Note 9)	123	42
Additional paid-in capital (Note 9)	534,112	513,623
Other comprehensive income	49	66
Accumulated deficit	(301,115)	(358,041)
Total stockholders' equity	233,184	155,705
Total liabilities and stockholders' equity	$ 296,266	$ 292,979

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

PERFORMANCE SHIPPING INC.
Consolidated Statements of Operations
For the years ended December 31, 2023, 2022 and 2021
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	2023	2022	2021
REVENUE:			
Revenue (Notes 2 (n) and 3)	$ 108,938	$ 75,173	$ 36,491
EXPENSES:			
Voyage expenses (Note 2 (n))	4,358	14,861	19,205
Vessel operating expenses (Notes 2 (r) and 12)	21,866	13,828	12,301
Depreciation and amortization of deferred charges (Notes 2 (k), (p) and 6)	14,793	9,281	7,472
General and administrative expenses (Notes 4, 8 and 9)	8,042	6,751	5,782
Gain on vessels' sale (Note 6)	(15,683)	(9,543)	-
(Reversal) / Provision for credit losses and write offs (Notes 2 (h) and 3)	(37)	33	160
Foreign currency (gains) / losses (Note 2 (d))	64	(20)	31
Operating income / (loss)	$ 75,535	$ 39,982	$ (8,460)
OTHER INCOME / (EXPENSES)			
Interest and finance costs (Notes 4, 7, 9 and 10)	(9,598)	(3,966)	(1,801)
Loss from debt extinguishment (Notes 2 (q) and 7)	(387)	-	-
Interest income	3,302	284	18
Gain from property sale (Note 4)	-	-	137
Changes in fair value of warrants' liability (Note 9)	561	-	-
Total other expenses, net	$ (6,122)	$ (3,682)	$ (1,646)
Net income / (loss) from continuing operations	$ 69,413	$ 36,300	$ (10,106)
Income allocated to participating securities (Note 11)	(2)	(6)	-
Deemed dividend on Series B preferred stock upon exchange of common stock (Notes 9 and 11)	-	(9,271)	-
Deemed dividend on Series C preferred stock upon exchange of Series B preferred stock and re-acquisition of loan due to a related party (Notes 9 and 11)	-	(6,944)	-
Deemed dividend to the Series C preferred stockholders due to triggering of a down-round feature (Notes 9 and 11)	(9,809)	(5,930)	-
Deemed dividend to the July and August 2022 warrants' holders due to triggering of a down-round feature (Notes 9 and 11)	(789)	(1,116)	-
Dividends on preferred stock (Note 11)	(1,889)	(1,030)	-
Net income / (loss) attributable to common stockholders from continuing operations	$ 56,924	$ 12,003	$ (10,106)
Net income attributable to common stockholders from discontinued operations	$ -	$ -	$ 400
Total net income / (loss) attributable to common stockholders	$ 56,924	$ 12,003	$ (9,706)
Earnings / (Loss) per common share, basic, continuing operations (Note 11)	$ 5.43	$ 6.49	$ (30.16)
Earnings / (Loss) per common share, diluted, continuing operations (Note 11)	$ 1.91	$ 3.02	$ (30.16)
Earnings per common share, basic, discontinued operations (Note 11)	$ -	$ -	$ 1.19
Earnings per common share, diluted, discontinued operations (Note 11)	$ -	$ -	$ 1.19
Earnings / (Loss) per common share, basic, total (Note 11)	$ 5.43	$ 6.49	$ (28.97)
Earnings / (Loss) per common share, diluted, total (Note 11)	$ 1.91	$ 3.02	$ (28.97)
Weighted average number of common shares, basic (Note 11)	10,491,316	1,850,072	335,086
Weighted average number of common shares, diluted (Note 11)	35,539,671	6,447,710	335,086

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

PERFORMANCE SHIPPING INC.
Consolidated Statements of Comprehensive Income / (Loss)
For the years ended December 31, 2023, 2022 and 2021
(Expressed in thousands of U.S. Dollars)

	2023	2022	2021
Net income / (loss) from continuing and discontinued operations	$ 69,413	$ 36,300	$ (9,706)
Other comprehensive income / (loss) (Actuarial gain / (loss))	(17)	68	(10)
Comprehensive income / (loss) from continuing and discontinued operations	$ 69,396	$ 36,368	$ (9,716)

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

PERFORMANCE SHIPPING INC.
Consolidated Statements of Stockholders' Equity
For the years ended December 31, 2023, 2022 and 2021
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	Common Stock		Preferred Stock			Additional	Other		
	# of Shares	Par Value	# of B Shares	# of C Shares	Par Value	Paid-in Capital	Comprehensive Income / (Loss)	Accumulated Deficit	Total
Balance, December 31, 2020	337,500	$ 3	-	-	$ -	$ 457,219	$ 8	$ (360,433)	$ 96,797
- Net loss	-	-	-	-	-	-	-	(9,706)	(9,706)
- Compensation cost on restricted stock and stock option awards (Note 9)	-	-	-	-	-	268	-	-	268
- Actuarial loss	-	-	-	-	-	-	(10)	-	(10)
Balance, December 31, 2021	337,500	$ 3	-	-	$ -	$ 457,487	$ (2)	$ (370,139)	$ 87,349
- Net income	-	-	-	-	-	-	-	36,300	36,300
- Common shares exchanged for Series B preferred shares (Note 9)	(188,974)	(1)	793,657	-	8	9,264	-	(9,271)	-
- Compensation cost on restricted stock and stock option awards (Note 9)	-	-	-	-	-	107	-	-	107
- Issuance of common stock under ATM program, net of issuance costs	175,507	2	-	-	-	1,786	-	-	1,788
- Actuarial gain	-	-	-	-	-	-	68	-	68
- Issuance of units, net of issuance costs (Note 9)	508,000	5	-	-	-	7,121	-	-	7,126
- Issuance of common stock and July 2022 warrants, net of issuance costs (Note 9)	1,133,333	11	-	-	-	5,260	-	-	5,271
- Issuance of common stock and August 2022 warrants, net of issuance costs (Note 9)	2,222,222	22	-	-	-	13,685	-	-	13,707
- Series B preferred shares exchanged for Series C preferred shares and re-acquisition of loan due to a related party (Note 9)	-	-	(657,396)	1,314,792	7	11,867	-	(6,944)	4,930
- Deemed dividend to the July 2022 warrants holders due to triggering of a down-round feature (Note 9)	-	-	-	-	-	214	-	(214)	-
- Deemed dividend to the August 2022 warrants holders due to triggering of a down-round feature (Note 9)	-	-	-	-	-	902	-	(902)	-
- Deemed dividend to the Series C stockholders due to triggering of a down-round feature (Note 9)	-	-	-	-	-	5,930	-	(5,930)	-
- Dividends declared and paid on Series B preferred shares (at $0.875 per share) (Note 9)	-	-	-	-	-	-	-	(530)	(530)
- Dividends declared and paid on Series C preferred shares (at $0.3125 per share) (Note 11)	-	-	-	-	-	-	-	(411)	(411)
Balance, December 31, 2022	4,187,588	$ 42	136,261	1,314,792	$ 15	$ 513,623	$ 66	$ (358,041)	$ 155,705
- Net income	-	-	-	-	-	-	-	69,413	69,413
- Compensation cost on restricted stock awards (Note 9)	-	-	-	-	-	52	-	-	52
- Issuance of common stock under ATM program, net of issuance costs (Note 9)	224,817	2	-	-	-	671	-	-	673
- Issuance of common stock and Series B warrants, net of issuance costs (Note 9)	5,556,000	56	-	-	-	7,713	-	-	7,769
- Alternative cashless exercise of Series A warrants (Note 9)	3,597,100	36	-	-	-	3,379	-	-	3,415
- Series B preferred shares exchanged for Series C preferred shares (Note 9)	-	-	(85,535)	171,070	-	482	-	-	482
- Series C preferred shares converted to common shares (Note 9)	1,064,207	11	-	(57,490)	-	(11)	-	-	-
- Repurchase and retirement of common stock (Note 9)	(2,550,036)	(26)	-	-	-	(2,723)	-	-	(2,749)
- Exercise of July 2022 and August 2022 warrants (Note 9)	200,000	2	-	-	-	328	-	-	330
- Actuarial loss	-	-	-	-	-	-	(17)	-	(17)
- Deemed dividend to the July 2022 warrants' holders due to triggering of a down-round feature (Note 9)	-	-	-	-	-	256	-	(256)	-
- Deemed dividend to the August 2022 warrants' holders due to triggering of a down-round feature (Note 9)	-	-	-	-	-	533	-	(533)	-
- Deemed dividend to the Series C preferred stockholders due to triggering of a down-round feature (Note 9)	-	-	-	-	-	9,809	-	(9,809)	-
- Dividends declared and paid on Series B preferred shares (at $1.00 per share) (Note 9)	-	-	-	-	-	-	-	(55)	(55)
- Dividends declared and paid on Series C preferred shares (at $1.25 per share) (Note 9)	-	-	-	-	-	-	-	(1,834)	(1,834)
Balance, December 31, 2023	12,279,676	$ 123	50,726	1,428,372	$ 15	$ 534,112	$ 49	$ (301,115)	$ 233,184

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

PERFORMANCE SHIPPING INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2023, 2022 and 2021
(Expressed in thousands of U.S. Dollars)

	2023	2022	2021
Cash Flows provided by / (used in) Operating Activities:			
Net income / (loss)	$ 69,413	$ 36,300	$ (9,706)
Adjustments to reconcile net income / (loss) to net cash provided by operating activities:			
Depreciation and amortization of deferred charges (Note 6)	14,793	9,281	7,472
Amortization of deferred financing costs	244	402	143
Financing costs	340	-	-
Changes in fair value of warrants' liability	(561)	-	-
Amortization of prepaid charter revenue	54	(54)	-
Gain on vessel's sale (Note 6)	(15,683)	(9,543)	-
Gain from property sale	-	-	(137)
Compensation cost on restricted stock and stock option awards (Note 9)	52	107	268
Loss from debt extinguishment	387	-	-
Actuarial gain / (loss)	(17)	68	(10)
(Increase) / Decrease in:			
Accounts receivable	830	(5,318)	(196)
Deferred voyage expenses	20	38	17
Inventories	834	1,249	(2,305)
Prepaid expenses and other assets	406	(854)	(319)
Right of use asset under operating leases	64	(79)	100
Other non-current assets	72	189	(261)
Increase / (Decrease) in:			
Accounts payable, trade and other	16	(293)	3,233
Due to related parties	(90)	208	59
Accrued liabilities	87	1,592	84
Deferred revenue	(1,378)	1,378	-
Other liabilities, non-current	58	(106)	11
Lease liabilities under operating leases	(64)	79	(100)
Drydock costs	(1,922)	(797)	(1,476)
Net Cash provided by / (used in) Operating Activities	$ 67,955	$ 33,847	$ (3,123)
Cash Flows provided by / (used in) Investing Activities:			
Advances for vessels under construction and other vessel costs (Note 5)	(11,303)	-	-
Vessel acquisitions and other vessels' costs (Note 6)	(64)	(143,440)	-
Proceeds from sale of vessels, net of expenses (Note 6)	37,636	32,626	-
Proceeds from sale of property, net of expenses	-	-	1,015
Payments for vessels' improvements (Note 6)	(510)	(2,109)	(1,777)
Property and equipment additions	(38)	(27)	(8)
Net Cash provided by / (used in) Investing Activities	$ 25,721	$ (112,950)	$ (770)
Cash Flows (used in) / provided by Financing Activities:			
Proceeds from related party loans	-	5,000	-
Proceeds from long-term bank debt (Note 7)	2,141	108,633	-
Repayments of related party loans	-	(70)	-
Repayments / Prepayments of long-term bank debt (Note 7)	(75,421)	(30,327)	(7,911)
Issuance of units, common stock and warrants, net of issuance costs (Note 9)	11,438	26,104	-
Proceeds from exercise of Series A warrants (Note 9)	330	-	-
Issuance of preferred stock, net of expenses (Note 9)	482	-	-
Common shares re-purchase and retirement, including expenses (Note 9)	(2,749)	-	-
Issuance of common stock under ATM program, net of issuance costs (Note 9)	673	1,788	-
Payments of financing costs (Note 7)	(140)	(932)	-
Cash dividends (Note 11)	(1,889)	(941)	-
Net Cash (used in) / provided by Financing Activities	$ (65,135)	$ 109,255	$ (7,911)
Net increase / (decrease) in cash, cash equivalents and restricted cash	$ 28,541	$ 30,152	$ (11,804)
Cash, cash equivalents and restricted cash at beginning of the year	$ 39,726	$ 9,574	$ 21,378
Cash, cash equivalents and restricted cash at end of the year	$ 68,267	$ 39,726	$ 9,574
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Cash and cash equivalents at the end of the year	$ 67,267	$ 38,726	$ 9,574
Restricted cash at the end of the year	1,000	1,000	-
Cash, cash equivalents and restricted cash at the end of the year	$ 68,267	$ 39,726	$ 9,574
SUPPLEMENTAL CASH FLOW INFORMATION			
Alternative cashless exercise of Series A warrants (Note 9)	$ 3,415	$ -	$ -
Non-cash extinguishment of a related party debt through the issuance of Series C preferred shares (Note 9)	$ -	$ 4,930	$ -
Non-cash investing activities	$ -	$ 64	$ 999
Interest payments, net of capitalized amounts	$ 9,135	$ 3,123	$ 1,608

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

PERFORMANCE SHIPPING INC.
Notes to Consolidated Financial Statements
December 31, 2023
(Expressed in thousands of US Dollars – except for share and per share and warrants data, unless otherwise stated)

1. General Information

Company's identity

The accompanying consolidated financial statements include the accounts of Performance Shipping Inc. (or "Performance") and its wholly-owned subsidiaries (collectively, the "Company"). Performance was incorporated as Diana Containerships Inc. on January 7, 2010, under the laws of the Republic of the Marshall Islands for the purpose of engaging in any lawful act or activity under the Marshall Islands Business Corporations Act. On February 19, 2019, the Company's Annual Meeting of Shareholders approved an amendment to the Company's Amended and Restated Articles of Incorporation to change the name of the Company from "Diana Containerships Inc." to "Performance Shipping Inc.", which was effected on February 25, 2019. The Company's common shares trade on the Nasdaq Capital Market under the ticker symbol "PSHG".

The Company is a global provider of shipping transportation services through the ownership of tanker vessels, while it owned container vessels since its incorporation through August 2020. The Company operates its fleet through Unitized Ocean Transport Limited (the "Manager" or "UOT"), a wholly-owned subsidiary. The fees payable to UOT are eliminated in consolidation as intercompany transactions.

Financial Statements' presentation

Following the sale of all Company's container vessels in 2020, the Company's results of operations of the container vessels in 2021, as well as their assets and liabilities as of December 31, 2022, are reported as discontinued operations in the accompanying consolidated financial statements. For the statement of cash flows of 2021, the Company elected the alternative of combining cash flows from discontinued operations with cash flows from continuing operations within each cash flow statement category, and as such, no separate disclosure of cash flows from discontinued operations is presented in the statement of cash flows.

Furthermore, effective November 15, 2022, the Company effected a one-for-fifteen reverse stock split on its common stock. All share and per share amounts disclosed in the accompanying consolidated financial statements give effect to these reverse stock splits retroactively, for all periods presented.

Other matters

Global public health threats, such as the outbreak of the novel coronavirus ("COVID-19") and its variants, have the potential to, among other things, disrupt global financial markets and economic conditions reducing the global demand for oil and oil products, which the Company's vessels transport and adversely impact our operations, the timing of completion of any future newbuilding projects, and the operations of our charterers and other customers. During the years ended December 31, 2022 and 2021, the Company incurred increased costs as a result of the restrictions imposed in various jurisdictions creating delays and additional complexities with respect to port calls and crew rotations. As of December 31, 2023, and during 2023, the Company's financial results have not been adversely affected from the impact of COVID. Given the dynamic nature of these circumstances, the full extent to which the COVID-19 global pandemic may have direct or indirect impact on the Company's business and the related financial reporting implications cannot be reasonably estimated at this time, although it could materially affect the Company's business, results of operations and financial condition in the future.

Various macroeconomic factors, including rising inflation, higher interest rates, global supply chain constraints, and the effects of overall economic conditions and uncertainties could adversely affect our results of operations, financial condition, and ability to pay dividends. In addition, the Company's revenues are impacted by fluctuations in spot charter rates for Aframax tankers. During the year ended December 31, 2021, the Company's revenue came under pressure due to record OPEC+ oil production cuts and lower production from other oil producing countries, which reduced crude exports, and the unwinding of floating storage and the delivery of newbuilding vessels to the world tanker fleet. However, during the years ended December 31, 2022 and 2023, the Company's revenues improved due to strength in spot charter rates on account of higher OPEC+ production and increased ton mile due to the sanctions imposed on Russian crude oil exports as a consequence of the ongoing war between Russia and Ukraine.

The world economy continues to face a number of actual and potential challenges, including the war between Ukraine and Russia and between Israel and Hamas, tensions in and around the Red Sea and between Russia and NATO, China and Taiwan disputes, United States and China trade relations, instability between Iran and the West, hostilities between the United States and North Korea, and political unrest and conflict in the Middle East, the South China Sea region, and other geographic countries and areas. In particular, the ongoing war between Russia and the Ukraine has disrupted supply chains and caused instability in the global economy, while the United States, the United Kingdom, and the European Union, among other countries, announced unprecedented economic sanctions and other penalties against certain persons, entities, and activities connected to Russia, including sanctions targeting the Russian oil sector, among those a prohibition on the import of oil from Russia to the United States. The ongoing war could result in the imposition of further economic sanctions against Russia and, given Russia's role as a major global exporter of crude oil, the Company's business may be adversely impacted. Currently, none of the Company's contracts have been affected by the events in Russia and Ukraine. As of December 31, 2023, and during the year ended December 31, 2023, the Company's financial results were not adversely affected by the war between Russia and Ukraine. However, it is possible that in the future third parties with whom the Company has or will have contracts may be impacted by such events. While much uncertainty remains regarding the length, breadth, and global impact of the war in Ukraine, it is possible that such war could adversely affect the Company's business, financial condition, results of operation, and cash flows. Also, the Company monitors elevated inflation in the United States, Eurozone, and other countries, including ongoing global price pressures in the wake of the war in Ukraine, driving up energy and commodity prices, which continue to have a moderate effect on the Company's operating expenses. Additionally, interest rates have increased rapidly and substantially as central banks in developed countries raise interest rates in an effort to subdue inflation. The eventual implications of tighter monetary policy and potentially higher long-term interest rates may result in a higher cost of capital for the Company's business. Furthermore, it is difficult to predict the intensity and duration of the war between Israel and Hamas and the Houthi rebel attacks on shipping in the Red Sea and their impact on the world economy is uncertain and may cause a decrease in worldwide demand for certain goods and, thus, shipping.

2. Recent Accounting Pronouncements and Significant Accounting Policies

Recent Accounting Pronouncements - Not Yet Adopted

In October 2023, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") No. 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative". The amendments in this Update modify the disclosure or presentation requirements of a variety of Topics in the Codification. Certain of the amendments represent clarifications to or technical corrections of the current requirements. The effective date for each amendment of the ASU 2023-06 will be, for entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. For all other entities, the amendments will be effective two years later. The amendments in ASU 2023-06 should be applied prospectively. The Company evaluated the impact of this ASU on its consolidated financial Statements and determined that there is no impact as the disclosure improvements required by the ASU amendments are already required by the SEC's Regulation S-X and Regulation S-K.

Furthermore, in November 2023, the FASB issued Accounting Standards Update 2023-07, Segment Reporting - Improvements to Reportable Segment Disclosures (or ASU 2023-07). ASU 2023-07 introduced updates for how significant segment expense categories and amounts for each reportable segment are disclosed. A significant segment expense is defined as an expense that is: a) Significant to the segment, b) Regularly provided to or easily computed from information regularly provided to the chief operating decision maker, and c) Included in the reported measure of segment profit or loss. The additional disclosure for segmented reporting is intended to provide additional information to financial statement users as now expenses such as direct expenses, shared expenses, allocated corporate overhead, or significant interest expense need to be disaggregated and reported separately for each segment. ASU 2023-07 also requires that all segment-related disclosures required by FASB Topic 280 (Segment Reporting) be made also by entities that have a single reportable segment. ASU 2023-07 is effective for public entities for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024, and early adoption is permitted. Upon adoption, a public entity will apply the ASU as of the beginning of the earliest period presented. The Company will adopt this standard starting with its annual financial statements as at and for the year ended December 31, 2024. The adoption of ASU 2023-07 is not expected to have a significant impact on the Company's consolidated financial statements and related disclosures.

Recent Accounting Pronouncements - Adopted

Reference Rate Reform (Topic 848): In 2020, the Board issued Accounting Standards Update No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The objective of the guidance in Topic 848 is to provide temporary relief during the transition period. The Board included a sunset provision within Topic 848 based on expectations of when the London Interbank Offered Rate (LIBOR) would cease being published. At the time that Update 2020-04 was issued, the UK Financial Conduct Authority (FCA) had established its intent that it would no longer be necessary to persuade, or compel, banks to submit to LIBOR after December 31, 2021. As a result, the sunset provision was set for December 31, 2022—12 months after the expected cessation date of all currencies and tenors of LIBOR. In March 2021, the FCA announced that the intended cessation date of the overnight 1-, 3-, 6-, and 12-month tenors of USD LIBOR would be June 30, 2023, which is beyond the current sunset date of Topic 848. Because the current relief in Topic 848 may not cover a period of time during which a significant number of modifications may take place the sunset date of Topic 848 was deferred from December 31, 2022, to December 31, 2024 with the issuance of ASU 2022-06 in December 2022, after which entities will no longer be permitted to apply the relief in Topic 848. In addition, in January 2021, the FASB issued another ASU (ASU No. 2021-01) with respect to the Reference Rate Reform (Topic 848). The amendments in this Update clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. During 2023, the Company has elected one of the optional expedients provided in the standard that allows entities with contract modifications within the scope of Topic 470; for which the terms that are modified solely relate to directly replacing, or having the potential to replace, a reference rate with another interest rate index, to account for the modification that meets the scope of paragraphs 848-20-15-2 through 15-3 as if the modification was not substantial. That is, the original contract and the new contract shall be accounted for as if they were not substantially different from one another, and the modification shall not be accounted for in the same manner as a debt extinguishment. During 2023, the Company's loans' transition from LIBOR to SOFR was completed, and as such, the Company does not expect any further material impact on its consolidated financial statements from the adoption of this ASU.

Significant Accounting Policies

(a) Principles of Consolidation: The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of Performance Shipping Inc. and its wholly-owned subsidiaries. During 2023, the Company acquired three newly established subsidiaries named Nakaza Shipping Company Inc., Sri Lanka Shipping Company Inc., and Guadeloupe Shipping Company Inc., in connection with the three shipbuilding contracts signed within the year (refer to Notes 5 and 8). All significant intercompany balances and transactions have been eliminated upon consolidation. Under Accounting Standards Codification ("ASC") 810 "Consolidation", the Company consolidates entities in which it has a controlling financial interest, by first considering if an entity meets the definition of a variable interest entity ("VIE") for which the Company is deemed to be the primary beneficiary under the VIE model, or if the Company controls an entity through a majority of voting interest based on the voting interest model. The Company evaluates financial instruments, service contracts, and other arrangements to determine if any variable interests relating to an entity exist. The Company's evaluation did not result in an identification of variable interest entities as of December 31, 2023 and 2022.

(b) Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Other Comprehensive Income / (Loss): The Company follows the provisions of Accounting Standard Codification (ASC) 220, "Comprehensive Income", which requires separate presentation of certain transactions, which are recorded directly as components of stockholders' equity. The Company presents Other Comprehensive Income / (Loss) in a separate statement.

(d) Foreign Currency Translation: The functional currency of the Company is the U.S. Dollar because the Company operates its vessels in international shipping markets, and therefore, primarily transacts business in U.S. Dollars. The Company's accounting records are maintained in U.S. Dollars. Transactions involving other currencies during the years presented are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities which are denominated in other currencies are translated into U.S. Dollars at the period-end exchange rates. Resulting gains or losses are reflected separately in the accompanying consolidated statements of operations.

(e) Cash and Cash Equivalents: The Company considers highly liquid investments such as time deposits, certificates of deposit and their equivalents with an original maturity of three months or less to be cash equivalents. Interest earned on cash and cash equivalents and restricted cash is separately presented in the accompanying statement of operations in line Interest Income.

(f) Restricted Cash: Restricted cash, includes minimum cash deposits required to be maintained under the Company's borrowing arrangements.

(g) Accounts Receivable, net: The account includes receivables from pool charterers, charterers for hire, freight and demurrage, net of provision for credit losses and allowances for doubtful accounts – (refer to paragraph (h) below and to Note 3).

(h) Provision for Credit Losses: The Company, in estimating its expected credit losses, gathers annual historical losses on its freight and demurrage receivables and makes forward-looking adjustments in the estimated loss ratio, which is re-measured on an annual basis. As of December 31, 2023 and 2022, the balance of the Company's allowance for estimated credit losses on its outstanding freight and demurrage receivables were $171 and $109, respectively, and is included in Accounts receivable, net of provision for credit losses in the accompanying consolidated balance sheets. For 2023, 2022 and 2021, the Provision for credit losses and write offs in the accompanying consolidated statements of operations includes changes in the provision of estimated losses of $(85), $(12) and $42, respectively, and for 2023, 2022 and 2021 it also includes an amount of $48, $45 and $118, respectively, representing demurrages write offs. No allowance was recorded on insurance claims as of December 31, 2023 and 2022, as their balances were immaterial. In addition, no allowance was recorded for cash equivalents as the majority of cash balances as of the balance sheet date was on time deposits with highly reputable credit institutions, for which periodic evaluations of the relative credit standing of those financial institutions are performed.

(i) Inventories: Inventories consist of bunkers, lubricants and victualling. Bunkers inventory exist when the vessel operates under freight charter, or when on the balance sheet date a vessel has been redelivered by her previous charterers and has not yet been delivered to new charterers, or remains idle. When the vessel operates under pool charters, the bunkers may be in the possession of the Company, or of the pool, depending on the terms of the specific pool agreement. All inventories are stated at the lower of cost or net realizable value and cost is determined by the first in, first out method. Net realizable value is defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

(j) Vessel Cost for Second-hand Vessels and Newbuildings: Vessels are stated at cost which consists of the contract price and costs incurred upon acquisition or delivery of a vessel from a shipyard. All pre-delivery costs incurred during the construction of newbuildings, including interest, supervision and technical costs, are capitalized. Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earnings capacity or improve the efficiency or safety of the vessels; otherwise, these amounts are charged to expense as incurred. For vessels that on the balance sheet date were in the shipyard undergoing their scheduled special survey and the installation of their ballast water treatment system, improvement costs of the period under consideration are capitalized in Other non-current assets in the accompanying consolidated balance sheets.

(k) Vessel Depreciation: The Company depreciates its vessels on a straight-line basis over their estimated useful lives, after considering the estimated salvage value. Each vessel's salvage value is the product of her light-weight tonnage and estimated scrap rate, which is estimated at $0.35 per light-weight ton for the tanker vessels. Management estimates the useful life of the Company's tanker vessels to be 25 years from the date of initial delivery from the shipyard. Second-hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. When regulations place limitations on the ability of a vessel to trade on a worldwide basis, the vessel's useful life is adjusted at the date such regulations are adopted.

(l) Impairment of Long-Lived Assets: The Company follows ASC 360-10-40 "Impairment or Disposal of Long-Lived Assets", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The Company reviews vessels for impairment whenever events or changes in circumstances (such as market conditions, the economic outlook, technological, regulatory and environmental developments, obsolesce or damage to the asset, potential sales and other business plans) indicate that the carrying amount of a vessel plus her unamortized dry-dock costs and cost of any equipment not yet installed may not be recoverable. When the estimate of future undiscounted net operating cash flows, excluding interest charges, expected to be generated by the use of the vessel over her remaining useful life and her eventual disposition is less than her carrying amount plus unamortized drydock-costs and cost of any equipment not yet installed, the Company evaluates the vessel for impairment loss. The measurement of the impairment loss is based on the fair value of the vessel. The fair value of the vessel is determined based on assumptions by making use of available market data and taking into consideration third-party valuations. The Company evaluates the carrying amounts and periods over which vessels are depreciated to determine if events have occurred which would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, management reviews certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates and fleet utilization, while other assumptions include vessels' operating expenses, vessels' residual value, dry-dock costs and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. The Company also takes into account factors such as the vessels' age and employment prospects under the then current market conditions and determines the future undiscounted cash flows considering its various alternatives, including sale possibilities existing for each vessel as of the testing dates.

In detail, the projected net operating cash flows are determined by considering the historical and estimated vessels' performance and utilization, as well as historical utilization of other vessels of similar type and size considering the Company's recent shift to the tanker market and the lack of extended historical data, the charter revenues from existing time charters for the fixed fleet days and an estimated daily rate for the unfixed days (based on the most recent 10 year average historical rates available for each type of vessel) over the remaining estimated life of each vessel, net of commissions, expected outflows for scheduled vessels' maintenance and vessel operating expenses assuming an average annual inflation rate. Effective fleet utilization, which is estimated based on the vessels' historical performance, is included in the Company's exercise taking into account the period(s) each vessel is expected to undergo her scheduled maintenance (dry docking and special surveys), assumptions in line with the Company's historical performance since the acquisition of its tanker vessels, peers' historical performance, and its expectations for future fleet utilization under its fleet employment strategy. For 2023 and 2022, the Company assessed that there were no indications for potential impairment of any of its vessels. For 2021, the review of the tanker vessels' carrying values plus unamortized dry-dock costs and cost of any equipment not yet installed, in connection with the estimated recoverable amounts did not result in a recognition of impairment charge.

(m) Assets Held for Sale: The Company classifies assets or assets in disposal groups as being held for sale in accordance with ASC 360-10-45-9 "Long-Lived Assets Classified as Held for Sale" when the following criteria are met: (i) management possessing the necessary authority has committed to a plan to sell the asset (disposal group); (ii) the asset (disposal group) is immediately available for sale on an "as is" basis; (iii) an active program to find the buyer and other actions required to execute the plan to sell the asset (disposal group) have been initiated; (iv) the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year; and (v) the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. In case a long-lived asset is to be disposed of other than by sale (for example, by abandonment, in an exchange measured based on the recorded amount of the nonmonetary asset relinquished, or in a distribution to owners in a spinoff) the Company continues to classify it as held and used until its disposal date. Long-lived assets or disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These assets are not depreciated once they meet the criteria to be held for sale. The review of the related criteria as of December 31, 2023 and 2022 did not result in held for sale classification for any of the Company's vessels.

(n) Revenues and Voyage Expenses: Since the Company's vessels are employed under time, voyage and pool charter contracts, the Company disaggregates its revenue from contracts with customers by the type of charter (time charters, spot charters and pool arrangements).

The Company has determined that all of its time charter agreements contain a lease and are therefore accounted for as operating leases in accordance with ASC 842. Time charter revenues are accounted for over the term of the charter as the service is provided. Vessels are chartered when a contract exists and the vessel is delivered (commencement date) to the charterer, for a fixed period of time, at rates that are generally determined in the main body of charter parties and the relevant voyage expenses burden the charterer (i.e. port dues, canal tolls, pilotages and fuel consumption). Upon delivery of the vessel, the charterer has the right to control the use of the vessel (under agreed prudent operating practices) as they have the enforceable right to: (i) decide the delivery and redelivery time of the vessel; (ii) arrange the ports from which the vessel shall pass; (iii) give directions to the master of the vessel regarding vessel's operations (i.e. speed, route, bunkers purchases, etc.); (iv) sub-charter the vessel and (v) consume any income deriving from the vessel's charter. Any off-hires are recognized as incurred. The charterer may charter the vessel with or without owner's crew and other operating services. In the case of time charter agreements, the agreed hire rates include compensation for part of the agreed crew and other operating services provided by the owner (non-lease components). The Company, as a lessor, elected to apply the practical expedient which allowed it to account for the lease and the non-lease components of time charter agreements as one, as the criteria of the paragraphs ASC 842-10-15-42A through 42B are met. Time-charter revenue is usually received in advance, and as such, deferred revenue represents cash received prior to the balance sheet date for which related service has not been provided.

Spot, or voyage charter is a charter where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified freight rate per ton, regardless of time to complete. The Company has determined that under voyage charters, the charterer has no right to control any part of the use of the vessel. Thus, the Company's voyage charters do not contain lease and are accounted for in accordance with ASC 606. More precisely, the Company satisfies its single performance obligation to transfer cargo under the contract over the voyage period. Thus, revenues from voyage charters on the spot market are recognized ratably from the date of loading (Notice of Readiness to the charterer, that the vessel is available for loading) to discharge date of cargo (loading-to-discharge). Voyage charter payments are due upon discharge of the cargo. Demurrage revenue, which is included in voyage revenues, represents charterers' reimbursement for any potential delays exceeding the allowed lay time as per charter party agreement, represents a form of variable consideration and is recognized as the performance obligation is satisfied. The Company has taken the practical expedient not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.
For vessels operating in pooling arrangements, the Company earns a portion of total revenues generated by the pool, net of expenses incurred by the pool. The amount allocated to each pool participant vessel, including the Company's vessels, is determined in accordance with an agreed-upon formula, which is determined by the margins awarded to each vessel in the pool based on the vessel's age, design and other performance characteristics. Revenue under pooling arrangements is accounted for as variable rate operating lease on the accrual basis and is recognized in the period in which the variability is resolved. The Company recognizes net pool revenue on a quarterly basis, when the vessel has participated in a pool during the period and the amount of pool revenue can be estimated reliably based on the pool report. The allocation of such net revenue may be subject to future adjustments by the pool, however, such changes are not expected to be material (Note 3). The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific charterers with known disputes or collectability concerns. The Company recognizes allowance for doubtful accounts deriving from the collectability assessment as direct reduction to lease income, which for 2023, 2022 and 2021 amounted to $147, $0, and $0, respectively.

As discussed above, under a time charter, specified voyage costs such as bunkers and port charges are paid by the charterer, while commissions are paid by the Company. Under spot charter arrangements, voyage expenses that are unique to a particular charter are paid for by the Company. Commissions are expensed as incurred. Voyage expenses that qualify as contract fulfilment costs (mainly consisting of bunkers expenses and port dues) and are incurred by the Company from the latter of the end of the previous vessel employment, provided that the vessel is fixed, or from the date of inception of a voyage charter contract until the arrival at the loading port, are capitalized to Deferred Voyage Expenses and amortized ratably over the total transit time of the voyage (loading-to-discharge). Vessel voyage expenses that do not qualify as contract fulfilment costs, and operating expenses are expensed when incurred.

(o) Earnings/(Loss) per Common Share: Basic earnings/(loss) per common share are computed by dividing net income / (loss) attributable to common stockholders by the weighted average number of common shares outstanding during the period. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities, according to dividends declared and participation rights in undistributed earnings. Under this method, net earnings is reduced by the amount of dividends declared in the current period for common shareholders and participating security holders. The remaining earnings or "undistributed earnings" are allocated between common stock and participating securities to the extent that each security may share in earnings as if all of the earnings for the period had been distributed. Once calculated, the earnings per common share is computed by dividing the net (loss) earnings attributable to common shareholders by the weighted average number of common shares outstanding during each year presented. Diluted earnings/(loss) per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised. Diluted (loss) earnings attributable to common shareholders per common share is computed by dividing the net (loss) earnings attributable to common shareholders by the weighted average number of common shares outstanding plus the dilutive effect of restricted shares, warrants and options outstanding during the applicable periods computed using the treasury method and the dilutive effect of convertible securities during the applicable periods computed using the "if converted" method. The two-class method is used for diluted earnings/(loss) per common share when such is the most dilutive method, considering anti – dilution sequencing as per ASC 260. In cases when the effect from restricted stock, options, warrants and convertible securities is anti-dilutive, such are not included in the diluted earnings / (loss) per common share calculation. For purposes of the if-converted calculation, the fixed conversion price of preferred convertible stock is used, unless the number of shares that may be issued is variable, at which case the average market price of the period is used (Note 11).

(p) Dry-Docking Costs: The Company follows the deferral method of accounting for dry-docking costs whereby actual costs incurred are deferred and amortized on a straight-line basis over the period through the date the next dry-docking will be scheduled to become due. Unamortized dry-docking costs of vessels that are sold are written off and included in the calculation of the resulting gain or loss in the year of the vessel's sale. Unamortized dry-docking costs of vessels classified as held for sale are written off as impairment charges when these vessels' carrying values are impaired as a result of their classification. The unamortized dry-docking cost as of December 31, 2023, and 2022 was $1,798 and $1,098, respectively. Amortization of dry-docking costs for 2023, 2022 and 2021 amounted to $571, $544 and $68, respectively, and is included in Depreciation and amortization of deferred charges in the accompanying consolidated statement of operations. Also, in 2023 and 2022, deferred dry-dock costs which were written off in Gain on vessels' sale in the accompanying consolidated statement of operations amounted to $651 and $562, respectively.

(q) Financing Costs and Liabilities: Fees paid to lenders for obtaining new loans, or for refinancing existing ones which are determined as debt modifications, are deferred and recorded as a contra to debt. Other fees paid for obtaining loan facilities not used at the balance sheet date are capitalized as deferred financing costs. Fees are amortized to interest and finance costs over the life of the related debt using the effective interest method and, for the fees relating to loan facilities not used at the balance sheet date, according to the loan availability terms. Discount premiums are accounted for similar to other financing fees. Loan commitment fees are charged to expense in the period incurred. A loan liability is derecognized when the Company pays the creditor and is relieved of its obligation for the liability. For loans repaid or refinanced that meet the criteria of debt extinguishment, the difference between the settlement price and the net carrying amount of the debt being extinguished (which includes any deferred debt issuance costs) is recognized as a gain or loss in the statement of operations. In 2023, an amount of $387 being the unamortized financing costs of the loans with Piraeus Bank, which were repaid in November and December 2023 (Note 7) has been recognized as Loss from debt extinguishment and is separately presented in the accompanying consolidated statement of operations.

(***r) Repairs and Maintenance:*** All repair and maintenance expenses including underwater inspection expenses are expensed in the period incurred and included in Vessel operating expenses in the accompanying consolidated statement of operations.

(s) Share-Based Payment: The Company issues restricted share awards which are measured at their grant date fair value and are not subsequently re-measured. That cost is recognized under the straight-line method over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). At cases when part of the vesting of the restricted share award takes place on the grant date, then the corresponding compensation cost is recognized as incurred. When the service inception date precedes the grant date, the Company accrues the compensation cost for periods before the grant date based on the fair value of the award at the reporting date. In the period in which the grant date occurs, cumulative compensation cost is adjusted to reflect the cumulative effect of measuring compensation cost based on the fair value at the grant date. Forfeitures of awards are accounted for when and if they occur. If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

The Company also grants stock options as incentive-based compensation to certain of its officers, in accordance with the terms of the Company's Equity Incentive Plan. Stock-based compensation awards that are classified as equity and do not contain any market, service or performance conditions, are recognized on the grant date with a corresponding credit to equity and are measured at fair value. The compensation cost of the Company's stock-based compensation awards is included in general and administrative expenses in the consolidated statement of operations (Note 9).

(t) Fair Value Measurements: The Company follows the provisions of ASC 820 "Fair Value Measurements and Disclosures", which defines fair value and provides guidance for using fair value to measure assets and liabilities. The guidance creates a fair value hierarchy of measurement and describes fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. In accordance with the requirements of accounting guidance relating to Fair Value Measurements, the Company classifies and discloses its assets and liabilities carried at the fair value in one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities;
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;
- Level 3: Unobservable inputs that are not corroborated by market data.

The fair value measurement assumes that an instrument classified in the shareholders' equity is transferred to a market participant at the measurement date. The transfer of an instrument classified in shareholders' equity assumes that the instrument would remain outstanding, and the market participant takes on the rights and responsibilities associated with the instrument.

(u) Concentration of Credit Risk: Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and trade accounts receivable. The Company places its temporary cash investments, consisting mostly of deposits, with various qualified financial institutions and performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable and does not have any agreements to mitigate credit risk. For credit losses accounting on the Company's financial assets refer to paragraph (h) above.

(v) Going Concern: The Company evaluates whether there is substantial doubt about its ability to continue as a going concern by applying the provisions of ASC 205-40. In more detail, the Company evaluates whether there are conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year from the date the consolidated financial statements are issued. As part of such evaluation, the Company did not identify any conditions that raise substantial doubt about the entity's ability to continue as a going concern within one year from the date the consolidated financial statements are issued. Accordingly, the Company continues to adopt the going concern basis in preparing its consolidated financial statements.

(w) Re-purchase and Retirement of Company's Common Shares: All Company's common shares re-purchased are immediately cancelled and retired, and the Company's share capital is accordingly reduced. The excess of the cost of the common shares over their par value is allocated in additional paid-in capital.

(x) Re-purchase and Retirement of Company's Preferred Shares: All Company's preferred shares re-purchased are immediately cancelled and retired, and the Company's share capital is accordingly reduced. Any difference between the fair value of the consideration transferred to the holders of the preferred stock and the carrying amount of the preferred stock represents a return to (from) the preferred stockholder that should be treated in a manner similar to the treatment of dividends paid on preferred stock. If the fair value of the consideration transferred plus any direct costs incurred in relation to the redemption, is less than the carrying amount of the preferred shares redeemed (net of any issuance costs), the difference is credited to retained earnings. In addition, any possible excess between the fair value of the consideration paid for the re-purchase of preferred shares and the carrying amount of the shares surrendered is reflected as gain which should be added to the net income/(loss) to arrive at the net income/(loss) available to common stockholders (Note 11).

(y) Discontinued Operations: It is a Company's policy, that the current and prior year periods assets, liabilities, results of operations and cash flows of a Company's component disposed of by sale are reported as discontinued operations when it is determined that their operations and cash flows will be eliminated from the ongoing operations of the Company as a result of their disposal, and that the Company will not have continuing involvement in the operation of these assets after their disposal.

(z) Rent Concessions Related to the COVID-19 Pandemic: The FASB has provided accounting elections for entities that provide or receive rent concessions (e.g., deferral of lease payments, reduced future lease payments) due to the COVID-19 pandemic. Entities are allowed to elect to not evaluate whether a concession provided by a lessor due to COVID-19 is a lease modification. An entity that makes this election can then elect whether to apply the modification guidance (i.e., assume the concession was always contemplated by the contract or assume the concession was not contemplated by the contract). During 2021, the Company's rent costs were reduced as a result of COVID-19 relief measures applied by the Greek government, while for 2022 and 2023 no such relief measures were in force. The Company assessed that the rent concession qualifies for the election, as the concession did not result in a substantial increase in the rights of the lessor or the obligations of the lessee, and then elected to not evaluate whether this concession provided by the Greek government due to COVID-19 is a lease modification, and further chose to adopt a policy to not account for the concession as a lease modification. Finally, the Company, as a lessee that was contractually released from certain lease payments, accounts the rent concession like a negative variable lease payment (Note 8).

(aa) Segmental Reporting: The Company engages in the operation of tanker vessels which has been identified as one reportable segment. The operation of the vessels is the main source of revenue generation, the services provided by the vessels are similar and they all operate under the same economic environment. Additionally, the vessels do not operate in specific geographic areas, as they trade worldwide. The Company reports financial information and evaluates the operations by charter revenues and not by the length of ship employment for its customers, i.e. spot or time charters.

(ab) Exchange of Common Shares for Shares of Series B Convertible Preferred Stock: In cases of exchanges of common stock for preferred stock, the Company values separately the common stock and the preferred stock on the date of the exchange. When the Company determines that on the measurement date there is an excess value of the preferred stock, as compared to the fair value of the exchanged common stock, that value represents a dividend to the preferred holders, which should be deducted from the net income/(loss) from continuing operations to arrive at the net income/(loss) available to common stockholders from continuing operations.

(ac) Exchange of Series B Convertible Preferred Stock and Related Party Loan for Series C Convertible Preferred Stock: The Company follows the provisions of ASC 470-50 "Modifications and Extinguishments" to determine whether exchange of preferred stock should be accounted for as a modification or extinguishment. For extinguishments, the Company follows the accounting as per ASC 260-10-S99-2. Under that guidance, when equity-classified preferred shares are extinguished, the difference between (1) the fair value of the consideration transferred to the holders of the preferred shares (i.e., the cash or the fair value of new instruments issued) and (2) the carrying amount of the preferred shares (net of issuance costs) are subtracted from (or added to) net income to arrive at income available to common stockholders in the calculation of earnings/(losses) per share. As far as it concerns extinguishment of related party loans, the Company follows provision of ASC 470-50-40-2, indicating that such extinguishment transactions may be in essence capital transactions.

(ad) Preferred Shares and Warrants Accounting: The Company follows the provision of ASC 480 "Distinguishing Liabilities from Equity" and ASC 815 "Derivatives and Hedging" to determine the classification of certain freestanding financial instruments as permanent equity, temporary equity or liability. The Company, when assessing the accounting of the warrants, the pre-funded warrants, the Series B Preferred Shares and the Series C Preferred Shares takes into consideration ASC 480 to determine whether the warrants, the pre-funded warrants, the Series B Preferred Shares and the Series C Preferred Shares should be classified as permanent equity instead of temporary equity or liability. The Company further analyses the key features of the warrants, the pre-funded warrants, the Series B and Series C Preferred Shares to determine whether these are more akin to equity or to debt. In its assessment, the Company identifies any embedded features, examines whether these fall under the definition of a derivative according to ASC 815 applicable guidance or whether certain of these features affect the classification. In cases when derivative accounting is deemed inappropriate, no bifurcation of these features is performed. For those warrants meeting the classification of liability, the initial recognition is at fair value and are remeasured at each balance sheet date with the offsetting adjustments recorded in change in fair value of warrant liabilities within the consolidated statements of operations. Upon settlement or termination, warrants classified as liabilities at fair value, are marked to their fair value at the settlement date and then the liability settled. The Company values its warrants classified as liabilities using the Black-Scholes option pricing model (refer to Note 9).

(ae) Accounting of Down-Round Features: For preferred stock and warrants bearing down-round features, the Company evaluates whether there are circumstances that trigger the down-round feature. At the date when the down-round features are triggered, the Company considers the provision of ASC 260-10-30-1 and measures the value of the effect of the feature as the difference between (a) the fair value of the financial instrument (without the down-round feature) with a conversion price or exercise price (as applicable), corresponding to the stated conversion or exercise price of the issued instrument before the conversion or exercise price reduction and (b) the fair value of the financial instrument (without the down-round feature) with a conversion or exercise price, corresponding to the reduced conversion or exercise price upon the down-round feature being triggered (refer to Note 9). When the Company determines that on the measurement date there is an excess value of the preferred stock or the warrant due to the triggering of the down-round feature, then this value represents a deemed dividend to the preferred or to the warrant holders (as applicable), which should be deducted from the net income/(loss) to arrive at the net income/(loss) available to common stockholders.

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3. Revenue and Accounts Receivable

The Company's tanker vessels are employed under various types of charters and accordingly, the Company disaggregates its revenue from contracts with customers by the type of charter (time charters, spot charters and pool charters).

Below are presented, per type of charter, the Company's revenues for 2023, 2022 and 2021 and also the balance of Accounts receivable, net, for December 31, 2023 and 2022.

Charter type	2023	2022	2021
Time charters	$ 57,975	$ 8,131	$ 10,282
Pool arrangements	48,332	43,712	2,603
Voyage charters	2,631	23,330	23,606
Total Revenue	**$ 108,938**	**$ 75,173**	**$ 36,491**

	As of December 31,	
Charter type	**2023**	**2022**
Time charters	$ 2,638	$ 34
Pool arrangements	5,213	6,440
Voyage charters	429	2,636
Total Acc. Receivable, net	**$ 8,280**	**$ 9,110**

Contract assets included in the receivable balances from spot voyages amounted to $103 for December 31, 2023, and to $167 for December 31, 2022.

Moreover, the charterers that accounted for more than 10% of the Company's revenue are presented below:

Charterer	2023	2022	2021
A	11%	-	26%
B	28%	-	-
C	-	-	17%
D	13%	41%	-
E	32%	18%	-

The maximum aggregate amount of loss due to credit risk, net of related allowances, that the Company would incur if the aforementioned charterers failed completely to perform according to the terms of the relevant charter parties, amounted to $7,947 and to $6,440 as of December 31, 2023 and 2022, respectively.

Deferred Revenue relates solely to cash received up-front from the Company's time-charter contracts and as of December 31, 2023, and 2022 it amounted to $0 and $1,378 respectively and is separately presented in the accompanying consolidated balance sheets.

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4. Transactions with Related Parties

(a) Pure Brokerage and Shipping Corp. ("Pure Brokerage"): Pure Brokerage, a company controlled by the Company's Chairperson of the Board and controlling shareholder Aliki Paliou, provides brokerage services to the Company since June 15, 2020, pursuant to a Brokerage Services Agreement for a fixed monthly fee per each tanker vessel owned by the Company. Pure Shipbroking may also, from time to time, receive sale and purchase commissions and chartering commissions on the gross revenue of the tanker vessels, depending on the respective charter parties' terms.

For 2023, 2022 and 2021, commissions to Pure Brokerage amounted to $1,345, $887, and $431, respectively, and are included in Voyage expenses in the accompanying consolidated statements of operations. Also, for 2023, 2022 and 2021 brokerage fees to Pure Brokerage amounted to $286, $204 and $180, respectively, and are included in General and administrative expenses in the accompanying consolidated statements of operations. As at December 31, 2023 and 2022, an amount of $245 and $335, respectively, was payable to Pure Brokerage and is reflected in Due to related parties in the accompanying consolidated balance sheets.

(b) Mango Shipping Corp ("Mango"): On March 2, 2022, the Company entered into an unsecured credit facility with Mango, whose beneficial owner is the Company's Chairperson of the Board and controlling shareholder Aliki Paliou, of up to $5,000, for general working capital purposes. The loan had a term of one year from the date of the agreement, bore interest of 9.0% per annum, and was drawn in arrears at the Company's request. The agreement also provided for arrangement fees of $200 payable on the date of the agreement, and commitment fees of 3.00% per annum on any undrawn amount until the maturity date. The Company drew down the $5,000 loan amount in two advances in March 2022, and repaid it in full on October 17 and October 19, 2022 (see below the paragraph "Tender Offer to exchange common shares for Shares of Series B Cumulative Perpetual Preferred Stock"). For 2022, interest and commitment fees incurred in connection with the Mango loan amounted to $277, and together with arrangement fees of $200 which were amortized and written off during 2022, are included in Interest and finance costs in the accompanying consolidated statements of operations (Note 10).

Tender Offer to Exchange Common Shares for Shares of Series B Convertible Cumulative Perpetual Preferred Stock: In December 2021, the Company commenced an offer to exchange up to 271,078 of its then issued and outstanding common shares, par value $0.01 per share, for newly issued shares of the Company's Series B Convertible Cumulative Perpetual Preferred Stock, par value $0.01, at a ratio of 4.20 Series B Preferred Shares for each common Share (Note 9). The tender offer expired on January 27, 2022, and a total of 188,974 common shares were validly tendered and accepted for exchange, which resulted in the issuance of 793,657 Series B Preferred Shares, out of which 657,396 were beneficially owned by Aliki Paliou through Mango, and 28,171 were beneficially owned by Andreas Michalopoulos. On October 17, 2022, the Company entered into a stock purchase agreement with Mango pursuant to which it agreed to issue to Mango in a private placement 1,314,792 Series C Preferred Stock in exchange for (i) all 657,396 Series B Preferred Shares held by Mango, and (ii) the agreement by Mango to apply $4,930 (an amount equal to the aggregate cash conversion price payable upon conversion of such Series B Preferred Shares into Series C Preferred Shares pursuant to their terms) as a prepayment by the Company of the unsecured credit facility. The transaction was approved by a special independent committee of the Company's Board of Directors. On October 19, 2022, the Company repaid the remaining amount due to the credit facility of $70, together with accrued interest, and terminated the agreement.

The Series B and the Series C Preferred stock is entitled to an annual dividend of 4.00% and 5.00%, respectively (Note 9). For 2022, dividends declared and paid to Mango on its Series B preferred shares amounted to $411 (or $0.875 per each Series B preferred share) and were calculated for the period from February 2, 2022 (date of issuance of the Series B preferred shares) until September 15, 2022. Following the issuance of the Series C preferred shares in October 2022 to Mango, the dividends on the Series B preferred shares held by Mango accrued until the last dividend payment date, which was September 15, 2022. Additionally, for 2022, dividends declared and paid to Mango on its Series C preferred shares amounted to $411, (or $0.3125 per each Series C preferred share), and were calculated for the period from September 15, 2022 until December 15, 2022. On December 31, 2022, accrued and not paid dividends on the Series C preferred shares held by Mango, amounted to $82. For 2023, dividends declared and paid to Mango on its Series C preferred shares amounted $1,643, (or $1.25 per each Series C preferred share). On December 31, 2023, accrued and not paid dividends on the Series C preferred shares held by Mango, amounted to $64 (Note 9). As of December 31, 2023, and 2022, Mango held no Series B preferred shares, and held 1,314,792 Series C preferred shares.

For the details of the terms of the Series B and C preferred stock, and the respective accounting treatment followed by the Company, refer to Note 9.

Ex Related Parties transactions of 2021

Until January 2021, the Company was receiving travel services from an affiliated company, which was controlled by the Company's then Chairman of the Board. Additionally, in 2021, the Company sold to an ex-affiliated entity its co-owned indivisible share in a plot of land, located in Athens, Greece.

For 2021, expenses for services provided by the travel agency amounted to $18 and are included in Vessel operating expenses in the accompanying consolidated financial statements. Also, in 2021, the Company recognized a gain of $137 from the sale of property to an ex-affiliated entity, and it is depicted as Gain from property sale in the accompanying consolidated financial statements.

5. Advances for Vessels Under Construction and Other Vessels' Costs

In March and December 2023, the Company, through its newly established subsidiaries named Nakaza Shipping Company Inc., Sri Lanka Shipping Company Inc., and Guadeloupe Shipping Company Inc., entered into three shipbuilding contracts with China Shipbuilding Trading Company Limited and Shanghai Waigaoqiao Shipbuilding Company Limited for the construction of three product/crude oil tankers of approximately 114,000 dwt each. The newbuildings (named Hull 1515, Hull 1596 and Hull 1597) have gross contract prices of $63,250, $64,845, and $64,845, respectively, and the Company expects to take delivery of them from October 2025 to April 2026. The shipbuilding contracts provide that the purchase price of each newbuilding will be paid in five installments, each falling at the contract signing, steel cutting, keel laying, launching, and at the delivery of each vessel.

As of December 31, 2023, the Company had paid the first installment of $9,488 for Hull 1515, according to the terms of the shipbuilding contract. In addition, interest amounting to $540 and other paid costs amounting to $1,275 were capitalized to the vessels under construction and included in Advances for Vessels Under Construction and Other Vessels' Costs in the accompanying consolidated balance sheet as of December 31, 2023. The amount of $11,303 is included in line "Advances for vessel acquisition / under construction and other vessel costs" in the 2023 consolidated statements of cash flows. No Advances for vessels under construction and other vessels' costs existed as of December 31, 2022.

6. Vessels, net

Vessels' acquisitions and Vessels' Improvements

During 2022, the Company capitalized in Vessels, net, an aggregate amount of $1,218, out of which $558 was transferred from other non-current assets, representing costs for the installation of ballast water treatment system on the vessel "Blue Moon". During 2022, $1,199 of these costs have been paid and are included in line "Payments for vessels' improvements" in the accompanying consolidated statements of cash flows. Furthermore, in 2022, the Company capitalized in other non-current assets an amount of $450, representing advances paid for the installation of ballast water treatment system on the vessel "P. Kikuma", also included in line "Payments for vessels' improvements" in the accompanying consolidated statements of cash flows. From June to November 2022, the Company, through four newly established subsidiaries, entered into four memoranda of agreement with unrelated parties to acquire the Aframax tanker vessels "P. Sophia", "P. Aliki", "P. Monterey", and "P. Long Beach", for a purchase price of $27,577, $36,500, $35,000, and $43,750, respectively. The vessels were delivered to the Company from July to December 2022. Aggregate pre-delivery costs capitalized in connection with these vessels' acquisition amounted to $677, out of which $64 were paid in 2023 and are reflected in line Vessel acquisitions and other vessels' costs in the accompanying 2023 consolidated cash flows.

During 2023, the Company capitalized an amount of $510 and an amount of $450 was transferred from other non-current assets, representing costs for the installation of ballast water treatment system on the vessel "P. Kikuma". The amount of $510, which was paid in 2023, is reflected in line "Payments for vessels' improvements" in the accompanying consolidated statements of cash flows.

(Expressed in thousands of US Dollars – except for share and per share and warrants data, unless otherwise stated)

Vessels' Disposals

In October 2022, the Company, through one of its subsidiaries, entered into a memorandum of agreement to sell the Aframax tanker vessel "P. Fos" to unrelated parties for an aggregate gross price of $34,000. The vessel was delivered to her new owners in November 2022 and the Company received the sale proceeds in accordance with the terms of the contract. For 2022, the gain on sale of vessels, net of direct to sale expenses, amounted to $9,543 and is reflected in Gain on vessel's sale in the accompanying consolidated statement of operations.

In November 2023, the Company, through one of its subsidiaries, entered into a memorandum of agreement to sell the Aframax tanker vessel "P. Kikuma" to unrelated parties for an aggregate gross price of $39,300. The vessel was delivered to her new owners in December 2023, and the Company received the sale proceeds in accordance with the terms of the contract. For 2023, the gain on sale of vessels, net of direct to sale expenses, amounted to $15,683 and is reflected in Gain on vessel's sale in the accompanying consolidated statement of operations.

The amounts of Vessels, net, in the accompanying consolidated balance sheets are analyzed as follows:

	Vessels' Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2021	$ 136,782	$ (13,746)	$ 123,036
- Transfer from advances for vessel acquisitions and other vessel costs	143,504	-	143,504
- Vessels' improvements transferred from other non-current assets	558	-	558
- Vessels' improvements	660	-	660
- Vessel's disposals	(27,208)	4,688	(22,520)
- Depreciation	-	(8,631)	(8,631)
Balance, December 31, 2022	$ 254,296	$ (17,689)	$ 236,607
- Vessels' improvements transferred from other non-current assets	450	-	450
- Vessels' improvements	510	-	510
- Vessel's disposals	(27,098)	5,795	(21,303)
- Depreciation	-	(14,156)	(14,156)
Balance, December 31, 2023	$ 228,158	$ (26,050)	$ 202,108

(Expressed in thousands of US Dollars – except for share and per share and warrants data, unless otherwise stated)

7. Long-Term Debt

The amount of long-term debt shown in the accompanying consolidated balance sheets is analyzed as follows:

	December 31, 2023	Current	Non-current	**December 31, 2022**	Current	Non-current
Nordea Bank secured term loan	$ 19,167	$ 3,334	$ 15,833	$ 20,663	$ 3,740	$ 16,923
Piraeus Bank secured term loans	-	-	-	67,584	9,048	58,536
Alpha Bank secured term loans	36,050	4,200	31,850	40,250	4,200	36,050
less unamortized deferred financing costs	(331)	(107)	(224)	(822)	(242)	(580)
Total debt, net of deferred financing costs	$ 54,886	$ 7,427	$ 47,459	$ 127,675	$ 16,746	$ 110,929

Secured Term Loans: The Company, through its vessel-owning subsidiaries, has entered into various long term loan agreements with certain financial institutions (as described below) to partially finance the acquisition cost of its tanker vessels. All loans are repayable in quarterly installments plus one balloon installment per loan agreement to be paid together with the last installment. The Company ‘s loans bear variable interest at SOFR plus a fixed margin, which during 2023 ranged from 2.35% to 2.75%, and as of December 31, 2023, after the refinance of the Nordea loan (discussed below), the applicable margins ranged from 2.35% to 2.60%. The loan maturities fall due from November 2027 to August 2028, and at each utilization date, arrangement fees ranging from 0.50% to 1.00% were paid. As of December 31, 2023, the term loans were collateralized by four of the Company’s tanker vessels, whose aggregate net book value was $125,200.

In July 2019, the Company, through two of its vessel-owning subsidiaries, entered into a loan agreement with Nordea Bank Abp, Filial i Norge (“Nordea Bank”) for a senior secured term loan facility of up to $33,000, to partially finance the acquisition cost of the vessels “Blue Moon” and “Briolette”. In December 2019 and in March 2020, the Nordea Bank loan was twice amended and restated to increase the loan facility to up to $47,000 and $59,000, respectively, to partially support the acquisition cost of the tanker vessels “P. Fos” and “P. Kikuma”, respectively. In December 2020, the Company entered a Deed of Release with Nordea Bank, according to which the borrowers of the vessels “P. Fos” and “P. Kikuma” were released from all obligations under the agreement, in connection with the re-finance by Piraeus Bank S.A. (described below). Also in December 2020, the Company entered into a Supplemental Loan Agreement with Nordea Bank, to amend the existing repayment schedules of the “Blue Moon” and “Briolette” tranches and to amend the major shareholder’s clause included in the agreement. On August 4, 2023, the Company refinanced the existing outstanding loan of the amount of $17,859 with Nordea Bank which was initially entered to partially finance the acquisition of the vessels “Blue Moon” and “Briolette”, with a revolving credit in an aggregate amount not exceeding $20,000 at any one time. As such, the Company drew down an amount of $2,141, which is reflected in line Proceeds from Long-term bank debt in the accompanying consolidated cash flows. The new loan has a duration of 5 years from the signing date of the agreement. The Company followed the applicable guidance of ASC 470 and concluded that the specific loan should be treated as a term loan, however, if a prepayment occurs during the life of the facility, then the accounting guidance for revolving credit facilities would apply.

In December 2020, the Company, through three of its vessel-owning subsidiaries, entered into a loan agreement with Piraeus Bank S.A. ("Piraeus Bank") for a senior secured term loan facility of up to $31,526, to refinance the existing indebtedness of the vessels "P. Fos" and "P. Kikuma" with Nordea Bank, described above, and partially finance the acquisition cost of the vessel "P. Yanbu". The three borrowers utilized in December 2020 an aggregate amount of $29,958 under the loan agreement, and no amount remained available for drawdown thereafter. The "P. Fos" trance was repaid in full and released from the loan agreement in November 2022, due to the vessels' sale. Furthermore, the "P. Yanbu" and the "P. Kikuma" trances were also released from the specific loan agreement in July and December 2022, respectively, as part of their refinancing under the new loan agreements with Piraeus Bank signed in June and November 2022 (discussed below), and as such, the specific loan agreement was terminated.

In June 2022, the Company, through the vessel-owning subsidiaries of the vessels "P. Sophia" and "P. Yanbu", entered into a new loan agreement with Piraeus Bank for a senior secured term loan facility of up to $31,933. The purpose of this facility was to finance the acquisition of "P. Sophia" by up to $24,600 and refinance the existing indebtedness of $7,333 of the vessel "P. Yanbu". The Company utilized the full amount of $31,933 in July 2022. On May 29, 2023, the Company signed a Supplemental loan agreement with Piraeus Bank, the purpose of which was to replace LIBOR rate with SOFR rate, effective June 1, 2023. All other terms of the loan agreement remained unaltered. The Company accounted for the Supplemental loan agreement as a contract modification. Finally, in December 2023, the Company pre-paid its existing indebtedness of $27,933 and accordingly, the specific loan agreement was terminated.

In November 2022, the Company, through the vessel-owning subsidiaries of the vessels "P. Monterey" and "P. Kikuma", entered into a new loan agreement with Piraeus Bank for a senior secured term loan facility of up to $37,400. The purpose of this facility was to finance the acquisition of "P. Monterey" by up to $29,615 and refinance the existing indebtedness of $7,785 of the vessel "P. Kikuma". The Company utilized the amount of $36,450 in November 2022, and no amount remained available for drawdown thereafter. In November 2023, before the sale of the vessel "P. Kikuma" (Note 6), the Company pre-paid the loan balance of $13,926, and the respective ship-owning company was released from its loan obligations. Finally, in December 2023, the Company also pre-paid the remaining outstanding loan balance of $16,676 of the vessel "P. Monterey", and thus the loan agreement was terminated.

Also in November 2022, the Company, through the vessel-owning subsidiary of the vessel "P. Aliki" signed a loan agreement with Alpha Bank S.A ("Alpha Bank"), to support the acquisition of the vessel by providing a secured term loan of up to $18,250. The maximum loan amount was drawn down upon the vessel's delivery to the Company in November 2022.

Finally, in December 2022, the Company, through the vessel-owning subsidiary of the vessel "P. Long Beach" signed a loan agreement with Alpha Bank S.A, to support the acquisition of the vessel by providing a secured term loan of up to $22,000. The maximum loan amount was drawn down upon the vessel's delivery to the Company in December 2022.

All loans are guaranteed by Performance Shipping Inc. and are also secured by first priority mortgages over the financed fleet, first priority assignments of earnings, insurances and of any charters exceeding durations of certain length of time, pledge over the borrowers' shares and over their earnings accounts, and vessels' managers' undertakings. The loan agreements also require a minimum hull value of the financed vessels, impose restrictions as to dividend distribution following the occurrence of an event of default and changes in shareholding, include customary financial covenants and require at all times during the facility period a minimum cash liquidity. As at December 31, 2023 and 2022, the maximum compensating cash balance required under the Company's loan agreements amounted to $10,000 and $10,500, respectively, and is included in Cash and cash equivalents in the accompanying consolidated balance sheets. Also, as at December 31, 2023 2022, the restricted cash, being pledged deposits, required under the Company's loan agreements amounted to $1,000 and $1,000, respectively, and is included in Restricted cash, non-current in the accompanying consolidated balance sheets. As at December 31, 2023 and 2022, the Company was in compliance with all of its loan covenants.

(Expressed in thousands of US Dollars – except for share and per share and warrants data, unless otherwise stated)

The weighted average interest rate of the Company's bank loans for 2023, 2022 and 2021, was 7.60%, 4.85% and 2.90%, respectively.

For 2023, 2022 and 2021, interest expense on long-term bank debt amounted to $9,039, $3,191 and $1,596, respectively, and is included in Interest and finance costs in the accompanying consolidated statement of operations. Accrued interest on bank debt as of December 31, 2023 and 2022, amounted to $294 and $390, respectively, and is included in Accrued liabilities in the accompanying consolidated balance sheets.

As at December 31, 2023, the maturities of the drawn portions of the debt facilities described above, are as follows:

	Principal Repayment
Year 1	$ 7,533
Year 2	7,533
Year 3	7,533
Year 4	26,783
Year 5	5,835
Total	**$ 55,217**

8. Commitments and Contingencies

(a) Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Currently, management is not aware of any claims or contingent liabilities, which should be disclosed, or for which a provision should be established and has not in the accompanying consolidated financial statements.

The Company accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

The Company's vessels are covered for pollution in the amount of $1 billion per vessel per incident, by the protection and indemnity association ("P&I Association") in which the Company's vessels are entered. The Company's vessels are subject to calls payable to their P&I Association and may be subject to supplemental calls which are based on estimates of premium income and anticipated and paid claims. Such estimates are adjusted each year by the Board of Directors of the P&I Association until the closing of the relevant policy year, which generally occurs within three years from the end of the policy year. Supplemental calls, if any, are expensed when they are announced and according to the period they relate to. The Company is not aware of any supplemental calls outstanding in respect of any policy year.

(b) As of December 31, 2023, part of the Company's fleet was operating under time-charters. The minimum contractual annual charter revenues, net of related commissions to third parties (including related parties), to be generated from the existing as of December 31, 2023, non-cancelable time charter contract are estimated at $39,506 until December 31, 2024, and at $11,788 until December 31, 2025.

(c) The Company has entered into three shipbuilding contracts for the construction of three product/crude oil tankers of approximately 114,000 dwt each (Note 5). As of December 31, 2023, the remaining aggregate installments under the contracts for the construction of Hulls H1515, H1596 and H1597, amount to $183,453, out of which $19,454 have been paid with respect to Hulls H1596 and H1597 subsequent to the balance sheet date (Note 14).

(d) The Company, its Chief Executive Officer, Chairperson of the Board, five former directors of the Company, and two entities affiliated with the Company's Chief Executive Officer and Chairperson of the Board were named as defendants in a lawsuit ("the Sphinx lawsuit") commenced on October 27, 2023 in New York State Supreme Court, County of New York, by the attorneys of a current shareholder of the Company, Sphinx Investment Corp., the plaintiff. The complaint alleges, among other things, violations of fiduciary duties by the named defendants in connection with an exchange offer commenced by the Company in December 2021 (Note 9). The plaintiff purports to seek, among other things, a declaration that the Series C Preferred Shares held by the defendants are void and not entitled to vote; an order cancelling such Series C Preferred Shares, or, in the alternative, an order requiring the Company to issue additional Series C Preferred Shares to non-defendant common stockholders to put them in the same economic, voting, governance and other position as they would have been in had the Series C Preferred Shares issued to the defendants been cancelled; and unspecified damages in an amount, if any, to be proven at trial. On January 29, 2024, the defendants filed motions to dismiss the lawsuit. Briefing on that motion is currently scheduled to conclude on April 4, 2024 (Note 14). The Company, although it cannot predict its outcome, believes that the lawsuit is without merit and will vigorously defend against the lawsuit.

(e) The Company rents its office spaces in Greece under various lease agreements with unaffiliated parties. The durations of these agreements vary from a few months to 3 years and certain of these contracts, and as of December 31, 2023, the weighted-average remaining lease term for all lease agreements is 1.47 years. The contracts also bear the option for the Company to extend the lease terms for further periods. Under ASC 842, the Company, as a lessee, has classified these contracts as operating leases and accordingly, a lease liability of $99 and $163, respectively, and an equal right-of-use asset based on the present value of future minimum lease payments for the fixed periods of each contract have been recognized on the December 31, 2023 and 2022 balance sheets. The weighted average discount rate used for the calculation of the present value of future lease payments was 7.52%. The monthly rent cost under the existing as of December 31, 2023 lease agreements are $8 (based on the exchange rate of Euro/US Dollar $1.093 as of December 31, 2023). Rent costs have been reduced for the Company during 2021 as a result of COVID 19-relief measures applied by the Greek government, as the lessor was partially reimbursed for these rent payments by the state. Accordingly, rent expenses for 2023, 2022 and 2021, amounted to $89, $87 and $47, respectively, and are included in General and administrative expenses in the accompanying consolidated financial statements. The Company assessed in 2021 that the rent concession qualifies for the election and elected to not evaluate whether a concession provided due to COVID-19 is a lease modification under ASC 842. The Company has assessed the right of use asset recognized for office leases for impairment and concluded that no impairment charge should be recorded as December 31, 2023 and 2022 as no impairment indicators existed.

(Expressed in thousands of US Dollars – except for share and per share and warrants data, unless otherwise stated)

The following table sets forth the Company's undiscounted office rental obligations as at December 31, 2023:

	Amount
Year 1	$ 78
Year 2	40
Total	$ 118
Less imputed interest	(19)
Present value of lease liabilities	$ 99
Lease liabilities, current	66
Lease liabilities, non- current	33
Present value of lease liabilities	$ 99

9. Changes in Capital Accounts

(a) Company's Preferred Stock: As of December 31, 2023 and 2022, the Company's authorized preferred stock consists of 25,000,000 shares of preferred stock, par value $0.01 per share. Of these preferred shares, 1,250,000 have been designated Series A preferred shares, 1,200,000 have been designated Series B preferred shares, and 1,587,314 have been designated as Series C Preferred Shares (see paragraph (b) below). As of December 31, 2023, 50,726 Series B preferred shares (of liquidation preference $1,268) and 1,428,372 Series C preferred shares (of liquidation preference $35,709) were issued and outstanding. As of December 31, 2022, 136,261 Series B preferred shares (of liquidation preference $3,407) and 1,314,792 Series C preferred shares (of liquidation preference $32,870) were issued and outstanding.

(b) Tender Offer to Exchange Common Shares for Shares of Series B Convertible Cumulative Perpetual Preferred Stock, and Issuance of Shares of Series C Convertible Cumulative Perpetual Preferred Stock: In December 2021, the Company commenced an offer to exchange up to 271,078 of its then issued and outstanding common shares, par value $0.01 per share, for newly issued shares of the Company's Series B Convertible Cumulative Perpetual Preferred Stock ("Series B Preferred Shares"), par value $0.01, at a ratio of 4.20 Series B Preferred Shares for each common share.

The material terms of the Series B Preferred Shares are as follows: 1) Dividends: The Company pays a 4.00% annual dividend on the Series B Preferred Shares, on a quarterly basis, either in cash, or, at the Company's option, through the issuance of additional common shares, valued at the volume-weighted average price of the common stock for the 10 trading days prior to the dividend payment date; 2) Voting Rights: Each Series B Preferred Share has no voting rights; 3) Conversion Rights: Each Series B Preferred Share was convertible at the option of the holder during the applicable conversion period, which expired on March 15, 2023, and for additional cash consideration of $7.50 per converted Series B Preferred Share, into two Series C Preferred Shares (see description below); 4) Liquidation: Each Series B Preferred Share has a fixed liquidation preference of $25.00 per share; 5) Redemption: The Series B Preferred Shares are not subject to mandatory redemption or to any sinking fund requirements, and will be redeemable at the Company's option, at any time, on or after the date that is the date immediately following the 15-month anniversary of the issuance date, at $25.00 per share plus accumulated and unpaid dividends thereon to and including the date of redemption. Also, upon the occurrence of a liquidation event, holders of Series B Preferred Shares shall be entitled to receive out liquidating distribution or payment in full redemption of such Series B Preferred Shares in an amount equal to $25.00, plus the amount of any accumulated and unpaid dividends thereon; 6) Rank: Finally, the Series B Preferred Shares rank senior to common shares with respect to dividend distributions and distributions upon any liquidation, winding up or dissolution of the Company.

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The tender offer expired on January 27, 2022, and a total of 188,974 common shares were validly tendered and accepted for exchange, which resulted in the issuance of 793,657 Series B Preferred Shares (with aggregate liquidation preference of $19,841), out of which 657,396 were acquired by Aliki Paliou through Mango (Note 4), and 28,171 were acquired by Andreas Michalopoulos.

On October 17, 2022, the Company entered into a stock purchase agreement with Mango, pursuant to which it agreed to issue to Mango in a private placement 1,314,792 shares (with aggregate liquidation preference of $32,870) of its newly-designated Series C Convertible Cumulative Redeemable Perpetual Preferred Stock ("Series C Preferred Shares") in exchange for (i) all 657,396 Series B Preferred Shares held by Mango and (ii) the agreement by Mango to apply $4,930 (an amount equal to the aggregate cash conversion price payable upon conversion of such Series B Preferred Shares into Series C Preferred Shares pursuant to their terms) as a prepayment by the Company of the unsecured credit facility agreement dated March 2, 2022 (Note 4) and made between the Company as borrower and Mango as lender, maturing in March 2023 and bearing interest at 9.0% per annum. The Company repaid on October 17, 2022 the amount of $4,930, and on October 19, 2022 the remaining amount due to the credit facility of $70, and any remaining accrued interest, and terminated the loan agreement with Mango. The transaction was approved by a special independent committee of the Company's Board of Directors. The authorized number of Series C Preferred Shares, par value $0.01 and $25.00 liquidation preference, is 1,587,314, out of which 1,314,792 shares were issued to Mango.

The remaining Series C Preferred Shares could be issued not earlier than one year from the date of original issuance of the Series B Preferred Shares. Upon the closing of the conversion period on March 15, 2023, 85,535 Series B preferred shares have been converted to 171,070 Series C preferred shares, and the net proceeds received, after deducting commissions and other expenses, amounted to $482.

The material terms of the Series C Preferred Shares are as follows: 1) Dividends: Dividends on each Series C Preferred Share shall be cumulative and shall accrue at a rate equal to 5.00% per annum of the Series C liquidation preference per Series C Preferred Share from the dividend payment date immediately preceding issuance, and can be paid either in cash, or, at the Company's option, through the issuance of additional common shares; 2) Voting Rights: Each holder of Series C Preferred Shares is entitled, from the date of issuance of the Series C Preferred Shares, to a number of votes equal to the number of Common Shares into which such holder's Series C Preferred Shares would then be convertible (notwithstanding the requirement that the Series C Preferred Shares are convertible only after six months following the Original Issuance Date), multiplied by 10. The holders of Series C Preferred Shares shall vote together as one class with the holders of Common Shares on all matters submitted to a vote of the Company's shareholders (with certain exceptions); 3) Conversion Rights: The Series C Preferred Shares are convertible into common shares (i) at the option of the holder: in whole or in part, at any time on or after the date that is the date immediately following the six-month anniversary of the Original Issuance Date at a rate equal to the Series C liquidation preference, plus the amount of any accrued and unpaid dividends thereon to and including the date of conversion, divided by an initial conversion price of $0.50, subject to adjustment from time to time, or (ii) mandatorily: on any date within the Series C Conversion Period, being any time on or after the date that is the date immediately following the six-month anniversary of October 17, 2022 (or "the Original Issuance Date"), on which less than 25% of the authorized number of Series C Preferred Shares are outstanding and the volume-weighted average price of the common shares for the 10 trading days preceding such date exceeds 130% of the conversion price in effect on such date, the Company may elect that all, or a portion of the outstanding Series C Preferred Shares shall mandatorily convert into common shares at a rate equal to the Series C liquidation preference, plus the amount of any accrued and unpaid dividends thereon to and including such date, divided by the conversion price. The conversion price is subject to adjustment for any stock splits, reverse stock splits or stock dividends, and shall also be adjusted to the lowest price of issuance of common stock by the Company for any registered offering following the Original Issuance Date, provided that such adjusted conversion price shall not be less than $0.50 (this conversion price adjustment clause is further analyzed later); 4) Liquidation: Each Series C Preferred Share has a fixed liquidation preference of $25.00 per share; 5) Redemption: The Series C Preferred Shares are not subject to mandatory redemption, and will be redeemable at the Company's option, at any time, on or after the date that is the date immediately following the 15-month anniversary of the issuance date, in whole or in part, at $25.00 per share plus accumulated and unpaid dividends thereon to and including the date of redemption. The Company shall effect any such redemption by paying a) cash or, b) at the Company's election, and provided on the date of the redemption notice less than 25% of the authorized number of Series C are outstanding, shares of common stock valued at the volume-weighted average price of common stock for the last 10 trading days prior to the redemption date. Also, upon the occurrence of a liquidation event, holders of Series C Preferred Shares shall be entitled to receive out liquidating distribution or payment in full redemption of such Series C Preferred Shares in an amount equal to $25.00, plus the amount of any accumulated and unpaid dividends thereon; 6) Rank: The Series C Preferred Shares rank senior to common shares, and on a parity with the Series B Preferred Stock, with respect to dividend distributions and distributions upon any liquidation.

During 2023, a number of 57,490 Series C preferred shares, at the options of their holders, were converted to 1,064,207 common shares, calculated with an adjusted conversion price of $1.36, as discussed later.

For 2023, declared and paid dividends on Series B preferred shares amounted to $55 (or $1.00 per each Series B preferred share). For 2022, declared and paid dividends on Series B preferred shares amounted to $530 (or $0.875 per each Series B preferred share) which represented the dividends calculated for the period from February 2, 2022 (date of issuance of the Series B preferred shares) until December 15, 2022, out of which $411 were dividends paid to Mango for its Series B preferred shares (Note 4). As of December 31, 2023 and 2022, accrued and not paid dividends on the Series B preferred shares amounted to $2 and $7, respectively.

For 2023, declared and paid dividends on the Series C preferred shares amounted to $1,834 (or $1.25 per each Series C preferred share), out of which $1,643 were paid to Mango. For 2022, declared and paid dividends on the Series C preferred shares, which were all held by Mango, amounted to $411 (or $0.3125 per each Series C preferred share) (Note 4), and represented the dividends calculated for the period from September 15, 2022 until December 15, 2022. On December 31, 2023, and 2022, accrued and not paid dividends on the Series C preferred shares, amounted to $74 and $82, respectively (Note 4).

The Company, when assessing the accounting of the Series B preferred stock, has taken into consideration the provisions of ASC 480 "Distinguishing Liabilities from Equity" and ASC 815 "Derivatives and Hedging" and determined that the Series B preferred shares should be classified as permanent equity rather than temporary equity or liability. The preferred stock was measured as of the date of closing of the tender offer, being January 27, 2022, at fair value on a non-recurring basis. Its fair value was determined through Level 3 inputs of the fair value hierarchy as determined by management and amounted to $18,030. The fair value of the preferred stock weighted the probabilities: a) that the Series B are not further exchanged for Preferred C shares, and b) that the Series B are converted to Series C on the applicable conversion date. The fair value of the conversion option embedded in the Series C Preferred Shares was estimated using the Black & Scholes model. Moreover, the Company's valuation used the following assumptions: (a) stated dividend yields for the Series B preferred stock and Series C preferred stock, (b) cost of equity of 11.07%, based on the CAPM theory; (c) expected volatility of 77%, (d) risk free rate of 1.66% determined by management using the applicable 5-year treasury yield as of the measurement date, (e) market value of common stock of $3.09 (which was the current market price as of the date of the fair value measurement) and (f) expected life of convertibility option of the Series C preferred shares to common shares of 4 years. The Company applied moneyness scenarios and determined the aforementioned assumptions of volatility and expected life of the convertibility option, which are considered highly interdependent. The Company's valuation determined that the exchange resulted in an excess value of the Series B preferred shares of $9,271, or $11.68 per preferred share, as compared to the fair value of the common shares exchanged, that was transferred from the common holders to the preferred holders on the measurement date, and that that value represented a deemed dividend to the preferred holders that should be deducted from the net income from continuing operations to arrive to the net income available to common stockholders from continuing operations (Note 11). The fair value of the common shares exchanged on the measurement date of $8,759 was determined through Level 1 inputs of the fair value hierarchy (quoted market price on the date of the exchange).

Accordingly, in its assessment for the accounting of the Series C preferred stock, the Company has taken into consideration the provisions of ASC 480 "Distinguishing Liabilities from Equity" and ASC 815 "Derivatives and Hedging" and determined that the Series C preferred shares should be classified as permanent equity rather than temporary equity or liability. The Series C preferred stock was measured as of the date of their issuance, being October 17, 2022, at fair value on a non-recurring basis. Its fair value was determined through Level 3 inputs of the fair value hierarchy as determined by management and amounted to $26,809. The fair value of the preferred stock was estimated as the sum of two components: a) the "straight" preferred stock component, using the discounted cash flow model, and b) the embedded option component, using the Black & Scholes model. For this assessment, the Company's valuation used the following assumptions: (a) stated dividend yield for the Series C preferred stock, (b) cost of equity of 10.38%, based on the CAPM theory; (c) expected volatility of 89%, (d) risk free rate of 4.23% determined by management using the applicable 5-year treasury yield as of the measurement date, (e) market value of common stock of $0.31 (which was the current market price as of the date of the fair value measurement), and (f) expected life of convertibility option of the Series C preferred shares to common shares of 4 years. The Company applied moneyness scenarios and determined the aforementioned assumptions of volatility and expected life of the convertibility option, which are considered highly interdependent. The Company's valuation determined that the transaction resulted in an excess value of the Series C preferred shares of $6,944, or $5.28 per preferred share, as compared to the sum of the amount of $4,930 (being the carrying value of the amount applied by the Company as a prepayment to the loan facility with Mango) and the carrying value of the Series B preferred shares exchanged, that was transferred from the preferred Series B holders to the preferred Series C holders on the measurement date, and that that value represented a deemed dividend to the preferred Series C holders that should be deducted from the net income to arrive to the net income available to common stockholders (Note 11). The carrying value of the Series B preferred shares exchanged by Mango on the measurement date was $14,935.

As discussed above, the conversion price adjustment clause of the Series C Preferred Shares provides for a reduction in the initial conversion price in case, subsequent to the issuance of the Series C preferred shares, any of the following, among others, happens: a) upon stock dividend, split, or reverse stock split, or b) in case the Company issues equity securities at prices below the conversion price of the Series C preferred shares then in effect. The Company concluded that the feature mentioned in b) above provides protection to investors in promising to give each Series C holder investor the lowest pricing available to any other investors, rather than protecting against true economic dilution, and accordingly, this feature constitutes a down round feature. During 2022, the conversion price has been adjusted from $0.50 to $7.50, after the reverse stock split on November 15, 2022, and was further adjusted to $3.51, following the triggering of the down round feature in December 2022 because of the issuance of common shares through the ATM offering (as discussed below). From January 11, 2023, to January 26, 2023, because of the issuance of common shares through the ATM offering (as discussed below), the conversion price was seven times adjusted, and was gradually reduced to $2.60, and finally, on March 1, 2023, due to the registered direct offering (discussed below) the conversion price was further reduced to $1.36. To measure the effect of the down-round feature the Company performed fair value measurements as determined through Level 3 inputs of the fair value hierarchy by applying the same methodology as per initial fair value measurement for Series C preferred stock. For this assessment the Company updated the Level 3 inputs as follows: (a) expected volatility in a range of 86.83% to 118.14% for the valuation of the instrument on the triggering dates, and (b) expected life of convertibility option of the Series C preferred shares to common shares from 1 to 5 years. The Company applied moneyness scenarios and determined the aforementioned assumptions of volatility and expected life of the convertibility option, which are considered highly interdependent. In this respect, the Company determined an aggregate measurement of the down round feature of $9,809, which was accounted for as a deemed dividend that should be deducted from the net income from continuing operations to arrive to the net income available to common stockholders from continuing operations (Note 11).

The fair values of the Series B and Series C Preferred Shares at their issuance in 2022, as well as the fair value of the Series C Preferred Shares that were assessed on the dates of triggering of the down-round feature as discussed above, were determined through Level 3 of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements, as they are derived by using significant unobservable inputs. Determining the fair value of the preferred stock requires management to make judgments about the valuation methodologies, including the unobservable inputs and other assumptions and estimates, which are significant in the valuation of the preferred stock.

(c) Compensation Cost on Stock Option Awards: On January 1, 2021, the Company granted to its Chief Financial Officer stock options to purchase 8,000 of the Company's common shares as share-based remuneration. The stock options, which were granted pursuant to, and in accordance with, the Company's Equity Incentive Plan, have been approved by the Company's board of directors, and have a term of five years. The exercise prices of the options are as follows: 2,000 shares for an exercise price of $150.00 per share, 1,667 shares for an exercise price of $187.50 per share, 1,333 shares for an exercise price of $225.00 per share, 1,000 shares for an exercise price of $300.00 per share, 1,000 shares for an exercise price of $375.00 per share, and 1,000 shares for an exercise price of $450.00 per share.

In its assessment for the accounting of the stock options awards, the Company has taken into consideration the provisions of ASC 718 "Compensation – Stock Compensation" and determined that these stock options should be classified as equity rather than liability. The award was measured on the grant date, being January 1, 2021, at fair value on a non-recurring basis. Its fair value was determined through Level 3 inputs of the fair value hierarchy as determined by management and amounted to $134. The fair value of the stock option was estimated using the binomial-pricing model with the following assumptions: (a) 6% dividend yield, assumed based on Company's stated dividend policy and existing capital structure, (b) weighted average expected volatility of 75%, (c) risk free rate of 0.36% determined by management using the applicable 5-year treasury yield as of the measurement date, (d) market value of common stock of $4.64 (which was the current market price as of the date of the fair value measurement) and (e) expected life of 5 years as at January 1, 2021. Until December 31, 2023, no stock options were exercised, and in 2021 the full amount of $134 was recognized as compensation cost in General and administrative expenses in the accompanying statements of operations.

(Expressed in thousands of US Dollars – except for share and per share and warrants data, unless otherwise stated)

(d) Compensation Cost on Restricted Common Stock: On December 30, 2020, the Company's Board of Directors approved an amendment to the 2015 Equity Incentive Plan (or the "Plan"), to increase the aggregate number of shares issuable under the plan to 35,922 shares, and further approved 4,481 restricted common shares to be issued on the same date as an award to the Company's directors. The fair value of the award was $320 and was calculated by using the share closing price of December 29, 2020. One fourth of the shares vested on December 30, 2020, and the remainder three fourths vest ratably over three years from the issuance date. As of December 31, 2023, 31,441 restricted common shares remained reserved for issuance under the Plan.

Following the resignation of four of the Company's board members on February 28, 2022, the Company decided to accelerate the vesting of any unvested shares on the date of their resignation as a severance benefit and the Company recognized the corresponding compensation cost during the first quarter of 2022. During 2023, 2022, and 2021 the aggregate compensation cost on restricted stock amounted to $52, $107 and $134, respectively, and is included in General and administrative expenses in the accompanying consolidated statements of operations. As at December 31, 2023 and 2022, the total unrecognized compensation cost relating to restricted share awards was $0 and $52, respectively.

During 2023, 2022 and 2021, the movement of the restricted stock cost was as follows:

	Number of Shares	Weighted Average Grant Date Price
Outstanding at December 31, 2020	6,672	$ 100.65
Granted	-	-
Vested	(4,432)	115.50
Forfeited or expired	-	-
Outstanding at December 31, 2021	2,240	$ 71.40
Granted	-	-
Vested	(1,890)	71.40
Forfeited or expired	-	-
Outstanding at December 31, 2022	350	$ 71.40
Granted	-	-
Vested	(350)	71.40
Forfeited or expired	-	-
Outstanding at December 31, 2023	-	$ -

(e) At The Market ("ATM") Offering: On March 5, 2021, the Company entered into an At The Market Offering Agreement with H.C. Wainwright & Co., LLC (or the "Wainwright ATM"), as sales agent, pursuant to which the Company could offer and sell, from time to time, up to an aggregate of $5,900 of its common shares, par value $0.01 per share. During 2022, a total of 35,128 common shares were issued as part of the Company's Wainwright ATM offering, and the net proceeds received, after deducting underwriting commissions and other expenses, amounted to $1,338. The Company terminated the specific ATM agreement effective August 23, 2022.

Furthermore, on December 9, 2022, the Company entered into an At The Market Offering Agreement with Virtu Americas LLC (or the "Virtu ATM"), as sales agent, pursuant to which the Company could offer and sell, from time to time, up to an aggregate of $30,000 of its common shares, par value $0.01 per share. During 2022, a total of 140,379 common shares were issued as part of the Company's Virtu ATM offering, and the net proceeds received, after deducting underwriting commissions and other expenses, amounted to $450. From January 1, 2023 and up to February 27, 2023, when the Company terminated its Virtu ATM agreement, a total of 224,817 shares of the Company's common stock were issued as part of the Company's ATM offering, and the net proceeds received, after deducting underwriting commissions and other expenses, amounted to $673.

(f) Equity Offerings of 2022: On June 1, 2022, the Company completed its underwritten public offering of 508,000 units at a price of $15.75 per unit. Each unit consists of one common share (or pre-funded warrant in lieu thereof) and one Class A warrant (the "June 2022 Warrants") to purchase one common share and was immediately separated upon issuance. Each Class A warrant was immediately exercisable for one common share at an exercise price of $15.75 per share and has a maturity of five years from issuance and can be either physically settled or through the means of a cashless exercise. The Company may at any time during the term of its warrants reduce the then current exercise price of each warrant to any amount and for any period of time deemed appropriate by the board of directors of the Company, subject to terms disclosed in each warrants' agreements. The warrants also contain a cashless exercise provision, whereby if at the time of exercise, there is no effective registration statement, then the warrants can be exercised by means of a cashless exercise as disclosed in each warrants' agreements. The Class A warrants and the pre-funded warrants do not have any voting, dividend or participation rights, nor do they have any liquidation preferences. The Company had granted the underwriters a 45-day option to purchase up to an additional 76,200 common shares and/or prefunded warrants and/or 76,200 Class A warrants, at the public offering price, less underwriting discounts and commissions. The offering closed on June 1, 2022, and the Company received net proceeds, after underwriting discounts and commissions and expenses, of $7,126 including the partial exercise of the over-allotment option by the underwriters of 59,366 Class A Warrants to purchase up to 59,366 common shares at $0.01 per share.

Furthermore, on July 18, 2022, the Company completed a direct offering of 1,133,333 common shares and warrants to purchase up to 1,133,333 common shares (the "July 2022 Warrants") at a concurrent private placement. The combined effective purchase price for one common share and one warrant to purchase one common share was $5.25. Each warrant is immediately exercisable for one common share at an initial exercise price of $5.25 per share, and will expire in five and a half years from issuance. The offering closed on July 19, 2022, and the Company received net proceeds, after underwriting discounts and commissions and expenses, of approximately $5,271.

The July 2022 Warrants have similar terms to the June Warrants, with the only significant difference being the existence of an exercise price adjustment clause (discussed below), which was assessed by the Company as a down round feature. Following the registered direct offering of August 12, 2022 (discussed below) the July 2022 Warrants' exercise price has been reduced to $4.75, and following the share issuances through the Company's ATM offering in December 2022 (discussed previously), the July 2022 Warrants' exercise price has been reduced to $3.51, according to the terms of the Form of Warrant. Furthermore, from January 11, 2023, to January 26, 2023, the July 2022 Warrant's exercise price was seven times adjusted because of the issuance of common shares through the ATM offering, and was gradually reduced to $2.60, while on March 1, 2023, due to the registered direct offering (discussed below) their exercise price was further reduced to their floor price of $1.65.

Finally, on August 12, 2022, the Company entered into a securities purchase agreement with certain unaffiliated institutional investors to purchase 2,222,222 of its common shares and warrants to purchase 2,222,222 common shares (the "August 2022 Warrants") at a price of $6.75 per common share and accompanying warrant in a registered direct offering. The August Warrants are immediately exercisable, expire five years from the date of issuance, and had an initial exercise price of $6.75 per common share. The offering closed on August 16, 2022, and the Company received net proceeds, after deducting underwriting discounts and commissions and expenses, of approximately $13,707.

The August 2022 Warrants have similar terms to the July 2022 Warrants, including the exercise price adjustment clause that constitutes a down-round feature. Further to the share issuances through the Company's ATM offering in December 2022 (discussed previously), the August 2022 Warrants' exercise price has been reduced to $3.51, according to the terms of the Form of Warrant. Furthermore, from January 11, 2023, to January 26, 2023, the August 2022 Warrant's exercise price was seven times adjusted because of the issuance of common shares through the ATM offering, and was gradually reduced to $2.60, while on March 1, 2023, due to the registered direct offering (discussed below) their exercise price was further reduced to their floor price of $1.65.

During 2023, 100,000 and 100,000 of the July 2022 and August 2022 warrants, respectively, have been exercised by their holders, generating net proceeds of $330 for the Company, while none of the June 2022 warrants had been exercised. During 2022 none of the June 2022, July 2022 and August 2022 warrants had been exercised.

The exercise price adjustment clause of the July 2022 and August 2022 Warrants provides for a reduction in the warrants' initial exercise price in case the company, subsequent to the warrants issuance: a) issues equity securities at prices below the initial exercise price of the July 2022 and August 2022 Warrants, or b) the Company's stock trades below the July 2022 and August 2022 Warrants' exercise price during any of the five trading sessions following the issuance of such equity securities. The Company concluded that the specific feature provides protection to investors in promising to give each warrant holder investor the lowest pricing available to any other investors, rather than protecting against true economic dilution, and accordingly, this feature constitutes a down round feature. Following the Company's registered offering in August 2022, the down round feature of the July 2022 Warrants was triggered. Consequently, the Company measured the value of the effect of the feature as of the August 18, 2022, being the date that the down round feature was triggered and determined an approximate measurement of the down round feature of $22 (Note 13), which was accounted for as a deemed dividend. Moreover, following the ATM offering with Virtu (discussed previously) and the registered Direct Offering of March 2023 (discussed below) during which common shares were issued, the down round features of the July 2022 and August 2022 Warrants were triggered. In this respect, the Company measured the value of the effect of the feature as of the dates that the down round features were triggered, being December 12, 2022 for both the July 2022 and the August 2022 Warrants, and determined an approximate measurement of the down round feature of $192 and $902, respectively, which were accounted for as deemed dividends (Note 13). In 2023, the down round features were triggered on eight different dates, leading to a combined effect of an approximate value of $256 and $533, for the July 2022 and the August 2022 Warrants, respectively, which were accounted for as deemed dividends (Note 13). The deemed dividends resulting from the re-valuation of the July 2022 and August 2022 Warrants are deducted from the net income to arrive to the net income available to common stockholders (Note 11). The fair values of the warrants, that were assessed on the dates of triggering of the down-round features as discussed previously, were determined through Level 3 of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements, as they are derived by using unobservable inputs such as historical volatility.

As of December 31, 2023, the Company had 12,279,676 common shares outstanding, all of the June 2022 warrants were outstanding, and also 1,033,333 of the July 2022 and 2,122,222 of the August 2022 warrants remained outstanding. As of December 31, 2022, the Company had 4,187,588 common shares outstanding and all the June 2022, July 2022 and August 2022 warrants remained outstanding.

(g) Registered Direct Offering of March 2023: On March 3, 2023, the Company completed a registered direct offering of (i) 5,556,000 of its common shares, $0.01 par value per share, (ii) Series A Warrants to purchase up to 3,611,400 common shares and (iii) Series B Warrants to purchase up to 4,167,000 common shares directly to several institutional investors. Each Series A Warrant and each Series B Warrant are immediately exercisable upon issuance for one common share at an exercise price of $2.25 per share and expire five years after the issuance date. Both Series A and Series B Warrants have similar terms with the Class A Warrants, with the only significant difference being the "alternative cashless exercise feature" included in the Series A Warrants. In particular, each Series A Warrant could become exchangeable for one common share beginning on the earlier of 30 days following the closing of the Offering and the date on which the cumulative trading volume of the Company's common shares following the date of entry into a securities purchase agreement with the purchasers in this offering exceeds 15,000,000 shares. The alternative cashless exercise provisions were met on March 7, 2023. The Company concluded that the Series B warrants met the criteria for equity classification while the alternative cashless exercise of the Series A Warrants, precludes the Series A Warrants from being considered indexed to the Company's stock. In this respect, the Company recorded the Series A Warrants as noncurrent liabilities under Fair value of warrants' liability on the accompanying consolidated balance sheet, with subsequent changes in their respective fair values recognized in line "Changes in fair value of warrants' liability" in the accompanying consolidated statement of operations. Estimating fair values of liability-classified financial instruments requires the development of estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in the trading market price of the Company's common stock. Because liability-classified financial instruments are carried at fair value, the Company's financial results will reflect the volatility and changes in these estimates and assumptions. At closing, the Company received proceeds of $11,438, net of placement agent's fees and expenses, which is separately presented in line Issuance of units, common stock and warrants, net of issuance costs in the accompanying consolidated cash flows. As of the date the Company completed the registered direct offering, the Company valued the Series A Warrants using the Black-Scholes model with a fair value of $1.11 per Series A Warrant or $4,009 in aggregate, while the remaining gross proceeds of the offering amounting to $8,492 (net proceeds of $7,769) where allocated to common shares and Series B warrants with the residual value method. Issuance costs of $340 were expensed immediately in a prorated manner, taking into account the portion of the liability recorded at inception included in Interest and finance costs in the accompanying consolidated statements of operations. As of December 31, 2023, the Company received notices of alternative cashless exercises for 3,597,100 Series A Warrants for equal amount of common shares and marked the warrants to their fair value at the settlement date and then settling the warrant liability. As of December 31, 2023, the Company re-valued 14,300 outstanding Series A Warrants using Black-Scholes model with a fair value of $32. The gain of $561 resulting from the change in the fair value of the liability for the unexercised warrants and the settlements of the liability throughout the period was recorded as a change in fair value of the warrant liability and is presented in "Change in fair value of the warrant's liability" in the accompanying consolidated statements of operations and consolidated statements of cash flows. The Series A Warrants fair value as of settlement and measurement dates per discussion above, was determined through Level 2 inputs of the fair value hierarchy as determined by management. The fair value of the Series A Warrants weighted the probability that the Series A Warrants are alternatively cashless exercised for common shares, while the Black & Scholes model was applied under the following assumptions: (a) expected volatility (d) risk free rate (e) market value of common stock of, which was the current market price as of the date of each fair value measurement. Fair value sensitivity is driven by the stock price at the time of valuation and is limited in terms of the other parameters. The aggregate amount of outstanding warrants Series A and Series B as of December 31, 2023, were 14,300 and 4,167,000, respectively.

(Expressed in thousands of US Dollars – except for share and per share and warrants data, unless otherwise stated)

(h) Share Buy-Back Plan: In April 2023, the Company's Board of Directors authorized a share repurchase program (the "April 2023 Repurchase Plan") to purchase up to an aggregate of $2,000 of the Company's common shares. Under the April 2023 Repurchase Plan, the Company repurchased in 2023 a total of 2,222,936 common shares for total gross proceeds of $2,000, successfully completing the April 2023 Repurchase Plan in the third quarter of 2023.

In August 2023, the Company's Board of Directors further authorized a new share repurchase plan (the "August 2023 Repurchase Plan") to repurchase up to $2,000 of the Company's outstanding common shares. Under the August 2023 Repurchase Plan, the Company re-purchased 327,100 common shares for total gross proceeds of $723.

In aggregate, the Company's net proceeds for both the April 2023 and the August 2023 Repurchase Plans were $2,749.

(i) NASDAQ Notification: On April 18, 2023, the Company received written notification from NASDAQ, indicating that because the closing bid price of the Company's common stock for 30 consecutive business days was below the minimum $1.00 per share bid price requirement for continued listing on The NASDAQ Capital Market, the Company was not in compliance with Nasdaq Listing Rule 5550(a)(2). Since then, Staff has determined that for 10 consecutive business days the closing bid price of the Company's common shares has been at $1.00 per share or greater, and thus on August 15, 2023, the Company was notified that it regained compliance with Listing Rule 5550(a)(2).

10. Interest and Finance Costs

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

	2023	2022	2021
Interest expense on bank debt (Note 7)	$ 8,499	$ 3,191	$ 1,596
Interest expense and other fees on related party debt (Note 4)	-	277	-
Amortization of deferred financing costs on bank and related party debt	244	402	143
Other financial expenses	759	-	-
Commitment fees and other	96	96	62
Total	$ 9,598	$ 3,966	$ 1,801

11. Earnings / (Loss) per Share

All common shares issued (including the restricted shares issued under the equity incentive plan, or else) are the Company's common stock and have equal rights to vote and participate in dividends, subject to forfeiture provisions set forth in the applicable award agreements. Unvested shares granted under the Company's incentive plan, or else, are entitled to receive dividends which are not refundable, even if such shares are forfeited, and therefore are considered participating securities for basic and diluted earnings per share calculation purposes. For 2023, 2022 and 2021, the Company paid aggregate dividends amounting to $1,889, $941 and $0 to its Series B and Series C preferred stockholders, while it paid zero dividends to its common stockholders. The calculation of basic earnings/ (loss) per share does not consider the non-vested shares as outstanding until the time-based vesting restrictions have lapsed. The dilutive effect of share-based compensation arrangements and for unexercised warrants that are in-the money, is computed using the treasury stock method, which assumes that the "proceeds" upon exercise of these awards or warrants are used to purchase common shares at the average market price for the period, while the dilutive effect of convertible securities is computed using the "if converted" method. In particular, for the preferred convertible stock that requires the payment of cash by the holder upon conversion, the proceeds assumed to be received shall be assumed to be applied to purchase common stock under the treasury stock method and the convertible security shall be assumed to be converted under the "if-converted" method. For 2023, and 2022 the most dilutive method was the two-class method, considering anti-dilution sequencing as per ASC 260. For 2023, the computation of diluted earnings per share reflects i) the potential dilution from conversion of outstanding preferred convertible stock Series B and C, calculated with the "if converted" method which resulted in 24,596,069 shares, and ii) the potential dilution from the exercise of warrants Series A (either exercised during the period end or outstanding) using the treasury stock method which resulted in 452,286 shares and the deduction of $561, related to the changes in fair value of Series A warrants' liability, from net income attributable to common stockholders. For 2022, the computation of diluted earnings per share reflects the potential dilution from conversion of outstanding preferred convertible stock calculated with the "if converted" method described above and resulted in 4,597,638 shares.

For 2023, securities that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share, because to do so would have anti-dilutive effect, are any incremental shares resulting from the non-vested restricted share awards, Class A warrants and Series B warrants considered to be out of the money, July 2022 and August 2022 warrants that were in the money, but for which no incremental shares were included in the calculation of diluted EPS considering the sequence rules of ASC 260, and the non-exercised stock options calculated with the treasury stock method. For 2022, securities that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share, because to do so would have anti-dilutive effect, are any incremental shares resulting from the non-vested restricted share awards, Class A warrants, July 2022 and August 2022 warrants considered to be out of the money and the non-exercised stock options calculated with the treasury stock method.

For 2023, net income is significantly adjusted by a deemed dividend to the Series C preferred stockholders due to triggering of a down-round feature of $9,809, (Note 9 (b)), by a deemed dividend to the holders of the July and August 2022 Warrants of $789 as a result of triggering of a down-round feature (Note 9 (f)), and also by an amount of $1,889 representing dividends on Series B and Series C Preferred Stock (Note 9 (b)), to arrive at the net income attributable to common equity holders. For 2022, net income / (loss) from continuing operations is significantly adjusted by an amount of $9,271 representing deemed dividends on Series B preferred stock upon exchange of common stock (Note 9 (b)), by an amount of $6,944 representing deemed dividends on Series C preferred stock upon exchange of Series C preferred stock (Note 9 (b)), by a deemed dividend to the Series C preferred stockholders due to triggering of a down-round feature of $5,930, (Note 9 (b)), by a deemed dividend to the holders of the July and August 2022 Warrants of $1,116 as a result of triggering of a down-round feature (Note 9 (f)), and also by an amount of $1,030 representing dividends on Series B and Series C Preferred Stock (Note 9 (b)), to arrive at the net income / (loss) attributable to common equity holders.

(Expressed in thousands of US Dollars – except for share and per share and warrants data, unless otherwise stated)

The following table sets forth the computation for basic and diluted earnings (losses) per share:

	2023		2022		2021	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS	Basic LPS	Diluted LPS
Net income / (loss) from continuing operations	$ 69,413	$ 69,413	$ 36,300	$ 36,300	$ (10,106)	$ (10,106)
less income allocated to participating securities	(2)	(2)	(6)	(2)	-	-
less deemed dividends on Series B preferred stock upon exchange of common stock	-	-	(9,271)	(9,271)	-	-
less deemed dividends on Series C preferred stock upon exchange of Series B preferred stock and re-acquisition of loan due to a related party	-	-	(6,944)	-	-	-
less deemed dividend to the Series C preferred stockholders due to triggering of a down-round feature	(9,809)	-	(5,930)	(5,930)	-	-
less deemed dividend to the July and August warrants' holders due to triggering of a down-round feature	(789)	(789)	(1,116)	(1,116)	-	-
less dividends on preferred stock	(1,889)	(40)	(1,030)	(493)	-	-
less changes in value of warrants' liability	-	(561)	-	-	-	-
Net income / (loss) attributable to common stockholders from continuing operations	56,924	68,021	12,003	19,488	(10,106)	(10,106)
Net income from discontinued operations	-	-	-	-	400	400
Total net income /(loss) attributable to common stockholders	56,924	68,021	12,003	19,488	(9,706)	(9,706)
Weighted average number of common shares, basic	10,491,316	10,491,316	1,850,072	1,850,072	335,086	335,086
Effect of dilutive shares	-	25,048,355	-	4,597,638	-	-
Weighted average number of common shares, diluted	10,491,316	35,539,671	1,850,072	6,447,710	335,086	335,086
Earnings / (Loss) per common share, continuing operations	$ 5.43	$ 1.91	$ 6.49	$ 3.02	$ (30.16)	$ (30.16)
Earnings per common share, discontinued operations	$ -	$ -	$ -	$ -	$ 1.19	$ 1.19
Earnings / (Loss) per common share, total	$ 5.43	$ 1.91	$ 6.49	$ 3.02	$ (28.97)	$ (28.97)

12. Income Taxes

Under the laws of the countries of the companies' incorporation and / or vessels' registration, the companies are not subject to tax on international shipping income; however, they are subject to registration and tonnage taxes, which are included in Vessel operating expenses in the accompanying consolidated statements of operations.

The Company is potentially subject to a four percent U.S. federal income tax on 50% of its gross income derived by its voyages that begin or end in the United States. However, under Section 883 of the Internal Revenue Code of the United States (the "Code"), a corporation is exempt from U.S. federal income taxation on its U.S.-source shipping income if: (a) it is organized in a foreign country that grants an equivalent exemption from tax to corporations organized in the United States (an "equivalent exemption"); and (b) either (i) more than 50% of the value of its common stock is owned, directly or indirectly, by "qualified shareholders,", which is referred to as the "50% Ownership Test," or (ii) its common stock is "primarily and regularly traded on an established securities market" in the United States or in a country that grants an "equivalent exemption", which is referred to as the "Publicly-Traded Test."

The Marshall Islands, the jurisdiction where Performance Shipping Inc. and each of its vessel-owning subsidiaries are incorporated, grant an "equivalent exemption" to U.S. corporations. Therefore, the Company would be exempt from U.S. federal income taxation with respect to its U.S.-source shipping income if either the 50% Ownership Test or the Publicly-Traded Test is met.

Based on the trading and ownership of its stock, the Company believes that it satisfied the 50% Ownership Test for its 2023 taxable year and intends to take this position on its 2023 U.S. federal income tax returns. Therefore, the Company does not expect to have any U.S. federal income tax liability for the year ended December 31, 2023.

13. Financial Instruments and Fair Value Disclosures

The carrying values of temporary cash investments, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. The fair values of long-term bank loans approximate the recorded values, due to their variable interest rates. The fair value of the Series A warrants liability is measured at each reporting period end and at each settlement date using the Black & Scholes model for the valuation of these instruments, as discussed above (Note 9). The Company is exposed to interest rate fluctuations associated with its variable rate borrowings and its objective is to manage the impact of such fluctuations on earnings and cash flows of its borrowings. Currently, the Company does not have any derivative instruments to manage such fluctuations.

During 2023, the Company measured on a non-recurring basis the fair values of the Series C Preferred Shares (as discussed above Note 9 (b)), July 2022 and August 2022 Warrants using Level 3 inputs of the fair value hierarchy, before and after the triggering of the down round features. These valuations resulted:

- in a deemed dividend for the Company's Series C Preferred Shares as of January 11, 2023, of $1,539 (Note 9),
- in a deemed dividend for the Company's Series C Preferred Shares as of January 12, 2023, of $447 (Note 9),
- in a deemed dividend for the Company's Series C Preferred Shares as of January 13, 2023, of $39 (Note 9),
- in a deemed dividend for the Company's Series C Preferred Shares as of January 19, 2023, of $250 (Note 9),
- in a deemed dividend for the Company's Series C Preferred Shares as of January 20, 2023, of $486 (Note 9),
- in a deemed dividend for the Company's Series C Preferred Shares as of January 25, 2023, of $1,486 (Note 9),
- in a deemed dividend for the Company's Series C Preferred Shares as of January 26, 2023, of $171 (Note 9),
- in a deemed dividend for the Company's Series C Preferred Shares as of March 1, 2023, of $5,391 (Note 9).

As of December 31, 2023, the deemed dividend for the Company's July 2022 Warrants and August 2022 Warrants that resulted from the fair value measurement of the down round features of July 2022 and August 2022 Warrants amounted to $256 and $533, respectively, both triggered similarly to Series C Preferred Shares above (Note 9).

The Company recorded gain from the Series A warrants measured on non-recurring basis at settlement dates amounting to $244, and on recurring basis as of each measurement date amounting to $317. The Series A Warrants fair value as of settlement and measurement dates per discussion above (Note 9 (g)), was determined through Level 2 inputs of the fair value hierarchy as determined by management. As of March 31, June 30, September 30 and December 31, 2023, the Company measured on recurring basis the fair value of the outstanding Series A Warrants at each measurement date of 1,021,800, 446,550, 14,300 and 14,300 Series A warrants, respectively, in the amount of $787, $353, $28 and $32, respectively. The Company measured on a non-recurring basis the fair value of Series A Warrants on each of the respective exercise dates as follows (please refer to Note 9(g)):

- on March 7, 2023, 42,900 Series A Warrants in the amount of $37,
- on March 8, 2023, 1,811,550 Series A Warrants in the amount of $1,612,
- on March 9, 2023, 400,400 Series A Warrants in the amount of $340,
- on March 10, 2023, 320,450 Series A Warrants in the amount of $269,
- on March 17, 2023, 14,300 Series A Warrants in the amount of $11,
- on June 15, 2023, 575,250 Series A Warrants in the amount of $420,
- on August 29, 2023, 432,250 Series A Warrants in the amount of $726.

During 2022, the Company measured on a non-recuring basis its newly-issued equity instruments on their appropriate measurement dates, using Level 3 inputs of the fair value hierarchy. These valuations resulted:

- for the Company's Series B Preferred Shares as of January 27, 2022, which was the date of the instrument's issuance, to a fair value of $18,030 (Note 9 (b)),
- for the Company's Series C Preferred Shares as of October 17, 2022, which was the date of the instrument's issuance, to a fair value of $26,809 (Note 9 (b)).

Also, during 2022, the Company measured on a non-recurring basis the fair values of the Series C Preferred Shares, July 2022 and August 2022 Warrants, before and after the triggering of the down round features. These valuations resulted:

- in a deemed dividend for the Company's Series C Preferred Shares as of December 12, 2022, of $5,930 (Note 9 (b)),
- in a deemed dividend for the Company's July 2022 Warrants as of August 18, 2022, of $22 (Note 9 (f)),
- in a deemed dividend for the Company's July 2022 Warrants as of December 12, 2022, of $192 (Note 9 (f)), and
- in a deemed dividend for the Company's August 2022 Warrants as of December 12, 2022, of $902 (Note 9 (f)).

PERFORMANCE SHIPPING INC.
Notes to Consolidated Financial Statements
December 31, 2023
(Expressed in thousands of US Dollars – except for share and per share and warrants data, unless otherwise stated)

14. Subsequent Events

(a) ***Payment of First Instalments for the Construction of Hulls:*** On January 30, 2024, the Company paid an aggregate amount of $19,454, representing the first installments for hulls H1596 and H1597, according to the terms of the shipbuilding contracts (Notes 5 and 8).

(b) ***Dividend Payment to the Series B and Series C Preferred Stockholders:*** On March 15, 2024, the Company paid cash dividends to its Series B and Series C preferred stockholders amounting to $13 (or $0.25 per share) and $446 (or $0.3125 per share), respectively, according to the terms of each preferred stock, out of which $411 were paid to Mango (Note 4).

(c) ***Legal Update:*** On January 29, 2024, the Company filed motions to dismiss the Sphinx lawsuit. Briefing on that motion is currently scheduled to conclude on April 4, 2024 (Note 8).

Exhibit 1.10

ARTICLES OF AMENDMENT
TO THE
AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
PERFORMANCE SHIPPING INC.
PURSUANT TO SECTION 90 OF
THE MARSHALL ISLANDS BUSINESS CORPORATIONS ACT

The undersigned, Andreas Michalopoulos, as the Chief Executive Officer of Performance Shipping Inc., a corporation incorporated under the laws of the Republic of the Marshall Islands (the "Corporation"), for the purpose of amending the Amended and Restated Articles of Incorporation of said Corporation pursuant to Section 90 of the Business Corporations Act, as amended, hereby certifies that:

1. The name of the Corporation is: Performance Shipping Inc.

2. The Articles of Incorporation were filed with the Registrar of Corporations on the 7th day of January, 2010.

3. The Articles of Incorporation were amended and restated in their entirety and filed with the Registrar of Corporations on the 19th day of February, 2010; were further amended and restated in their entirety and filed with the Registrar of Corporations on the 5th day of March, 2010; and were further amended and restated in their entirety and filed with the Registrar of Corporations on the 5th day of April, 2010 (the "Amended and Restated Articles of Incorporation").

4. The Statement of Designations of rights, preferences and privileges of the Corporation's Series A Participating Preferred Stock was filed with the Registrar of Corporations on the 2nd day of August, 2010.

5. Articles of Amendment were filed with the Registrar of Corporations on the 8th day of June, 2016.

6. The Statement of Designations of rights, preferences and privileges of the Corporation's Series B-1 Convertible Preferred Stock was filed with the Registrar of Corporations on the 21st day of March, 2017.

7. The Statement of Designations of rights, preferences and privileges of the Corporation's Series B-2 Convertible Preferred Stock was filed with the Registrar of Corporations on the 21st day of March, 2017.

8. The Statement of Designations of rights, preferences and privileges of the Corporation's Series C Preferred Stock was filed with the Registrar of Corporations on the 30th day of May, 2017.

9. Articles of Amendment were filed with the Registrar of Corporations on the 3rd day of July, 2017.

10. Articles of Amendment were filed with the Registrar of Corporations on the 26th day of July, 2017.

11. Articles of Amendment were filed with the Registrar of Corporations on the 23rd day of August, 2017.

12. Articles of Amendment were filed with the Registrar of Corporations on the 22nd day of September, 2017.

13. Articles of Amendment were filed with the Registrar of Corporations on the 1st day of November, 2017.

14. Articles of Amendment were filed with the Registrar of Corporations on the 25th day of February, 2019.

15. Articles of Amendment were filed with the Registrar of Corporations on the 30th day of October, 2020.

16. The Statement of Designations of rights, preferences and privileges of the Corporation's Series B Convertible Cumulative Perpetual Preferred Stock was filed with the Registrar of Corporations on the 20th day of December, 2021.

17. The Amended and Restated Statement of Designations of rights, preferences and privileges of the Corporation's Series B Convertible Cumulative Perpetual Preferred Stock was filed with the Registrar of Corporations on the 12th day of January, 2022.

18. The Statement of Designations of rights, preferences and privileges of the Corporation's Series C Convertible Cumulative Redeemable Perpetual Preferred Stock was filed with the Registrar of Corporations on the 17th day of October, 2022.

19. Section D of the Amended and Restated Articles of Incorporation is hereby amended by adding the following paragraph to the end of such Section:

"Effective with the commencement of business on November 15, 2022, the Corporation has effected a one-for-fifteen reverse stock split as to its issued common stock, pursuant to which the number of issued shares of common stock shall decrease from 60,728,363 to 4,048,557, as adjusted for the cancellation of fractional shares, and which may be further adjusted for the cancellation of fractional shares. The reverse stock split shall not change the number of registered shares of common stock the Corporation is authorized to issue or the par value of the common stock. The stated capital of the Corporation is hereby reduced from $607,283.63 to $40,485.57, which may be further adjusted for the cancellation of fractional shares and the amount of the reduction in stated capital shall be allocated to surplus."

20. All of the other provisions of the Amended and Restated Articles of Incorporation shall remain unchanged.

21. This amendment to the Amended and Restated Articles of Incorporation was approved by the affirmative vote of a majority of all outstanding shares of the Corporation with a right to vote thereon at the Special Meeting of Shareholders of the Corporation held on November 7, 2022, and by the Corporation's Board of Directors on November 8, 2022.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned has executed this Amendment to the Amended and Restated Articles of Incorporation on this 14th day of November, 2022.

/s/ Andreas Michalopoulos
Name: Andreas Michalopoulos
Title: Chief Executive Officer

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

As of December 31, 2023, Performance Shipping Inc. (the "Company") had two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended:

(1) Common stock, $0.01 par value (the "common shares"); and

(2) Preferred stock purchase rights (the "Preferred Stock Purchase Rights").

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

Please note in this description of securities, "we," "us," "our" and "the Company" all refer to Performance Shipping Inc. and its subsidiaries, unless the context requires otherwise.

Capitalized terms used but not defined herein have the meanings given to them in the Annual Report on Form 20-F of which this Exhibit is a part.

Purpose

Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act, or BCA. Our Third Amended and Restated Articles of Incorporation and Amended and Restated By-Laws, as further amended, do not impose any limitations on the ownership rights of our shareholders.

Authorized Capitalization

Under our amended and restated articles of incorporation, our authorized capital stock consists of 500,000,000 common shares, par value $0.01 per share, of which 12,279,676 shares were issued and outstanding as of December 31, 2023 and March 26, 2024, respectively, and 25,000,000 preferred shares, par value $0.01 per share, of which 50,726 of our Series B Preferred Shares and 1,428,372 of our Series C Preferred Shares were issued and outstanding as of December 31, 2023 and March 26, 2024, respectively.

DESCRIPTION OF COMMON SHARES

The respective number of common shares issued and outstanding as of the last day of the fiscal year for the Annual Report on Form 20-F to which this description is attached or incorporated by reference as an exhibit, is provided on the cover page of such Annual Report on Form 20-F.

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding preferred shares, holders of common shares are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of our preferred shares having liquidation preferences, if any, the holders of our common shares will be entitled to receive pro rata our remaining assets available for distribution. Holders of our common shares do not have conversion, redemption or preemptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of common shares are subject to the rights of the holders of our preferred shares, including our existing classes of preferred shares and any preferred shares we may issue in the future.

Voting Rights

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. At any annual or special general meeting of shareholders where there is a quorum, the affirmative vote of a majority of the votes cast by holders of shares of stock represented at the meeting shall be the act of the shareholders. (Under the Articles of Incorporation, at all meetings of shareholders except otherwise expressly provided by law, there must be present in person or proxy shareholders of record holding at least one third of the shares issued and outstanding and entitled to vote at such meeting in order to constitute a quorum but if less than a quorum is present, a majority of those shares present either in person or by proxy shall have power to adjourn any meeting until a quorum shall be present.)

Our Bylaws do not confer any conversion, redemption or preemptive rights attached to our common shares.

Dividend Rights

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

Liquidation Rights

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

Variation of Rights

Generally, the rights or privileges attached to our common shares may be varied or abrogated by the rights of the holders of our preferred shares, including our existing classes of preferred shares and any preferred shares we may issue in the future.

Limitations on Ownership

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

DESCRIPTION OF PREFERRED SHARES

Our amended and restated articles of incorporation authorize our board of directors to establish one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the preferences and relative, participating, option or other special rights, if any, and any qualifications, limitations or restrictions of such series; and
- the voting rights, if any, of the holders of the series.

Description of the Series B Convertible Cumulative Perpetual Preferred Stock

On December 21, 2021, we offered to exchange up to 271,078 of our then issued and outstanding common shares for newly issued shares of our Series B Convertible Cumulative Perpetual Preferred Stock, par value $0.01 and liquidation preference $25.00 (the "Series B Preferred Shares") at a ratio of 0.28 Series B Preferred Shares for each common share. The offer expired on January 27, 2022 and a total of 188,974 common shares were validly tendered and accepted for exchange in the offer, which resulted in the issuance of 793,657 Series B Preferred Shares.

The authorized number of Series B Preferred Shares was initially 1,200,000 and is currently 457,069 as a result of the cancellation of Series B Preferred Shares following their repurchase or conversion. 50,726 Series B Preferred Shares are currently issued and outstanding.

The following description of the terms of the Series B Preferred Shares is a summary and does not purport to be complete and qualified in its entirety by the provisions of the Amended and Restated Certificate of Designations of the Series B Preferred Shares, dated January 12, 2022, which is incorporated by reference herein.

Voting. The Series B Preferred Shares have no voting rights except as set forth below, as set forth in the Certificate of Designation for the Series B Preferred Shares, or as otherwise provided by Marshall Islands law. Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series B Preferred Shares, voting as a single class, we may not adopt any amendment to our articles of incorporation that materially and adversely alters the preferences, powers or rights of the Series B Preferred Shares. On any matter described above in which the Series B Preferred Shareholders are entitled to vote as a class, whether separately or together with the holders of any Parity Securities, such holders will be entitled to one vote per Series B Preferred Share.

Redemption. The Series B Preferred Shares are redeemable. At any time on or after the date that is the date immediately following the 15-month anniversary of the Original Issue Date of the Series B Preferred Shares, we may redeem, at our option, in whole or in part, the Series B Preferred Shares at a redemption price in cash equal to $25.00 plus any accumulated and unpaid dividends thereon to and including the date of redemption. Any such optional redemption shall be effected only out of funds legally available for such purpose. We may undertake multiple partial redemptions. The Series B Preferred Shares are not subject to mandatory redemption or to any sinking fund requirements.

Liquidation Preference. Upon any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the Series B Preferred Shares will rank (i) senior to (a) common shares and (b) all Junior Securities (as such terms is defined in the Series B Certificate of Designation), (ii) pari passu with the Parity Securities (as such term is defined in the Series B Certificate of Designation), including the Series C Preferred Shares, and (iii) junior to Senior Securities (as such term is defined in the Series B Certificate of Designation). The Series B Preferred Shares shall be entitled to receive a payment equal to $25, plus the amount of any accumulated and unpaid dividends thereon (whether or not such dividends shall have been declared) per Series B Preferred Share, in cash, concurrently with any distribution made to the holders of parity securities and before any distribution shall be made to the holders of common shares or any other junior securities. The Series B Preferred Shares holder has no other rights to distributions upon any liquidation, dissolution or winding up of the Company.

Conversion. Each Series B Preferred Share was convertible, at the option of the holder and for additional cash consideration of $7.50 per converted Series B Preferred Share, into two Series C Preferred Shares. Such Series B Preferred Share conversion right was only exercisable during a 30-day period, such period commencing on the date that is the later of (i) the date that is the date immediately following the one-year anniversary of the Original Issue Date and (ii) the date on which the Company notifies the holders of Series B Preferred Shares that the issuance of Series C Preferred Shares upon exercise of the Series B Conversion Right is covered under an effective registration statement that is filed with the SEC under the Securities Act or the date that the Company notifies the holders of Series B Preferred Shares that it has determined, in its sole discretion, that the issuance of such Series C Preferred Shares is exempt from the registration requirements of the Securities Act (the "Conversion Period"). The Conversion Period expired on March 15, 2023. During the Conversion Period, 85,535 Series B Preferred Shares were converted to 171,070 Series C Preferred Shares.

Dividends. Dividends on each Series B Preferred Share shall be cumulative and shall accrue at a rate equal to 4.00% per annum of the liquidation preference per Series B Preferred Share from the Original Issuance Date. When and if declared, the dividend payment dates for the Series B Preferred Shares shall be each June 15, September 15, December 15 and March 15. At the Company's option, such dividends may be paid in common shares of the Company valued at the volume-weighted average price of the common shares for the 10 trading days prior to the Dividend Payment Date.

Listing. Currently, no market exists for the Series B Preferred Shares, and we do not intend to apply to list the Series B Preferred Shares on any stock exchange or in any trading market.

Description of the Series C Convertible Cumulative Redeemable Perpetual Preferred Stock

On October 17, 2022 (the "Original Issuance Date"), we filed a Certificate of Designation (the "Series C Certificate of Designation") with the Registrar of Corporations of the Republic of the Marshall Islands pursuant to which we established our newly designated Series C Preferred Shares. The authorized number of Series C Preferred Shares is 1,587,314, of which 1,428,372 Series C Preferred Shares are currently issued and outstanding.

The following description of the terms of the Series C Preferred Shares is a summary and does not purport to be complete and is qualified by reference to the Series C Certificate of Designation filed as an exhibit to our Form 6-K filed on October 21, 2022 and incorporated herein by reference.

Voting. Each holder of Series C Preferred Shares is entitled to a number of votes equal to the number of Common Shares into which such holder's Series C Preferred Shares would then be convertible (notwithstanding the requirement that the Series C Preferred Shares are convertible only after six months following the Original Issuance Date), multiplied by 10. Except as set forth in the Series C Certificate of Designation with respect to certain matters requiring the majority vote of the Series C Preferred Shares or as required by law, the holders of Series C Preferred Shares shall vote together as one class with the holders of Common Shares on all matters submitted to a vote of our shareholders.

Redemption. The Series C Preferred Shares are redeemable. The Company has the right at any time, on or after the date that is the date immediately following the 15-month anniversary of the Original Issuance Date, to redeem, at its option, in whole or in part, the Series C Preferred Shares, provided that on the date of any Series C redemption notice, except with respect to any redemption for cash, less than 25% of the authorized number of Series C Preferred Shares are outstanding. The redemption price per Series C Preferred Shares shall be equal to $25.00 plus any accumulated and unpaid dividends thereon to and including the date of redemption, payable in cash or, at the Company's election, Common Shares valued at the volume-weighted average price of the Common Shares for the 10 trading days prior to the date of redemption. The Company may undertake multiple partial redemptions. The Series B Preferred Shares are not subject to mandatory redemption or to any sinking fund requirements.

Liquidation Preference. Upon any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the Series C Preferred Shares will rank (i) senior to (a) common shares and (b) all Junior Securities (as such terms is defined in the Series C Certificate of Designation), (ii) pari passu with the Parity Securities (as such term is defined in the Series C Certificate of Designation), including the Series B Preferred Shares, and (iii) junior to Senior Securities (as such term is defined in the Series C Certificate of Designation). The Series C Preferred Shares shall be entitled to receive a payment equal to $25, plus the amount of any accumulated and unpaid dividends thereon (whether or not such dividends shall have been declared) per Series C Preferred Share, in cash, concurrently with any distribution made to the holders of parity securities and before ay distribution shall be made to the holders of common shares or any other junior securities. The Series C Preferred Shares holder has no other rights to distributions upon any liquidation, dissolution or winding up of the Company.

Conversion. The Series C Preferred Shares are convertible into common shares (i) *at the option of the holder*: in whole or in part, at a rate equal to the Series C liquidation preference, plus the amount of any accrued and unpaid dividends thereon to and including the date of conversion, divided by a conversion price of $1.3576 per common share, subject to adjustment from time to time, or (ii) *mandatorily*: on any date within the Series C Conversion Period on which less than 25% of the authorized number of Series C Preferred Shares are outstanding and the volume-weighted average price of the common shares for the 10 trading days preceding such date exceeds 130% of the conversion price in effect on such date, the Company may elect that all or a portion of the outstanding Series C Preferred Shares shall mandatorily convert into common shares at a rate equal to the Series C liquidation preference, plus the amount of any accrued and unpaid dividends thereon to and including such date, divided by the conversion price. The conversion price is subject to adjustment for any stock splits, reverse stock splits or stock dividends, and shall also be adjusted to the lowest price of issuance of common shares by the Company for any registered offering following the Original Issuance Date, provided that such adjusted conversion price shall not be less than $0.50. Any common shares issued upon conversion of the Series C Preferred Shares will be exempt from registration pursuant to Section 3(a)(9) of the Securities Act.

Dividends. Dividends on each Series C Preferred Share shall be cumulative and shall accrue at a rate equal to 5.00% per annum of the liquidation preference per Series C Preferred Share from the dividend payment date immediately preceding issuance. When and if declared, the dividend payment dates for the Series C Preferred Shares shall be each June 15, September 15, December 15 and March 15. At the Company's option, such dividends may be paid in Common Shares of the Company valued at the volume-weighted average price of the common shares for the 10 trading days prior to the Dividend Payment Date.

Listing. Currently, no market exists for the Series C Preferred Shares, and we do not intend to apply to list the Series C Preferred Shares on any stock exchange or in any trading market.

DESCRIPTION OF PREFERRED STOCK PURCHASE RIGHTS

On December 20, 2021, we entered into a new Stockholders' Rights Agreement, or the Rights Agreement, with Computershare Inc. as Rights Agent. Pursuant to the Rights Agreement, each share of our common stock includes one right, or a Right, that entitles the holder to purchase from us a unit consisting of one one-thousandth of a share of our Series A Participating Preferred Stock at an exercise price of $50.00, subject to specified adjustments. The Rights will separate from the common stock and become exercisable only if a person or group acquires beneficial ownership of 10% or more of our common stock in a transaction not approved by our board of directors. In that situation, each holder of a Right (other than the acquiring person, whose Rights will become void and will not be exercisable) will have the right to purchase, upon payment of the exercise price, a number of shares of our common stock having a then-current market value equal to twice the exercise price. In addition, if we are acquired in a merger or other business combination after an acquiring person acquires 10% or more of our common stock, each holder of the Right will thereafter have the right to purchase, upon payment of the exercise price, a number of shares of common stock of the acquiring person having a then-current market value equal to twice the exercise price. The acquiring person will not be entitled to exercise these Rights. Under the Rights Agreement's terms, it will expire on December 20, 2031.

The Rights may have anti-takeover effects. The Rights will cause substantial dilution to any person or group that attempts to acquire us without the approval of our board of directors. As a result, the overall effect of the Rights may be to render more difficult or discourage any attempt to acquire us. Because our board of directors can approve a redemption of the Rights or a permitted offer, the Rights should not interfere with a merger or other business combination approved by our board of directors.

We have summarized the material terms and conditions of the Rights Agreement and the related Rights below.

Distribution and Transfer of Rights; Rights Certificates

The board of directors has declared a dividend of one Right for each outstanding Common Share. Prior to the Distribution Date referred to below:

- the Rights will be evidenced by and trade with the certificates for the Common Shares (or, with respect to any uncertificated Common Shares registered in book entry form, by notation in book entry), and no separate rights certificates will be distributed;

- new Common Shares certificates issued after the Record Date will contain a legend incorporating the Rights Agreement by reference (for uncertificated Common Shares registered in book entry form, this legend will be contained in a notation in book entry); and

- the surrender for transfer of any certificates for Common Shares (or the surrender for transfer of any uncertificated Common Shares registered in book entry form) will also constitute the transfer of the Rights associated with such Common Shares.

Rights will accompany any new Common Shares that are issued after the Record Date.

Distribution Date

Subject to certain exceptions specified in the Rights Agreement, the Rights will separate from the Common Shares and become exercisable following the earlier of (i) the 10th calendar day (or such later date as may be determined by the board of directors) after the public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of 10% or more of the Common Shares; or (ii) the 10th business day (or such later date as may be determined by the board of directors) after a person or group announces a tender or exchange offer that would result in ownership by a person or group of 10% or more of the Common Shares. For purposes of the Rights Agreement, beneficial ownership is defined to include the ownership of derivative securities.

The date on which the Rights separate from the Common Shares and become exercisable is referred to as the "Distribution Date."

After the Distribution Date, the Company will mail Rights certificates to the Company's stockholders (and in the case of uncertificated shares, by notation in book entry accounts reflecting ownership) as of the close of business on the Distribution Date and the Rights will become transferable apart from the Common Shares. Thereafter, such Rights certificates alone will represent the Rights.

Preferred Shares Purchasable Upon Exercise of Rights

After the Distribution Date, each Right will entitle the holder to purchase, for the Exercise Price, one one-thousandth of a Preferred Share having economic and other terms similar to that of one Common Share. This portion of a Preferred Share is intended to give the stockholder approximately the same dividend, voting and liquidation rights as would one Common Share, and should approximate the value of one Common Share.

More specifically, each one one-thousandth of a Preferred Share, if issued, will, among other things:

- not be redeemable;
- entitle holders to quarterly dividend payments in an amount per share equal to 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in Common Shares or a subdivision of the outstanding Common Shares (by reclassification or otherwise), declared on the Common Shares since the immediately preceding quarterly dividend payment date; and
- entitle holders of Series A Participating Preferred Stock to 1,000 votes on all matters submitted to a vote of the stockholders of the Company.

Flip-In Trigger

If an Acquiring Person obtains beneficial ownership of 10% or more of the Common Shares, *then* each Right will entitle the holder thereof to purchase, for the Exercise Price, a number of Common Shares (or, in certain circumstances, cash, property or other securities of the Company) having a then-current market value of twice the Exercise Price. However, the Rights are not exercisable following the occurrence of the foregoing event until such time as the Rights are no longer redeemable by the Company, as further described below.

Following the occurrence of an event set forth in preceding paragraph, all Rights that are or, under certain circumstances specified in the Rights Agreement, were beneficially owned by an Acquiring Person or certain of its transferees will be null and void.

Flip-Over Trigger

If, after an Acquiring Person obtains 10% or more of the Common Shares, (i) the Company merges into another entity; (ii) an acquiring entity merges into the Company; or (iii) the Company sells or transfers 50% or more of its assets, cash flow or earning power, *then* each Right (except for Rights that have previously been voided as set forth above) will entitle the holder thereof to purchase, for the Exercise Price, a number of shares of common stock of the person engaging in the transaction having a then-current market value of twice the Exercise Price.

Redemption of the Rights

The Rights will be redeemable at the Company's option for $0.01 per Right (payable in cash, Common Shares or other consideration deemed appropriate by the board of directors) at any time on or prior to the 10th business day (or such later date as may be determined by the board of directors) after the public announcement that an Acquiring Person has acquired beneficial ownership of 10% or more of the Common Shares. Immediately upon the action of the board of directors ordering redemption, the Rights will terminate and the only right of the holders of the Rights will be to receive the $0.01 redemption price. The redemption price will be adjusted if the Company undertakes a stock dividend or a stock split.

Exchange Provision

At any time after the date on which an Acquiring Person beneficially owns 10% or more of the Common Shares and prior to the acquisition by the Acquiring Person of 50% of the Common Shares, the board of directors may exchange the Rights (except for Rights that have previously been voided as set forth above), in whole or in part, for Common Shares at an exchange ratio of one Common Share per Right (subject to adjustment). In certain circumstances, the Company may elect to exchange the Rights for cash or other securities of the Company having a value approximately equal to one Common Share.

Expiration of the Rights

The Rights expire on the earliest of (i) 5:00 p.m., New York City time, on December 20, 2031 (unless such date is extended); or (ii) the redemption or exchange of the Rights as described above.

Amendment of Terms of Rights Agreement and Rights

The terms of the Rights and the Rights Agreement may be amended in any respect without the consent of the holders of the Rights on or prior to the Distribution Date. Thereafter, the terms of the Rights and the Rights Agreement may be amended without the consent of the holders of Rights in order to (i) cure any ambiguities; (ii) shorten or lengthen any time period pursuant to the Rights Agreement; or (iii) make changes that do not adversely affect the interests of holders of the Rights (other than an Acquiring Person or an affiliate or associate of an Acquiring Person).

Voting Rights; Other Stockholder Rights

The Rights will not have any voting rights. Until a Right is exercised, the holder thereof, as such, will have no separate rights as stockholder of the Company.

Anti-Dilution Provisions

The board of directors may adjust the Exercise Price, the number of Preferred Shares issuable and the number of outstanding Rights to prevent dilution that may occur from a stock dividend, a stock split or a reclassification of the Preferred Shares or Common Shares.

Taxes

The distribution of Rights should not be taxable for federal income tax purposes. However, following an event that renders the Rights exercisable or upon redemption of the Rights, stockholders may recognize taxable income.

DESCRIPTION OF WARRANTS

Class A Warrants

On June 1, 2022, we completed a public offering of 508,000 units (as adjusted for the one-for-fifteen reverse stock split effective on November 15, 2022), each unit consisting of (i) one common share or a pre-funded warrant to purchase one common share at an exercise price equal to $0.01 per common share, and (ii) one Class A Warrant to purchase one common share at an initial exercise price equal to $15.75 per Common Share (a “Class A Warrant”), at a public offering price of $15.75 per unit.

At the time of the closing, the underwriters exercised and closed on part of their over-allotment option, and purchased Class A Warrants to purchase up to 59,366 common shares.

Class A Warrants to purchase up to 567,366 common shares are currently outstanding.

The following summary of certain terms and provisions of the Class A Warrants is not complete and is subject to, and qualified in its entirety by the provisions of the form of Class A Warrant, which was filed as Exhibit 4.2 to our Current Report on Form 6-K filed with the SEC on June 2, 2022 and is incorporated herein by reference.

Exercisability. The Class A Warrants are exercisable at any time after their original issuance and at any time up to the date that is five years after their original issuance. The Class A Warrants are exercisable, at the option of each holder, in whole or in part by delivering to us a duly executed exercise notice and, at any time a registration statement registering the issuance of the common shares underlying the warrants under the Securities Act is effective and available for the issuance of such shares, by payment in full in immediately available funds for the number of common shares purchased upon such exercise. If a registration statement registering the issuance of the common shares underlying the Class A Warrants under the Securities Act is not effective or available, the holder may, in its sole discretion, elect to exercise the Class A Warrants through a cashless exercise, in which case the holder would receive upon such exercise the net number of common shares determined according to the formula set forth in the warrant. We may be required to pay certain amounts as liquidated damages as specified in the warrants in the event we do not deliver common shares upon exercise of the warrants within the time periods specified in the warrants. No fractional common shares will be issued in connection with the exercise of a warrant.

Exercise Limitation. A holder will not have the right to exercise any portion of the Class A Warrants if the holder (together with its affiliates) would beneficially own in excess of 4.99% (or, upon election by a holder prior to the issuance of any warrants, 9.99%) of the number of shares of our common shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the warrants. However, any holder may increase or decrease such percentage to any other percentage not in excess of 9.99%, upon at least 61 days' prior notice from the holder to us with respect to any increase in such percentage.

Exercise Price. The exercise price for the Class A Warrants per whole common share purchasable upon exercise of the warrants is $15.75. The exercise price and number of common shares issuable on exercise of the Class A Warrants are subject to appropriate adjustments in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our common shares. The exercise price of the Class A Warrants may also be reduced to any amount not less than $7.50 (as adjusted for stock splits, reverse stock splits or stock dividends) and for any period of time at the sole discretion of our board of directors.

Transferability. Subject to applicable laws, the Class A Warrants may be offered for sale, sold, transferred or assigned without our consent.

Exchange Listing. We do not intend to list the Class A Warrants on any securities exchange or other trading market. Without an active trading market, the liquidity of the Class A Warrants will be limited.

Warrant Agent. The Class A Warrants were issued in registered form under a warrant agreement between Computershare Trust Company, N.A., as warrant agent, and us. The warrants shall initially be represented only by one or more global warrants deposited with the warrant agent, as custodian on behalf of The Depository Trust Company (DTC) and registered in the name of Cede & Co., a nominee of DTC, or as otherwise directed by DTC.

Fundamental Transactions. In the event of a fundamental transaction, as described in the Class A Warrants and generally including, with certain exceptions, any reorganization, recapitalization or reclassification of our common shares, the sale, transfer or other disposition of all or substantially all of our properties or assets, our consolidation or merger with or into another person, the acquisition of more than 50% of our outstanding common shares, or any person or group becoming the beneficial owner of 50% of the voting power represented by our outstanding common shares, the holders of the warrants will be entitled to receive upon exercise of the warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the warrants immediately prior to such fundamental transaction. In addition, in the event of a fundamental transaction, we or the successor entity, at the request of a holder of Class A Warrants, will be obligated to purchase any unexercised portion of such Class A Warrants in accordance with the terms of the Class A Warrants.

Rights as a Shareholder. Except as otherwise provided in the warrants or by virtue of such holder's ownership of our common shares, the holder of a Class A Warrant does not have the rights or privileges of a holder of our common shares, including any voting rights, until the holder exercises the warrant.

Governing Law. The Class A Warrants and the warrant agreement are governed by New York law.

July 2022 Warrants

On July 19, 2022, we issued approximately 1,133,333 of our common shares in a registered direct offering concurrently with a private placement of July 2022 Warrants to purchase up to approximately 1,133,333 common shares, each exercisable to purchase one common share for an initial exercise price of $5.25, for a purchase price of $5.25 per common share and Warrant. This private placement transaction was conducted pursuant to a Securities Purchase Agreement dated July 18, 2022.

July 2022 Warrants to purchase up to 1,033,333 common shares are currently outstanding.

The following summary of certain terms and provisions of the July 2022 Warrants is not complete and is subject to, and qualified in its entirety by the provisions of the form of July 2022 Warrant, which was filed as Exhibit 4.3 to our Current Report on Form 6-K filed with the SEC on July 20, 2022 and is incorporated herein by reference.

Exercisability. The exercise price for the July 2022 Warrants per whole common share purchasable upon exercise of the warrants is currently $1.65, as adjusted pursuant to the terms of the July 2022 Warrants subsequent to their issuance. The July 2022 Warrants are exercisable for a period of five and a half years commencing on the date of issuance. The July 2022 Warrants are exercisable, at the option of each holder, in whole or in part by delivering to us a duly executed exercise notice with payment in full in immediately available funds for the number of common shares purchased upon such exercise. If a registration statement registering the resale of the common shares underlying the July 2022 Warrants under the Securities Act is not effective or available at any time after the six month anniversary of the date of issuance of the July 2022 Warrants, the holder may, in its sole discretion, elect to exercise the July 2022 Warrant through a cashless exercise, in which case the holder would receive upon such exercise the net number of common shares determined according to the formula set forth in the Warrant.

Exercise Limitation. A holder will not have the right to exercise any portion of the July 2022 Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% (or, upon election of the holder, 9.99%) of the number of our common shares outstanding immediately after giving effect to the exercise, as such percentage of beneficial ownership is determined in accordance with the terms of the Warrants. However, any holder may increase or decrease such percentage, but not in excess of 9.99%, provided that any increase will not be effective until the 61st day after such election.

Exercise Price Adjustment. The exercise price of the July 2022 Warrants is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our common shares and also upon any distributions of assets, including cash, stock or other property to our stockholders. The exercise price of the July 2022 Warrants may also be reduced to any amount and for any period of time at the sole discretion of our board of directors subject to a floor price of $1.65 (as adjusted for stock splits, reverse stock splits or stock dividends). In addition, the exercise price is also subject to an anti-dilution adjustment if we issue or are deemed to have issued securities at a price lower than the then applicable exercise price, subject to a floor price of $1.65 (as adjusted for stock splits, reverse stock splits or stock dividends).

The Warrants require “buy-in” payments to be made by us for failure to deliver any shares of common stock issuable upon exercise.

Exchange Listing. There is no established trading market for the July 2022 Warrants and we do not expect a market to develop. In addition, we do not intend to apply for the listing of the July 2022 Warrants on any national securities exchange or other trading market.

Fundamental Transactions. If a fundamental transaction occurs, then the successor entity will succeed to, and be substituted for us, and may exercise every right and power that we may exercise and will assume all of our obligations under the July 2022 Warrants with the same effect as if such successor entity had been named in the warrant itself. If holders of our common shares are given a choice as to the securities, cash or property to be received in a fundamental transaction, then the holder shall be given the same choice as to the consideration it receives upon any exercise of the July 2022 Warrant following such fundamental transaction. In addition, the successor entity, at the request of warrant holders, will be obligated to purchase any unexercised portion of the July 2022 Warrants in accordance with the terms of such Warrants.

Rights as a Shareholder. Except as otherwise provided in the July 2022 Warrants or by virtue of such holder’s ownership of our common shares, the holder of a July 2022 Warrant will not have the rights or privileges of a holder of our common shares, including any voting rights, until the issuance of common shares upon exercise of the warrant.

Resale/Registration Rights. We were required to file a registration statement providing for the resale of the common shares issued and issuable upon the exercise of the July 2022 Warrants and to use commercially reasonable efforts to cause such registration to become effective and to keep such registration statement effective at all times until no investor owns any Warrants or shares issuable upon exercise thereof. Such registration statement on Form F-3 (File No. 333-266946) was declared effective on August 29, 2022.

August 2022 Warrants

On August 16, 2022, we issued approximately 2,222,222 of our common shares and August 2022 Warrants to purchase up to approximately 2,222,222 common shares in a registered direct offering, each exercisable to purchase one common share for an initial exercise price of $6.75, for a purchase price of $6.75 per share and August 2022 Warrant. This issuance was conducted pursuant to a Securities Purchase Agreement dated August 12, 2022.

August 2022 Warrants to purchase up to 2,122,222 common shares are currently outstanding.

The following summary of certain terms and provisions of the August 2022 Warrants is not complete and is subject to, and qualified in its entirety by, the provisions of the form of August 2022 Warrant, which was filed as Exhibit 4.3 to our Current Report on Form 6-K filed with the SEC on August 17, 2022 and is incorporated herein by reference.

Exercisability. The exercise price for the August 2022 Warrants per whole common share purchasable upon exercise of the warrants is currently $1.65, as adjusted pursuant to the terms of the August 2022 Warrants subsequent to their issuance. The August 2022 Warrants are exercisable for a period of five years commencing on the date of issuance. The August 2022 Warrants are exercisable, at the option of each holder, in whole or in part by delivering to us a duly executed exercise notice with payment in full in immediately available funds for the number of common shares purchased upon such exercise. If a registration statement registering the resale of the common shares underlying the August 2022 Warrants under the Securities Act is not effective or available at any time after the six month anniversary of the date of issuance of the August 2022 Warrants, the holder may, in its sole discretion, elect to exercise the August 2022 Warrant through a cashless exercise, in which case the holder would receive upon such exercise the net number of common shares determined according to the formula set forth in the Warrant.

Exercise Limitation. A holder will not have the right to exercise any portion of the August 2022 Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% (or, upon election of the holder, 9.99%) of the number of our common shares outstanding immediately after giving effect to the exercise, as such percentage of beneficial ownership is determined in accordance with the terms of the Warrants. However, any holder may increase or decrease such percentage, but not in excess of 9.99%, provided that any increase will not be effective until the 61st day after such election.

Exercise Price Adjustment. The exercise price of the August 2022 Warrants is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our common shares and also upon any distributions of assets, including cash, stock or other property to our stockholders. The exercise price of the August 2022 Warrants may also be reduced to any amount and for any period of time at the sole discretion of our board of directors subject to a floor price of $1.65 (as adjusted for stock splits, reverse stock splits or stock dividends). In addition, the exercise price is also subject to an anti-dilution adjustment if we issue or are deemed to have issued securities at a price lower than the then applicable exercise price, subject to a floor price of $1.65 (as adjusted for stock splits, reverse stock splits or stock dividends).

The Warrants require “buy-in” payments to be made by us for failure to deliver any shares of common stock issuable upon exercise.

Exchange Listing. There is no established trading market for the August 2022 Warrants and we do not expect a market to develop. In addition, we do not intend to apply for the listing of the August 2022 Warrants on any national securities exchange or other trading market.

Fundamental Transactions. If a fundamental transaction occurs, then the successor entity will succeed to, and be substituted for us, and may exercise every right and power that we may exercise and will assume all of our obligations under the August 2022 Warrants with the same effect as if such successor entity had been named in the warrant itself. If holders of our common shares are given a choice as to the securities, cash or property to be received in a fundamental transaction, then the holder shall be given the same choice as to the consideration it receives upon any exercise of the August 2022 Warrant following such fundamental transaction. In addition, the successor entity, at the request of warrant holders, will be obligated to purchase any unexercised portion of the August 2022 Warrants in accordance with the terms of such Warrants.

Rights as a Shareholder. Except as otherwise provided in the August 2022 Warrants or by virtue of such holder's ownership of our common shares, the holder of an August 2022 Warrant will not have the rights or privileges of a holder of our common shares, including any voting rights, until the issuance of common shares upon exercise of the warrant.

Series A Warrants

On March 3, 2023, we issued 5,556,000 of our common shares, Series A Warrants to purchase up to 3,611,400 common shares and Series B Warrants to purchase up to 4,167,000 common shares in a registered direct offering, with each Series A Warrant and Series B Warrant exercisable to purchase one common share for an initial exercise price of $2.25, for a purchase price of $2.25 per share, 0.65 of a Series A Warrant and 0.75 of a Series B Warrant. This issuance was conducted pursuant to a Securities Purchase Agreement dated February 28, 2023.

Series A Warrants to purchase up to 14,300 common shares are currently outstanding.

The following summary of certain terms and provisions of the Series A Warrants is not complete and is subject to, and qualified in its entirety by, the provisions of the form of Series A Warrant, which was filed as Exhibit 4.3 to our Current Report on Form 6-K filed with the SEC on March 3, 2023 and is incorporated herein by reference.

Exercisability. The Series A Warrants are exercisable for a period of five years commencing on the date of issuance. The Series A Warrants will be exercisable, at the option of each holder, in whole or in part by delivering to us a duly executed exercise notice with payment in full in immediately available funds for the number of common shares purchased upon such exercise. If a registration statement registering the issuance of the common shares underlying the Series A Warrants under the Securities Act is not effective or available at any time after the date of issuance of the Series A Warrants, the holder may, in its sole discretion, elect to exercise the Series A Warrants through a cashless exercise, in which case the holder would receive upon such exercise the net number of common shares determined according to the formula set forth in the Series A Warrant.

Exchangeability. Each Series A Warrant is exchangeable for one common share.

Exercise Limitation. A holder will not have the right to exercise any portion of the Series A Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% (or, upon election of the holder, 9.99%) of the number of our common shares outstanding immediately after giving effect to the exercise, as such percentage of beneficial ownership is determined in accordance with the terms of the Series A Warrants. However, any holder may increase or decrease such percentage, but not in excess of 9.99%, provided that any increase will not be effective until the 61st day after such election.

Exercise Price Adjustment. The exercise price of the Series A Warrants is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our common shares and also upon any distributions of assets, including cash, stock or other property to our stockholders. The exercise price of the Series A Warrants may also be reduced to any amount not below $0.11 and for any period of time at the sole discretion of our board of directors.

The Series A Warrants require "buy-in" payments to be made by us for failure to deliver any common shares issuable upon exercise.

Exchange Listing. There is no established trading market for the Series A Warrants and we do not expect a market to develop. In addition, we do not intend to apply for the listing of the Series A Warrants on any national securities exchange or other trading market.

Fundamental Transactions. If a fundamental transaction occurs, then the successor entity will succeed to, and be substituted for us, and may exercise every right and power that we may exercise and will assume all of our obligations under the Series A Warrants with the same effect as if such successor entity had been named in the Series A Warrant itself. If holders of our common shares are given a choice as to the securities, cash or property to be received in a fundamental transaction, then the holder shall be given the same choice as to the consideration it receives upon any exercise of the Series A Warrant following such fundamental transaction. In addition, we or the successor entity, at the request of Series A Warrant holders, will be obligated to purchase any unexercised portion of the Series A Warrants in accordance with the terms of such Series A Warrants.

Rights as a Shareholder. Except as otherwise provided in the Series A Warrants or by virtue of such holder's ownership of our common shares, the holder of a Series A Warrant will not have the rights or privileges of a holder of our common shares, including any voting rights, until the issuance of common shares upon exercise or exchange of the Series A Warrant.

Series B Warrants

On March 3, 2023, we issued 5,556,000 of our common shares, Series A Warrants to purchase up to 3,611,400 common shares and Series B Warrants to purchase up to 4,167,000 common shares in a registered direct offering, with each Series A Warrant and Series B Warrant exercisable to purchase one common share for an initial exercise price of $2.25, for a purchase price of $2.25 per share, 0.65 of a Series A Warrant and 0.75 of a Series B Warrant. This issuance was conducted pursuant to a Securities Purchase Agreement dated February 28, 2023.

Series B Warrants to purchase up to 4,167,000 common shares are currently outstanding.

The following summary of certain terms and provisions of the Series B Warrants is not complete and is subject to, and qualified in its entirety by, the provisions of the form of Series B Warrant, which was filed as Exhibit 4.4 to our Current Report on Form 6-K filed with the SEC on March 3, 2023 and is incorporated herein by reference.

Exercisability. The Series B Warrants are exercisable for a period of five years commencing on the date of issuance. The Series B Warrants will be exercisable, at the option of each holder, in whole or in part by delivering to us a duly executed exercise notice with payment in full in immediately available funds for the number of common shares purchased upon such exercise. If a registration statement registering the issuance of the common shares underlying the Series B Warrants under the Securities Act is not effective or available at any time after the date of issuance of the Series B Warrants, the holder may, in its sole discretion, elect to exercise the Series B Warrants through a cashless exercise, in which case the holder would receive upon such exercise the net number of common shares determined according to the formula set forth in the Series B Warrant.

Exercise Limitation. A holder will not have the right to exercise any portion of the Series B Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% (or, upon election of the holder, 9.99%) of the number of our common shares outstanding immediately after giving effect to the exercise, as such percentage of beneficial ownership is determined in accordance with the terms of the Series B Warrants. However, any holder may increase or decrease such percentage, but not in excess of 9.99%, provided that any increase will not be effective until the 61st day after such election.

Exercise Price Adjustment. The exercise price of the Series B Warrants is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our common shares and also upon any distributions of assets, including cash, stock or other property to our stockholders. The exercise price of the Series B Warrants may also be reduced to any amount not below $0.11 and for any period of time at the sole discretion of our board of directors.

The Series B Warrants require "buy-in" payments to be made by us for failure to deliver any common shares issuable upon exercise.

Exchange Listing. There is no established trading market for the Series B Warrants and we do not expect a market to develop. In addition, we do not intend to apply for the listing of the Series B Warrants on any national securities exchange or other trading market.

Fundamental Transactions. If a fundamental transaction occurs, then the successor entity will succeed to, and be substituted for us, and may exercise every right and power that we may exercise and will assume all of our obligations under the Series B Warrants with the same effect as if such successor entity had been named in the Series B Warrant itself. If holders of our common shares are given a choice as to the securities, cash or property to be received in a fundamental transaction, then the holder shall be given the same choice as to the consideration it receives upon any exercise of the Series B Warrant following such fundamental transaction. In addition, we or the successor entity, at the request of Series B Warrant holders, will be obligated to purchase any unexercised portion of the Series B Warrants in accordance with the terms of such Series B Warrants.

Rights as a Shareholder. Except as otherwise provided in the Series B Warrants or by virtue of such holder's ownership of our common shares, the holder of a Series B Warrant will not have the rights or privileges of a holder of our common shares, including any voting rights, until the issuance of common shares upon exercise of the Series B Warrant.

Directors

Our directors are elected by a plurality of the votes cast by shareholders entitled to vote. There is no provision for cumulative voting.

Our board of directors must consist of at least three members. Our amended and restated articles of incorporation provide that the board of directors may only change the number of directors by a vote of not less than two-thirds of the entire board. Directors are elected annually on a staggered basis, and each shall serve for a three-year term and until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or the earlier termination of his term of office. Our board of directors has the authority to fix the amounts which shall be payable to the members of the board of directors for attendance at any meeting or for services rendered to us.

Shareholder Meetings

Under our amended and restated bylaws, annual shareholder meetings will be held at a time and place selected by our board of directors. The meetings may be held in or outside the Marshall Islands. Special meetings may be called for any purpose or purposes at any time by a majority of our board of directors, the chairman of our board of directors or an officer of the Company who is also a director. Our board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the shareholders that will be eligible to receive notice and vote at the meeting. Shareholders of record holding at least one-third of the shares issued and outstanding and entitled to vote at such meetings, present in person or by proxy, will constitute a quorum at all meetings of shareholders.

Dissenters' Rights of Appraisal and Payment

Under the Marshall Islands Business Corporations Act, or the BCA, our shareholders have the right to dissent from various corporate actions, including any merger or consolidation sale of all or substantially all of our assets not made in the usual course of our business, and receive payment of the fair value of their shares. In the event of any further amendment of our amended and restated articles of incorporation a shareholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting shareholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting shareholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the high court of the Republic of the Marshall Islands or in any appropriate court in any jurisdiction in which the Company's shares are primarily traded on a local or national securities exchange.

Shareholders' Derivative Actions

Under the BCA, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of common stock both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

Limitations on Liability and Indemnification of Officers and Directors

The BCA authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties.

Our amended and restated bylaws provide that certain individuals, including our directors and officers, are entitled to be indemnified by us to the extent authorized by the BCA, if such individuals acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. We shall have the power to pay in advance expenses a director or officer incurred while defending a civil or criminal proceeding, subject to certain conditions. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our amended and restated bylaws may discourage shareholders from bringing a lawsuit against our directors for breach of their fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation against our directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against our directors and officers pursuant to these indemnification provisions.

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

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

Blank Check Preferred Stock

Under the terms of our amended and restated articles of incorporation, our board of directors has authority, without any further vote or action by our shareholders, to issue up to 25,000,000 shares of blank check preferred stock. Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

Classified Board of Directors

Our amended and restated articles of incorporation provide for the division of our board of directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered, three-year terms. Approximately one-third of our board of directors is elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of us. It could also delay shareholders who do not agree with the policies of our board of directors from removing a majority of our board of directors for two years.

Election and Removal of Directors

Our amended and restated articles of incorporation prohibit cumulative voting in the election of directors. Our amended and restated bylaws require parties other than the board of directors to give advance written notice of nominations for the election of directors. Our amended and restated articles of incorporation also provide that our directors may be removed only for cause and only upon the affirmative vote of two-thirds of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Limited Actions by Shareholders

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

Advance Notice Requirements for Shareholder Proposals and Director Nominations

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

Registrar and Transfer Agent

The board of directors has the power and authority to make such rules and regulations as they may deem expedient concerning the issuance, registration and transfer of shares of the Company's stock, and may appoint transfer agents and registrars thereof.

Listing

Our common shares are listed on The Nasdaq Capital Market under the symbol "PSHG."

Comparison of Marshall Island Law to Delaware Law

The following table provides a comparison between some statutory provisions of the Delaware General Company Law and the Marshall Islands Business Corporations Act relating to shareholders' rights.

Marshall Islands	Delaware
Shareholder Meetings	
Held at a time and place as designated in the bylaws.	May be held at such time or place as designated in the certificate of incorporation or the bylaws, or if not so designated, as determined by the board of directors.
Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the articles of incorporation or by the bylaws.	Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws.
May be held within or outside the Marshall Islands.	May be held within or outside Delaware.
Notice:	Notice:
Whenever shareholders are required to take any action at a meeting, written notice of the meeting shall be given which shall state the place, date and hour of the meeting and, unless it is an annual meeting, indicate that it is being issued by or at the direction of the person calling the meeting. Notice of a special meeting shall also state the purpose for which the meeting is called.	Whenever shareholders are required to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any.
A copy of the notice of any meeting shall be given personally, sent by mail or by electronic mail not less than 15 nor more than 60 days before the meeting.	Written notice shall be given not less than 10 nor more than 60 days before the meeting.

Marshall Islands	Delaware
Shareholders' Voting Rights	
Unless otherwise provided in the articles of incorporation, any action required to be taken at a meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by all the shareholders entitled to vote with respect to the subject matter thereof, or if the articles of incorporation so provide, by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.	Any action required to be taken at a meeting of shareholders may be taken without a meeting if a consent for such action is in writing and is signed by shareholders having not fewer than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Any person authorized to vote may authorize another person or persons to act for him by proxy.	Any person authorized to vote may authorize another person or persons to act for him by proxy.
Unless otherwise provided in the articles of incorporation or bylaws, a majority of shares entitled to vote constitutes a quorum. In no event shall a quorum consist of fewer than one-third of the shares entitled to vote at a meeting.	For stock corporations, the certificate of incorporation or bylaws may specify the number of shares required to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum.
When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.	When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.
The articles of incorporation may provide for cumulative voting in the election of directors.	The certificate of incorporation may provide for cumulative voting in the election of directors.
Merger or Consolidation	
Any two or more domestic corporations may merge into a single corporation if approved by the board and if authorized by a majority vote of the holders of outstanding shares at a shareholder meeting.	Any two or more corporations existing under the laws of the state may merge into a single corporation pursuant to a board resolution and upon the majority vote by shareholders of each constituent corporation at an annual or special meeting.
Any sale, lease, exchange or other disposition of all or substantially all the assets of a corporation, if not made in the corporation's usual or regular course of business, once approved by the board, shall be authorized by the affirmative vote of two-thirds of the shares of those entitled to vote at a shareholder meeting.	Every corporation may at any meeting of the board sell, lease or exchange all or substantially all of its property and assets as its board deems expedient and for the best interests of the corporation when so authorized by a resolution adopted by the holders of a majority of the outstanding stock of the corporation entitled to vote.
Any domestic corporation owning at least 90% of the outstanding shares of each class of another domestic corporation may merge such other corporation into itself without the authorization of the shareholders of any corporation.	Any corporation owning at least 90% of the outstanding shares of each class of another corporation may merge the other corporation into itself and assume all of its obligations without the vote or consent of shareholders; however, in case the parent corporation is not the surviving corporation, the proposed merger shall be approved by a majority of the outstanding stock of the parent corporation entitled to vote at a duly called shareholder meeting.
Any mortgage, pledge of or creation of a security interest in all or any part of the corporate property may be authorized without the vote or consent of the shareholders, unless otherwise provided for in the articles of incorporation.	Any mortgage or pledge of a corporation's property and assets may be authorized without the vote or consent of shareholders, except to the extent that the certificate of incorporation otherwise provides.

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

Marshall Islands	Delaware
• Alters or abolishes any preferential right of any outstanding shares having preference; or • Creates, alters, or abolishes any provision or right in respect to the redemption of any outstanding shares; or • Alters or abolishes any preemptive right of such holder to acquire shares or other securities; or • Excludes or limits the right of such holder to vote on any matter, except as such right may be limited by the voting rights given to new shares then being authorized of any existing or new class.	
Shareholder's Derivative Actions	
An action may be brought in the right of a corporation to procure a judgment in its favor, by a holder of shares or of voting trust certificates or of a beneficial interest in such shares or certificates. It shall be made to appear that the plaintiff is such a holder at the time of bringing the action and that he was such a holder at the time of the transaction of which he complains, or that his shares or his interest therein devolved upon him by operation of law.	In any derivative suit instituted by a shareholder of a corporation, it shall be averred in the complaint that the plaintiff was a shareholder of the corporation at the time of the transaction of which he complains or that such shareholder's stock thereafter devolved upon such shareholder by operation of law.
A complaint shall set forth with particularity the efforts of the plaintiff to secure the initiation of such action by the board or the reasons for not making such effort.	Other requirements regarding derivative suits have been created by judicial decision, including that a shareholder may not bring a derivative suit unless he or she first demands that the corporation sue on its own behalf and that demand is refused (unless it is shown that such demand would have been futile).
Such action shall not be discontinued, compromised or settled, without the approval of the High Court of the Republic of the Marshall Islands.	
Reasonable expenses including attorney's fees may be awarded if the action is successful.	
A corporation may require a plaintiff bringing a derivative suit to give security for reasonable expenses if the plaintiff owns less than 5% of any class of outstanding shares or holds voting trust certificates or a beneficial interest in shares representing less than 5% of any class of such shares and the shares, voting trust certificates or beneficial interest of such plaintiff has a fair value of $50,000 or less.	

Exhibit 4.6

a US$20,000,000

Secured Loan Agreement

Dated 4 August 2023

(1) **Taburao Shipping Company Inc.**
Tarawa Shipping Company Inc.
(as Borrowers)

(2) **Performance Shipping Inc.**
(as Original Guarantor)

(3) **The Financial Institutions**
listed in Schedule 1
(as Original Lenders)

(4) **Nordea Bank Abp, filial i Norge**
(as Bookrunner)

(5) **Nordea Bank Abp, filial i Norge**
(as Agent)

(6) **Nordea Bank Abp**
(as Original Hedge Counterparties)

(7) **Nordea Bank Abp, filial i Norge**
(as Security Agent)

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www.shlegal.com

STEPHENSON HARWOOD

Contents

Loan Agreement

Dated 4 August 2023

Between:

(1) **Taburao Shipping Company Inc.** ("**Borrower A**") and **Tarawa Shipping Company Inc.** ("**Borrower B**"), each a company incorporated under the law of the Republic of the Marshall Islands, with its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (together the "**Borrowers**" and each a "**Borrower**") jointly and severally; and

(2) **Performance Shipping Inc.**, a company incorporated under the law of the Republic of the Marshall Islands, with its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the "**Original Guarantor**"); and

(3) **The Financial Institutions** listed in Part I (*The Original Lenders*) of Schedule 1 (*The Parties*), each acting through its Facility Office (together the "**Original Lenders**" and each an "**Original Lender**"); and

(4) **Nordea Bank Abp, filial i Norge**, acting as bookrunner through its office at Essendrops gate 7, N-0368 Oslo, Norway (in that capacity, the "**Bookrunner**"); and

(5) **Nordea Bank Abp, filial i Norge**, acting as agent through its office at Essendrops gate 7, N-0368 Oslo, Norway (in that capacity, the "**Agent**"); and

(6) **The banks or financial institutions** listed in Part II (*The other Finance Parties*) of Schedule 1 (*The Parties*) under the heading of "The Original Hedge Counterparties", acting as hedge counterparty through its office indicated in Part II (*The other Finance Parties*) of Schedule 1 (*The Parties*) under the heading "The Original Hedge Counterparties" (in that capacity, the "**Original Hedge Counterparty**"); and

(7) **Nordea Bank Abp, filial i Norge**, acting as security agent through its office at Essendrops gate 7, N-0368 Oslo, Norway (in that capacity, the "**Security Agent**").

It is agreed as follows:

Section 1 Interpretation

1 Definitions and Interpretation

1.1 **Definitions** In this Agreement:

"**2002 ISDA Master Agreement**" means the 2002 Master Agreement as published by the International Swaps and Derivatives Association, Inc.

"**2018 Withdrawal Act**" means the European Union (Withdrawal) Act 2018.

"**2020 Withdrawal Act**" means the European Union (Withdrawal Agreement) Act 2020.

"**Accession Deed**" means a document substantially in the form set out in Schedule 6 (*Form of Accession Deed*).

"**Account Holder**" means Nordea Bank Abp, filial i Norge, acting through its branch at Essendrops gate 7, N-0368 Oslo, Norway or any other bank or financial institution which at any time, with the Security Agent's prior written consent, holds the Earnings Accounts.

"**Account Security Deed**" means a first priority account security deed in respect of all amounts from time to time standing to the credit of the Earnings Accounts.

"**Additional Guarantor**" means a company which becomes an Additional Guarantor in accordance with Clause 26 (*Changes to the Obligors*).

"**Additional Hedge Counterparty**" means a bank or financial institution which becomes a Hedge Counterparty in accordance with Clause 25.8 (*Additional Hedge Counterparties*).

"**Administration**" has the meaning given to that term in paragraph 1.1.3 of the ISM Code.

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"**Annex VI**" means Annex VI of the Protocol of 1997 (as subsequently amended from time to time) to amend the International Convention for the Prevention of Pollution from Ships 1973 (Marpol), as modified by the Protocol of 1978 relating thereto.

"**Approved Shipbroker**" means each of Clarkson Platou, Fearnleys SSY, Braemar, Arrows, Maersk Broker, Vessels Value Ltd. and any other reputable, independent and first class firm of ship brokers approved in writing by the Agent.

"**Assignments**" means:

(a) first priority deeds of assignment of the Insurances, Earnings and Requisition Compensation of the Vessels from the Borrowers; and

(b) first priority assignments of the Insurances from the Managers contained in the Managers' Undertakings.

"**Assignment Agreement**" means an agreement substantially in the form set out in Schedule 5 (*Form of Assignment Agreement*) or any other form agreed between the relevant assignor and assignee.

"**Authorisation**" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"**Availability Period**" means the period from and including the date of this Agreement to and including the Termination Date.

"**Break Costs**" means:

(a) in relation to Term SOFR Utilisation: the amount (if any) by which:

(i) the interest which a Lender should have received for the period from the date of receipt of all or any part of its participation in the Loan or an Unpaid Sum to the last day of the current Interest Period in respect of the Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

(ii) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period; or

(b) in relation to Compounded SOFR Utilisation: any amount specified as such in the Reference Rate Terms.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in London, Athens, Piraeus, Norway and New York and:

(a) in relation to a Term SOFR Utilisation (in relation to the fixing of an interest rate) which is a US Government Securities Business Day; or

(b) in relation to a Compounded SOFR Utilisation (in relation to (i) any date for payment or purchase of an amount relating to that Utilisation or (ii) the determination of the first day or the last day of any Interest Period for a Utilisation, or otherwise in relation to the determination of the length of such an Interest Period) which is an Additional Business Day for that Utilisation or Unpaid Sum.

"**Cash**" means, at any date of determination under this Agreement, the aggregate value of the Original Guarantor and its Subsidiaries credit balances on any deposit, savings or current account and cash in hand (including, without limitation, short term cash deposits with the Account Holder) to which the Original Guarantor and/or its Subsidiaries (as applicable) have free, immediate and direct access but excluding any such credit balances and cash subject to an Encumbrance (other than Encumbrances in favour of the Finance Parties) at any time.

"**Central Bank Rate**" has the meaning given to that term in the Reference Rate Terms.

"**Central Bank Rate Adjustment**" has the meaning given to that term in the Reference Rate Terms.

"**Cash Equivalents**" means, at any date of determination under this Agreement and the Guarantee, the aggregate value of the Guarantor's Group's:

(a) certificates of deposit of, or overnight bank deposits with, any Lender or any commercial bank whose short-term securities are rated at least A-2 by Standard and Poor's Rating Group and P-3 by Moody's Investor Services, Inc. having maturities of six (6) months or less from the date of acquisition;

(b) commercial paper of, or money market accounts or funds with or issued by, any Lender or by an issuer rated at least A-2 by Standard & Poor's Ratings Group and P-3 by Moody's Investor Services, Inc. and having an original tenor of six (6) months or less; and

(c) medium term fixed or floating rate notes of any Lender or an issuer rated at least AA- by Standard & Poor's Rating Group and/or Aa3 by Moody's Investor Services, Inc. at the time of acquisition and having a remaining term of six (6) months or less from the date of acquisition,

but excluding any of those assets subject to an Encumbrance (other than Encumbrances in favour of the Finance Parties) at any time,

provided that the Original Guarantor and/or its Subsidiaries (as applicable) have free, immediate and direct access.

"**Charters**" means any time or bareboat charter or contract of employment in respect of a Vessel with a duration exceeding (or capable of exceeding) 24 months and "**Charter**" means any of them.

"**Code**" means the US Internal Revenue Code of 1986.

"**Commercial Manager**" means Unitized Ocean Transport Limited a company incorporated under the law of the Republic of the Marshall Islands, with its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 or any other company which the Agent (acting on the instructions of the Majority Lenders) may approve from time to time (such approval not to be unreasonably withheld) as the commercial manager of a Vessel.

"**Commitment**" means:

(a) in relation to an Original Lender, the amount set opposite its name under the heading "Commitment" in Part I (*The Original Lenders*) of Schedule 1 (*The Parties*) and the amount of any other Commitment transferred to it under this Agreement; and

(b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Commitment Fee**" means the commitment fee to be paid by the Borrowers to the Agent under Clause 11.1 (*Commitment Fee*).

"**Compliance Certificate**" means a certificate substantially in the form set out in Schedule 7 (*Form of Compliance Certificate*).

"**Compounded SOFR Utilisation**" means a Utilisation which is not a Term SOFR Utilisation.

"**Compounding Methodology Supplement**" means, in relation to the Cumulative Compounded RFR Rate, a document which:

(a) is agreed in writing by the Borrowers, the Agent (in its own capacity) and the Agent (acting on the instructions of the Majority Lenders);

(b) specifies a calculation methodology for that rate; and

(c) has been made available to the Borrowers and each Finance Party.

"**Confidential Information**" means all information relating to any Obligor, any other member of the Group, the Finance Documents or the Loan of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Loan from either:

(a) any Obligor, any other member of the Group or any of its advisers; or

(b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any Obligor, any other member of the Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(i) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 38 (*Confidentiality*); or

(ii) is identified in writing at the time of delivery as non-confidential by any Obligor, any other member of the Group or any of its advisers; or

(iii) is known by that Finance Party before the date the information is disclosed to it in accordance with (a) or (b) or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with any Obligor or any other member of the Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality; or

(iv) is a Funding Rate.

"**Confidentiality Undertaking**" means a confidentiality undertaking substantially in a recommended form of the Loan Market Association at the relevant time.

"**Corresponding Debt**" means any amount, other than any Parallel Debt, which an Obligor owes to a Finance Party under or in connection with the Finance Documents.

"**CTA**" means the Corporation Tax Act 2009.

"**Cumulative Compounded RFR Rate**" means, in relation to the Interest Period for a Utilisation, the percentage rate per annum determined by the Agent (or by any other Finance Party which agrees to determine that rate in place of the Agent) in accordance with the methodology set out in Schedule 10 (*Cumulative Compounded RFR Rate*) or in any relevant Compounding Methodology Supplement.

"**Daily Rate**" means the rate specified as such in the Reference Rate Terms.

"**DAC6**" means Directive 2011/16/EU (as amended by the Council Directive of 25 May 2018 (2018/822/EU)).

"**Default**" means an Event of Default or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

"**Defaulting Lender**" means any Lender:

(a) which has failed to make its participation in a Utilisation available (or has notified the Agent or the Borrowers (which have notified the Agent) that it will not make its participation in a Utilisation available) by the relevant Utilisation Date in accordance with Clause 5.4 (*Lenders' participation*); or

(b) which has otherwise rescinded or repudiated a Finance Document; or

(c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of (a):

(i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and

payment is made within three Business Days of its due date; or

(ii) the Lender is disputing in good faith whether it is contractually obliged to make the payment in question.

"**Delegate**" means any delegate, agent, attorney or co-trustee appointed by the Security Agent.

"**Disruption Event**" means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Loan (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

"**DOC**" means, in relation to the ISM Company, a valid Document of Compliance issued for the ISM Company by the Administration under paragraph 13.2 of the ISM Code.

"**Earnings**" means all hires, freights, passage moneys, pool income and other sums payable to or for the account of a Borrower in respect of a Vessel including (without limitation) all remuneration for salvage and towage services, demurrage and detention moneys, insurance proceeds, contributions in general average, compensation in respect of any requisition for hire, and damages and other payments (whether awarded by any court or arbitral tribunal or by agreement or otherwise) for breach, termination or variation of any contract for the operation, employment or use of a Vessel.

"**Earnings Accounts**" means the bank accounts opened or to be opened and held in the names of the Borrowers respectively with the Account Holder and each designated an "Earnings Account".

"**Encumbrance**" means a mortgage, charge, assignment, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Environmental Approval**" means any present or future permit, ruling, variance or other Authorisation required under Environmental Laws.

"**Environmental Claim**" means any claim, proceeding, formal notice or investigation by any governmental, judicial or regulatory authority or any other person which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law and, for this purpose, "claim" includes a claim for damages, compensation, contribution, injury, fines, losses and penalties or any other payment of any kind, including in relation to clean-up and removal, whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset.

"**Environmental Incident**" means:

(a) any release, emission, spill or discharge into or upon the air, sea, land or soils (including the seabed) or surface water of Environmentally Sensitive Material within or from a Vessel; or

(b) any incident in which Environmentally Sensitive Material is released, emitted, spilled or discharged into or upon the air, sea, land or soils (including the seabed) or surface water from a vessel other than a Vessel and which involves a collision between a Vessel and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Vessel is actually or potentially liable to be arrested, attached, detained or injuncted and a Vessel, any Obligor, any operator or manager of a Vessel or any combination of them is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released, emitted, spilled or discharged into or upon the air, sea, land or soils (including the seabed) or surface water otherwise than from a Vessel and in connection with which a Vessel is actually or potentially liable to be arrested, attached, detained or injuncted and/or where any Obligor, any operator or manager of a Vessel or any combination of them is at fault or allegedly at fault or otherwise liable to any legal or administrative action, other than in accordance with an Environmental Approval.

"**Environmental Law**" means any present or future law or regulation relating to pollution or protection of human health or the environment, to conditions in the workplace, to the carriage, generation, handling, storage, use, release or spillage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material.

"**Environmentally Sensitive Material**" means all contaminants, oil, oil products, toxic substances and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous.

"**Event of Default**" means any event or circumstance specified as such in Clause 24.1 (*Events of Default*).

"**Existing Loan Agreement**" means the loan agreement dated 24 July 2019, as amended and/or supplemented from time to time, made between inter alios the Original Lenders, as lenders and the Borrowers, as borrowers.

"**Facility Office**" means:

(a) in respect of a Lender, the office or offices notified by that Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement; or

(b) in respect of any other Finance Party, the office in the jurisdiction in which it is resident for tax purposes.

"**Facility Period**" means the period beginning on the date of this Agreement and ending on the date when the whole of the Indebtedness has been paid in full and the Obligors have ceased to be under any further actual or contingent liability to the Finance Parties under or in connection with the Finance Documents.

"**FATCA**" means:

(a) sections 1471 to 1474 of the Code or any associated regulations;

(b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in (a); or

(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in (a) or (b) with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

"**FATCA Application Date**" means:

(a) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014; or

(b) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within (a), the first date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA.

"**FATCA Deduction**" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"**FATCA Exempt Party**" means a Party that is entitled to receive payments free from any FATCA Deduction.

"**Fee Letter**" means any letter or letters dated on or about the date of this Agreement between the Agent, the Borrowers and the Original Guarantor setting out any of the fees referred to in Clause 11 (*Fees*).

"**Finance Documents**" means this Agreement, any Hedging Agreement, the Security Documents, any Accession Deed, any Hedge Counterparty Accession Letter, any Compliance Certificate, any Utilisation Request, the Fee Letter, any Reference Rate Supplement, any Compounding Methodology Supplement any document which is executed for the purpose of establishing any priority or subordination arrangement in relation to the Indebtedness and any other document designated as such by the Agent, the Borrowers and the Original Guarantor, provided that where the term "Finance Document" is used in, and construed for the purposes of, this Agreement, a Hedging Agreement shall not be a Finance Document for the purposes of:

(a) the definitions of "Defaulting Lender" and "Disruption Event";

(b) the definitions of "FATCA Deduction" and "US Tax Obligor" and Clause 12 (*Tax Gross Up and Indemnities*);

(c) the definition of "Unpaid Sum";

(d) Clause 7.4 (*Right of cancellation and prepayment in relation to a single Lender*);

(e) Clause 14 (*Other Indemnities*) except for Clauses 14.2.1(a), 14.2.1(b) and 14.2.2;

(f) Clause 15 (*Mitigation by the Finance Parties*);

(g) Clause 24.2 (*Acceleration*);

(h) Clause 25 (*Changes to the Lenders and Hedge Counterparties*), Schedule 4 (*Form of Transfer Certificate*) and Schedule 5 (*Form of Assignment Agreement*);

(i) Clauses 27.12 (*Lenders' indemnity to the Agent and the Security Agent*), 27.13.9 (*Resignation of the Agent and the Security Agent*) and 27.18 (*Agent's and Security Agent's management time*);

(j) Clauses 31.6 (*No set-off by Obligors*) and 31.8 (*Currency of account*);

(k) Clause 32 (*Set-Off*);

(l) Clause 37 (*Amendments and Waivers*), except for Clause 37.4 (*Changes to reference rates*); and

(m) Clause 40 (*Disclosure of Lender details by Agent*).

"**Finance Parties**" means the Bookrunner, the Agent, the Security Agent, any Hedge Counterparty and the Lenders, provided that where the term "**Finance Party**" is used in, and construed for the purposes of, this Agreement, a Hedge Counterparty shall not be a Finance Party for the purposes of:

(a) Clause 10.4 (*Break Costs*);

(b) Clause 12 (*Tax Gross Up and Indemnities*);

(c) Clause 13 (*Increased Costs*);

(d) Clause 14 (*Other Indemnities*) except for Clauses 14.2.1(a), 14.2.1(b) and 14.2.2;

(e) Clause 15 (*Mitigation by the Finance Parties*);

(f) Clause 25 (*Changes to the Lenders and Hedge Counterparties*) and Schedule 5 (*Form of Assignment Agreement*);

(g) Clause 32 (*Set-Off*); and

(h) Clause 37 (*Amendments and Waivers*).

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed and debit balances at banks or other financial institutions;

(b) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);

(c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract, a liability under which would, in accordance with GAAP, be treated as a balance sheet liability;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account);

(g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of (i) an underlying liability of an entity which is not an Obligor or a member of the Group which liability would fall within one of the other sections of this definition or (ii) any liabilities of any Obligor or any other member of the Group relating to any post-retirement benefit scheme;

(h) any amount raised by the issue of shares which are redeemable (other than at the option of the issuer) before the end of the Facility Period or are otherwise classified as borrowings under GAAP;

(i) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 30 days after the date of supply;

(j) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under GAAP; and

(k) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in (a) to (j).

"**Fleet Market Value**" means in relation to a Fleet Vessel, the market value of such Fleet Vessel determined by a valuation to be provided by the Borrowers and acceptable to the Agent on the basis of a charter-free sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing seller and a willing buyer and at the cost of the Borrowers.

"**Fleet Vessel**" means any vessel (including, but not limited to, the Vessels) from time to time wholly owned by a member of the Group (directly or indirectly) including chartered-in vessels for which a member of the Group has a purchase obligation but excluding, for the avoidance of doubt, any newbuilding vessels not delivered to the relevant member of the Group at the relevant time, and "**Fleet Vessels**" means more than one of them.

"**Funding Rate**" means any individual rate notified by a Lender to the Agent pursuant to Clause 10.3.1(b) (*Cost of funds*).

"**GAAP**" means generally accepted accounting principles in the US, including IFRS.

"**Group**" means the Original Guarantor and each of the Subsidiaries for the time being.

"**Guarantee**" means a guarantee and indemnity in respect of the obligations of each other Obligor granted by each Guarantor and contained in Clause 19 (*Guarantee and Indemnity*).

"**Guarantor**" means an Original Guarantor or an Additional Guarantor, unless it has ceased to be a Guarantor in accordance with Clause 26 (*Changes to the Obligors*).

"**Hedge Break Amount**" means, with respect to any termination or partial termination of a Hedging Agreement and as of any date of determination thereof, an amount calculated in relation to such Hedging Agreement then in effect as is or would be payable pursuant to section 6(e) of such Hedging Agreement in respect of such termination or partial termination of such Hedging Agreement only, as if a Borrower was the only Affected Party (as defined in such Hedging Agreement).

"**Hedge Breakage Gain**" means the absolute value of the Hedge Break Amount if such Hedge Break Amount is a negative number.

"**Hedge Breakage Loss**" means the Hedge Break Amount if such Hedge Break Amount is a positive number.

"**Hedge Counterparty**" means an Original Hedge Counterparty or an Additional Hedge Counterparty.

"**Hedge Counterparty Accession Letter**" means a document substantially in the form set out in Schedule 8 (*Form of Hedge Counterparty Accession Letter*).

"**Hedge Reduction Proceeds**" means any Hedge Breakage Gain payable to a Borrower as a result of a reduction in the notional amount of one or more transactions under any Hedging Agreement to which it is a party in connection with a prepayment or cancellation under Clause 7 (*Illegality, Prepayment and Cancellation*).

"**Hedging Agreement**" means any master agreement, confirmation, transaction, schedule or other agreement entered into or to be entered into by a Borrower with a Hedge Counterparty for the purpose of hedging interest payable under this Agreement.

"**Hedging Close-Out Liabilities**" means, as at the relevant determination date, the aggregate of the net amounts in dollars which would be payable by a Borrower under each Hedging Agreement to which it is a party if all Hedging Agreements were terminated or closed out on such date, as certified by the Hedge Counterparties in respect of the Hedging Agreements to which they are party. To the extent that a net amount would be payable by a Hedge Counterparty if a Hedging Agreement were terminated or closed out on such date, the net amount payable by a Borrower in respect of such Hedging Agreement shall be deemed to be zero.

"**Hedging Force Majeure**" means in relation to a Hedging Agreement which is based on the 2002 ISDA Master Agreement, an Illegality or Tax Event, Tax Event Upon Merger or a Force Majeure Event (each as defined in the 2002 ISDA Master Agreement).

"**Hedging Security Deeds**" means first priority deeds of assignment of the Hedging Agreements from the Borrowers.

"**Holding Company**" means, in relation to a person, any other person in respect of which it is a Subsidiary.

"**IAPPC**" means a valid international air pollution prevention certificate for a Vessel issued under Annex VI.

"**Identity Letter**" means a letter addressed to the Agent identifying the shareholder of the Original Guarantor.

"**IEEC**" means a valid international energy efficiency certificate for a Vessel issued under Annex VI.

"**IFRS**" means international accounting standards within the meaning of the IAS Regulation 1606/2002 and/or section 474(1) of the Companies Act 2006 to the extent applicable to the relevant financial statements.

"**Indebtedness**" means the aggregate from time to time of: the amount of the Loan outstanding; all accrued and unpaid interest on the Loan; and all other sums of any nature (together with all accrued and unpaid interest on any of those sums) payable to any of the Finance Parties under all or any of the Finance Documents.

"**Insolvency Event**" in relation to an entity means that the entity:

(a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);

(b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;

(c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;

(d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;

(e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in (d) and:

(i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or

(ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;

(f) has exercised in respect of it one or more of the stabilisation powers pursuant to Part 1 of the Banking Act 2009 and/or has instituted against it a bank insolvency proceeding pursuant to Part 2 of the Banking Act 2009 or a bank administration proceeding pursuant to Part 3 of the Banking Act 2009;

(g) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(h) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (other than, for so long as it is required by law or regulation not to be publicly disclosed, any such appointment which is to be made, or is made, by a person or entity described in (d));

(i) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;

(j) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (a) to (h); or

(k) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

"**Insurances**" means all policies and contracts of insurance (including all entries in protection and indemnity or war risks associations) which are from time to time taken out or entered into in respect of or in connection with a Vessel or her increased value or her Earnings and (where the context permits) all benefits under such contracts and policies, including all claims of any nature and returns of premium.

"**Interest Payment**" means the aggregate amount of interest that is, or is scheduled to become, payable under any Finance Document (excluding always any Hedging Agreement or any Hedge Counterparty Accession Letter).

"**Interest Payment Date**" means each date for the payment of interest in accordance with Clause 8.3 (*Payment of interest*).

"**Interest Period**" means each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.5 (*Default interest*).

"**ISM Code**" means the International Management Code for the Safe Operation of Ships and for Pollution Prevention.

"**ISM Company**" means, at any given time, the company responsible for a Vessel's compliance with the ISM Code under paragraph 1.1.2 of the ISM Code.

"**ISPS Code**" means the International Ship and Port Facility Security Code.

"**ISSC**" means a valid international ship security certificate for a Vessel issued under the ISPS Code.

"**ITA**" means the Income Tax Act 2007.

"**Joint Venture**" means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity.

"**Legal Opinion**" means any legal opinion delivered to the Agent under Clause 4 (*Conditions of Utilisation*).

"**Legal Reservations**" means:

(a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;

(b) the time barring of claims under the Limitation Acts, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of United Kingdom stamp duty may be void and defences of set-off or counterclaim;

(c) similar principles, rights and defences under the laws of any Relevant Jurisdiction; and

(d) any other matters which are set out as qualifications or reservations as to matters of law of general application in the Legal Opinions.

"**Lender**" means:

(a) any Original Lender; and

(b) any bank, financial institution, trust, fund or other entity which has become a Party as a Lender in accordance with Clause 25 (*Changes to the Lenders and Hedge Counterparties*),

which in each case has not ceased to be a Party as such in accordance with the terms of this Agreement.

"**Limitation Acts**" means the Limitation Act 1980 and the Foreign Limitation Periods Act 1984.

"**Loan**" means the aggregate amount advanced or to be advanced by the Lenders to the Borrowers under Clause 2 (*The Loan*) or, where the context permits, the principal amount advanced and for the time being outstanding.

"**Lookback Period**" means the number of days specified as such in the Reference Rate Terms.

"**Majority Lenders**" means a Lender or Lenders whose Commitments aggregate more than $66^{2}/_{3}$% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than $66^{2}/_{3}$% of the Total Commitments immediately prior to the reduction).

"**Management Agreements**" means:

(a) the agreements for the commercial management of the Vessels entered or to be entered into between the Borrowers respectively and the Commercial Manager; and

(b) the agreements for the technical management of the Vessels entered or to be entered into between the Borrowers respectively and the Technical Manager.

"**Managers**" means:

(a) in relation to the commercial management of the Vessels, the Commercial Manager; and

(b) in relation to the technical management of the Vessels, the Technical Manager.

"**Managers' Undertakings**" means written undertakings of the Managers in form and substance acceptable to the Agent.

"**Margin**" means 2.50 % per annum.

"**Market Disruption Rate**" means the Reference Rate.

"**Market Value**" means the value of a Vessel or any other vessel over which additional security has been created or which is being offered as additional security in accordance with Clause 18 (*Additional Security*) conclusively determined by an Approved Shipbroker selected by the Borrowers, and appointed by and reporting to, the Agent on the basis of a charter-free sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing seller and a willing buyer and evidenced by a valuation of that Vessel or vessel addressed to the Agent certifying a value for that Vessel or vessel and, where two valuations have been obtained, such value shall be the arithmetic average of two (2) valuations (in form and substance acceptable to the Agent) of that Vessel addressed to the Agent certifying the value for that Vessel.

"**Material Adverse Effect**" means in the reasonable opinion of the Majority Lenders a material adverse effect on:

(a) the business, operations, property, condition (financial or otherwise) or prospects of any Obligor or the Group taken as a whole; or

(b) the ability of any Obligor to perform its obligations under any Finance Document; or

(c) the validity or enforceability of, or the effectiveness or ranking of any Encumbrance granted or purporting to be granted pursuant to any of, the Finance Documents or the rights or remedies of any Finance Party under any of the Finance Documents.

"**Maximum Loan Amount**" means the lesser of (a) $20,000,000 and (b) a sum which, when added to the aggregate amount of the Utilisations advanced and outstanding from time to time, equals 45% of the aggregate Market Value of the Vessels in respect of which Utilisations have been advanced as evidenced by the valuations received by the Agent under Clause 4.1 (*Initial conditions precedent*) reduced from time to time in accordance with Clause 5.6 (*Reduction of Maximum Loan Amount*) and/or Clause 7.1.3 (*Illegality*) and/or Clause 7.5 (*Mandatory prepayment on sale or Total Loss*) and/or Clause 10.3 (*Cost of funds*).

"**MDR**" means the International Tax Enforcement (Disclosable Arrangements) Regulations 2023 SI 2023 No. 38.

"**Month**" means, in relation to an Interest Period (or any other period for the accrual of commission or fees) a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

(a) (subject to (c) below) if the numerically corresponding day in the calendar month in which that period is to end is not a Business Day, that period shall end on the next Business Day in that calendar month if there is one or, if there is not, on the immediately preceding Business Day;

(b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and

(c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will only apply to the last Month of any period.

"**Mortgages**" means first preferred mortgages over the Vessels.

"**New Lender**" has the meaning given to that term in Clause 25.1 (*Assignments and transfers by the Lenders*).

"**Non-Consenting Lender**" has the meaning given to that term in Clause 37.6.4 (*Replacement of Lender*).

"**Obligor**" means each Borrower, each Guarantor, the Managers or any other person who may at any time during the Facility Period be liable for, or provide security for, all or any part of the Indebtedness.

"**Operating Expenses**" means expenses properly and reasonably incurred by a Borrower in connection with the operation, employment, maintenance, repair and insurance of a Vessel.

"**Original Guarantor's Shareholder**" means the person or persons identified in the Identity Letter.

"**Original Financial Statements**" means the audited consolidated financial statements of the Original Guarantor for the financial year ended 31 December 2022.

"**Original Jurisdiction**" means, in relation to an Obligor, the jurisdiction under whose laws that Obligor is incorporated as at the date of this Agreement or, in the case of an Additional Guarantor, as at the date on which that Additional Guarantor becomes Party as a Guarantor.

"**Overseas Regulations**" has the meaning given to that term in Clause 20.1.27 (*Overseas companies*).

"**Parallel Debt**" means any amount which an Obligor owes to the Security Agent under Clause 27.14 (*Parallel Debt (Covenant to pay the Security Agent)*) or under that Clause as incorporated by reference or in full in any other Finance Document.

"**Party**" means a party to this Agreement.

"**Permitted Disposal**" means any sale, lease, licence, transfer or other disposal:

(a) of assets in exchange for other assets comparable or superior as to type, value and quality (other than an exchange of a non-cash asset for cash);

(b) of obsolete or redundant equipment for cash;

(c) arising as a result of any Permitted Encumbrance; and

(d) of a Vessel in accordance with this Agreement.

"**Permitted Encumbrance**" means:

(a) any Transaction Encumbrance;

(b) any Encumbrance which has the prior written approval of the Agent;

(c) any Encumbrance arising by operation of law and in the ordinary course of trading and not as a result of any default or omission by an Obligor; or

(d) any Quasi-Security arising as a result of a disposal which is a Permitted Disposal.

"**Prepayment Date**" has the meaning given to that term in Clause 7.5.1.

"**Prohibited Person**" means any person (whether designated by name or by reason of being included in a class of persons) against whom Sanctions are directed.

"**Quasi-Security**" has the meaning given to that term in Clause 23.9 (*Negative pledge*).

"**Quotation Day**" means, in relation to a Term SOFR Utilisation, in relation to any period for which an interest rate is to be determined: two US Government Securities Business Days before the first day of that period (unless market practice differs in the relevant syndicated loan market, in which case the Quotation Day will be determined by the Agent in accordance with that market practice (and if quotations would normally be given on more than one day, the Quotation Day will be the last of those days)).

"**Receiver**" means a receiver or receiver and manager or administrative receiver of the whole or any part of the Security Assets.

"**Reduction Date**" means each date falling at consecutive intervals of three (3) Months after the first Utilisation Date.

"**Reference Rate**" means:

(a) in relation to a Term SOFR Utilisation, in relation to any Utilisation:

(i) the applicable Term SOFR as of the Quotation Day and for a period equal in length to the Interest Period for that Utilisation; or

(ii) as otherwise determined pursuant to Clause 10.1 (*Unavailability of Term SOFR*),

and if, in either case, that rate is less than zero, the Reference Rate shall be deemed to be zero; and

(b) in relation to Compounded SOFR Utilisation, in relation to any Interest Period of a Utilisation, the percentage rate per annum which is the Cumulative Compounded RFR Rate for that Interest Period.

"**Reference Rate Supplement**" means a document which:

(a) is agreed in writing by the Borrowers and the Agent (acting on the instructions of the Majority Lenders);

(b) specifies the relevant terms which are expressed in this Agreement to be determined by reference to Reference Rate Terms; and

(c) has been made available to the Borrowers and each Finance Party.

"**Reference Rate Terms**" means the terms set out in Schedule 9 (*Reference Rate Terms*) or in any Reference Rate Supplement.

"**Related Fund**" in relation to a fund (the "**first fund**"), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

"**Relevant Documents**" means the Finance Documents, the Management Agreements, the Managers' Undertakings, each Obligor's constitutional documents.

"**Relevant Jurisdiction**" means, in relation to an Obligor:

(a) its Original Jurisdiction;

(b) any jurisdiction where any asset (other than a Vessel) subject to or intended to be subject to a Security Document to be executed by it is situated;

(c) any jurisdiction where it conducts its business; and

(d) the jurisdiction whose laws govern the perfection of any of the Security Documents entered into by it.

"**Relevant Market**" means the market specified as such in the Reference Rate Terms.

"**Repeating Representations**" means each of the representations set out in Clause 20.1.1 (*Status*) to Clause 20.1.6 (*Governing law and enforcement*), Clause 20.1.10 (*No default*) to Clause 20.1.19 (*Pari passu ranking*), Clause 20.1.23 (*No immunity*), Clause 20.1.24 (*Money laundering*), Clause 20.1.27 (*Overseas companies*) and Clause 20.1.26 (*Valuations*).

"**Representative**" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

"**Requisition Compensation**" means all compensation or other money which may from time to time be payable to a Borrower as a result of a Vessel being requisitioned for title or in any other way compulsorily acquired (other than by way of requisition for hire).

"**RFR**" means the rate specified as such in the Reference Rate Terms.

"**RFR Banking Day**" means any day specified as such in the Reference Rate Terms.

"**Sanctions**" means any sanctions, embargoes, freezing provisions, prohibitions or other restrictions relating to trading, doing business, investment, exporting, financing or making assets available (or other activities similar to or connected with any of the foregoing):

(a) imposed by law or regulation of the United Kingdom, the Council of the European Union, the United Nations or its Security Council or the United States of America, whether or not any Obligor, any other member of the Group or any Affiliate is legally bound to comply with the foregoing; or

(b) otherwise imposed by any law or regulation by which any Obligor, any other member of the Group or any Affiliate of any of them is bound or, as regards a regulation, compliance with which is reasonable in the ordinary course of business of any Obligor, any other member of the Group or any Affiliate of any of them.

"**Sanctions Event**" means:

(a) a breach by an Obligor of any obligations under Clause 23.26 (*Sanctions*); or

(b) an Obligor is or becomes a Prohibited Person.

"**Secured Parties**" means each Finance Party from time to time party to this Agreement and any Receiver or Delegate.

"**Security Assets**" means all of the assets of the Obligors which from time to time are, or are expressed to be, the subject of the Transaction Encumbrances.

"**Security Documents**" means the Mortgages, the Assignments, each Guarantee, the Account Security Deed, the Managers' Undertakings, the Hedging Security Deeds or (where the context permits) any one or more of them, and any other agreement or document which may at any time be executed by any person as security for the payment of all or any part of the Indebtedness.

"**Security Property**" means:

(a) the Transaction Encumbrances expressed to be granted in favour of the Security Agent as trustee for the Secured Parties and all proceeds of such Transaction Encumbrances;

(b) all obligations expressed to be undertaken by an Obligor to pay amounts in respect of the Indebtedness to the Security Agent as trustee for the Secured Parties and secured by the Transaction Encumbrances together with all representations and warranties expressed to be given by an Obligor or any other person in favour of the Security Agent as trustee for the Secured Parties; and

(c) any other amounts or property, whether rights, entitlements, choses in action or otherwise, actual or contingent, which the Security Agent is required by the terms of the Finance Documents to hold as trustee on trust for the Secured Parties.

"**SMC**" means a valid safety management certificate issued for a Vessel by or on behalf of the Administration under paragraph 13.7 of the ISM Code.

"**SOFR**" means the secured overnight financing rate (SOFR) administered by the Federal Reserve Bank of New York (or any other person which takes over the administration of that rate) published (before any correction, recalculation or republication by the administrator) by the Federal Reserve Bank of New York (or any other person which takes over the publication of that rate).

"**Subsidiary**" means a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"**Technical Manager**" means Unitized Ocean Transport Limited a company incorporated under the law of the Republic of the Marshall Islands, with its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 or any other company which the Agent (acting on the instructions of the Majority Lenders) may approve from time to time (such approval not to be unreasonably withheld) as the technical manager of a Vessel.

"**Term SOFR**" means the Term SOFR reference rate administered by CME Group Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant period published (before any correction, recalculation or republication by the administrator) by CME Group Benchmark Administration Limited (or any other person which takes over the publication of that rate).

"**Term SOFR Utilisation**" has the meaning given to it in Clause 8.1 *(Calculation of interest – Term SOFR Utilisation*).

"**Termination Date**" means the date falling five (5) years from the signing date of this Agreement.

"**Total Commitments**" means the aggregate of the Commitments.

"**Total Debt**" means, at any time during the Facility Period, the aggregate amount of the Financial Indebtedness all the members of the Group at that time as shown in the Original Guarantor's latest financial statements delivered to the Agent pursuant to Clause 21.1 (*Financial statements*).

"**Total Loss**" means:

(a) an actual, constructive, arranged, agreed or compromised total loss of a Vessel; or

(b) the requisition for title or compulsory acquisition of a Vessel by any government or other competent authority (other than by way of requisition for hire); or

(c) the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture of a Vessel (not falling within (b)), unless that Vessel is released and returned to the possession of the relevant Borrower or the Charterer within 30 days after the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture in question.

"**Total Loss Date**" means, in relation to the Total Loss of a Vessel:

(a) in the case of an actual loss of that Vessel, the date on which it occurred or, if that is unknown, the date when that Vessel was last heard of;

(b) in the case of a constructive, arranged, agreed or compromised Total Loss of that Vessel, the earlier of:

(i) the date on which a notice of abandonment is given (or deemed or agreed to be given) to the insurers; and

(ii) the date of any compromise, arrangement or agreement made by or on behalf of the relevant Borrower with that Vessel's insurers in which the insurers agree to treat that Vessel as a Total Loss; and

(c) in the case of any other type of Total Loss, the date (or the most likely date) on which it appears to the Agent (acting reasonably) that the event constituting the Total Loss occurred.

"**Transaction Encumbrances**" means the Encumbrances created or evidenced or expressed to be created or evidenced under the Security Documents.

"**Transfer Certificate**" means a certificate substantially in the form set out in Schedule 4 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Borrowers.

"**Transfer Date**" means, in relation to an assignment or a transfer, the later of:

(a) the proposed Transfer Date specified in the relevant Assignment Agreement or Transfer Certificate; and

(b) the date on which the Agent executes the relevant Assignment Agreement or Transfer Certificate.

"**Treasury Transactions**" means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price.

"**Unpaid Sum**" means any sum due and payable but unpaid by any Obligor under the Finance Documents.

"**US**" means the United States of America.

"**US Government Securities Business Day**" means a day other than:

(a) a Saturday or Sunday; and

(b) a day on which the Securities Industry and Financial Markets Association (or any successor organisation) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in US Government securities.

"US Tax Obligor" means:

(a) a Borrower which is resident for tax purposes in the US; or

(b) an Obligor some or all of whose payments under the Finance Documents are from sources within the US for US federal income tax purposes.

"**Utilisation**" means any one amount advanced or to be advanced pursuant to a Utilisation Request or, where the context permits, the amount advanced and for the time being outstanding.

"**Utilisation Date**" means the date on which the relevant Utilisation is advanced under Clause 5 (*Advance*).

"**Utilisation Request**" means a notice substantially in the form set out in Schedule 3 (*Utilisation Request*).

"**Value Adjusted Equity Ratio**" means the amount of the Original Guarantor's total shareholders' equity as reflected in the most recent Accounting Information adjusted by the difference between the Fleet Market Value and the book value of the Fleet Vessels divided by market value adjusted total assets, as evidenced by the latest financial statements.

"**VAT**" means:

(a) any value added tax imposed by the Value Added Tax Act 1994;

(b) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and

(c) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (b), or imposed elsewhere.

"**Vessels**" means the following vessels, and everything now or in the future belonging to them on board and ashore, currently registered under the respective flags set out below in the ownership of the respective Borrowers set out below:

Name of Vessel	IMO no	Flag	Year Built	Borrower	
"BLUE MOON"	9524994	Republic of the Marshall Islands	2011	Borrower A	"**Vessel A**"
"BRIOLETTE"	9524982	Republic of the Marshall Islands	2011	Borrower B	"**Vessel B**"

"**VTL Coverage**" has the meaning given to that term in Clause 18.1 (*VTL Coverage*).

"**Working Capital**" means the consolidated current assets minus the consolidated current liabilities (next year's instalment on long-term debt and subordinated shareholder loans shall be excluded from the current liabilities).

1.2 **Construction** Unless a contrary indication appears, any reference in this Agreement to:

1.2.1 any "**Lender**", any "**Borrower**", any "**Obligor**", any "**Guarantor**", the "**Bookrunner**", the "**Agent**", any "**Hedge Counterparty**", any "**Secured Party**", the "**Security Agent**", any "**Finance Party**" or any "**Party**" shall be construed so as to include its successors in title, permitted assignees and permitted transferees to, or of, its rights and/or obligations under the Finance Documents;

1.2.2 "**assets**" includes present and future properties, revenues and rights of every description;

1.2.3 Lender's "**cost of funds**" in relation to its participation in a Utilisation is a reference to the average cost (determined either on an actual or a notional basis) which that Lender would incur if it were to fund, from whatever source(s) it may reasonably select, an amount equal to the amount of that participation in that Utilisation for a period equal in length to the Interest Period of that Utilisation;

1.2.4 a "**Finance Document**", a "**Security Document**", a "**Relevant Document**" or any other agreement or instrument is a reference to that Finance Document, Security Document, Relevant Document or other agreement or instrument as amended, novated, supplemented, extended or restated from time to time;

1.2.5 a "**group of Lenders**" includes all the Lenders;

1.2.6 "**guarantee**" means (other than in Clause 19 (*Guarantee and Indemnity*)) any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any person or to make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order to maintain or assist the ability of such person to meet its indebtedness;

1.2.7 "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

1.2.8 a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality);

1.2.9 a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;

1.2.10 a provision of law is a reference to that provision as amended or re-enacted from time to time; and

1.2.11 a time of day (unless otherwise specified) is a reference to London time.

1.3 **Rate for a period equal in length** The determination of the extent to which a rate is "**for a period equal in length**" to an Interest Period shall disregard any inconsistency arising from the last day of that Interest Period being determined pursuant to the terms of this Agreement.

1.4 **Headings** Section, Clause and Schedule headings are for ease of reference only.

1.5 **Defined terms** Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

1.6 **Default** A Default (other than an Event of Default) is "continuing" if it has not been remedied or waived and an Event of Default is "continuing" if it has not been remedied or waived.

1.7 **Reference to a page or screen** A reference in this Agreement to a page or screen of an information service displaying a rate shall include:

1.7.1 any replacement page of that information service which displays that rate; and

1.7.2 the appropriate page of such other information service which displays that rate from time to time in place of that information service,

and, if such page or service ceases to be available, shall include any other page or service displaying that rate specified by the Agent after consultation with the Borrowers.

1.8 **Reference to a Central Bank Rate** A reference in this Agreement to a Central Bank Rate shall include any successor rate to, or replacement rate for, that rate.

1.9 **Reference Rate Supplement** Any Reference Rate Supplement overrides anything in:

1.9.1 Schedule 9 (*Reference Rate Terms*); or

1.9.2 any earlier Reference Rate Supplement.

1.10 **Compounding Methodology Supplement** A Compounding Methodology Supplement relating to the Cumulative Compounded RFR Rate overrides anything relating to that rate in:

1.10.1 Schedule 10 (*Cumulative Compounded RFR Rate*), as the case may be;

1.10.2 any earlier Compounding Methodology Supplement.

1.11 **Currency symbols and definitions** "**$**", "**USD**" and "**dollars**" denote the lawful currency of the United States of America.

1.12 **Third party rights**

1.12.1 Unless expressly provided to the contrary in a Finance Document a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or to enjoy the benefit of any term of this Agreement.

1.12.2 Notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

1.12.3 Any Receiver, Delegate or any person described in Clause 27.11.2 (*Exclusion of liability*) may, subject to this Clause 1.12 and the Third Parties Act, rely on any Clause of this Agreement which expressly confers rights on it.

1.13 **Offer letter** This Agreement supersedes the terms and conditions contained in any correspondence relating to the subject matter of this Agreement exchanged between any Finance Party and the Borrowers or their representatives before the date of this Agreement.

1.14 **Contractual recognition of bail-in**

1.14.1 In this Clause 1.14:

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

"**Bail-In Action**" means the exercise of any Write-down and Conversion Powers.

"**Bail-In Legislation**" means:

(a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 BRRD, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time;

(b) in relation to the United Kingdom, the UK Bail-In Legislation; and

(c) in relation to any state other than such an EEA Member Country and the United Kingdom, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

"**EEA Member Country**" means any member state of the European Union, Iceland, Liechtenstein and Norway.

"**EU Bail-In Legislation Schedule**" means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

"**Resolution Authority**" means any body which has authority to exercise any Write-down and Conversion Powers.

"**UK Bail-In Legislation**" means Part I of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings).

"**Write-down and Conversion Powers**" means:

(a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule;

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

(c) in relation to any other applicable Bail-In Legislation:

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

(ii) any similar or analogous powers under that Bail-In Legislation.

1.14.2 Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

(a) any Bail-In Action in relation to any such liability, including (without limitation):

(i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;

(ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and

(iii) a cancellation of any such liability; and

(b) a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

1.15 **Sanctions**

1.15.1 In this Clause 1.15:

"**Restricted Lender**" means a Lender that notifies the Agent to the effect that the Sanctions Provisions will apply for its benefit according to this Clause 1.15.

"**Sanctions Provisions**" means the representations and warranties given in Clause 20.1.25 (*Sanctions*) and the undertakings given in Clause 23.26 (*Sanctions*).

1.15.2 The Sanctions Provisions shall only apply for the benefit of a Lender to the extent that the making, the receiving of the benefit of and/or, where applicable, the repetition of these representations and warranties, and the compliance with these undertakings do not result in a violation of or conflict with:

(a) any provision of Council Regulation (EC) 2271/1996 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom;

(b) if applicable, any provision of Council Regulation (EC) 2271/1996 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom (as it forms part of the domestic law of the United Kingdom by virtue of the 2018 Withdrawal Act) and any provisions of the Sanctions and Anti-Money Laundering Act 2018;

(c) if applicable, section 7 of the German Foreign Trade Regulation (*Außenwirtschaftsverordnung*) (in conjunction with section 4 paragraph 1 of No.3 foreign trade law (AWG) (*Außenwirtschaftsgesetz*)); or

(d) any similar applicable anti-boycott law or regulation.

1.15.3 In connection with any amendment, waiver, determination or direction relating to any part of a Sanctions Provision of which a Restricted Lender does not have the benefit pursuant to this Clause 1.15, the Commitments of that Restricted Lender will be excluded for the purpose of determining whether the consent of the relevant Lenders has been obtained or whether the determination or direction by the relevant Lenders has been made.

1.15.4 Any amendment, waiver, determination or direction relating to any part of this Clause 1.15 will be subject to the consent of each Restricted Lender.

Section 2 The Loan

2 The Loan

2.1 **Amount** Subject to the terms of this Agreement, the Lenders agree to make available to the Borrowers on a joint and several basis a revolving credit in an aggregate amount not exceeding the Maximum Loan Amount at any one time.

2.2 **Finance Parties' rights and obligations**

2.2.1 The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

2.2.2 The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor is a separate and independent debt in respect of which a Finance Party shall be entitled to enforce its rights in accordance with Clause 2.2.3. The rights of each Finance Party include any debt owing to that Finance Party under the Finance Documents and, for the avoidance of doubt, any part of the Loan or any other amount owed by an Obligor which relates to a Finance Party's participation in the Loan or its role under a Finance Document (including any such amount payable to the Agent on its behalf) is a debt owing to that Finance Party by that Obligor.

2.2.3 A Finance Party may, except as specifically provided in the Finance Documents, separately enforce its rights under or in connection with the Finance Documents.

3 Purposes

3.1 **Purposes** The Borrowers shall apply the Loan first towards payment of the existing indebtedness in respect of each Vessel under the Existing Loan Agreement and second towards payment of their general corporate and working capital requirements.

3.2 **Monitoring** No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4 Conditions of Utilisation

4.1 **Initial conditions precedent**

4.1.1 The Finance Parties will only enter into this Agreement if, on or before the date of this Agreement, the Agent has received all of the documents and other evidence listed in Part I (*Initial Conditions Precedent*) of Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Agent.

4.1.2 The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) in relation to the advance of a Utilisation if, on or before the relevant Utilisation Date, the Agent has received all of the documents and other evidence listed in Part II (*Initial Utilisation Conditions precedent*) of Schedule 2 (*Conditions Precedent and Subsequent*) in relation to the first Utilisation or Part III (*Subsequent Utilisation Conditions precedent*) of Schedule 2 (*Conditions Precedent and Subsequent*) in relation to a Utilisation other than the first Utilisation in form and substance satisfactory to the Agent. The Agent shall notify the Borrowers and the Lenders promptly upon being so satisfied.

4.1.3 Other than to the extent that the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in Clause 4.1.1, the Lenders authorise (but do not require) the Agent to give that notification. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

4.2 **Further conditions precedent** The Lenders will only be obliged to advance a Utilisation if on the date of the relevant Utilisation Request and on the proposed Utilisation Date:

4.2.1 no Default is continuing or would result from the advance of that Utilisation; and

4.2.2 the representations made by each Borrower and each Guarantor under Clause 20 (*Representations*) are true.

4.3 **Conditions subsequent** The Borrowers undertake to deliver or to cause to be delivered to the Agent within the earlier of:

4.3.1 the time limits set out in Part IV (*Conditions subsequent*) of Schedule 2 (*Conditions Precedent and Subsequent*); and

4.3.2 15 days after each Utilisation Date,

the documents and other evidence listed in Part IV (*Conditions subsequent*) of Schedule 2 (*Conditions Precedent and Subsequent*).

4.4 **No waiver** If the Lenders agree to advance a Utilisation to the Borrowers before all of the documents and evidence required by Clause 4.1 (*Initial conditions precedent*) have been delivered to or to the order of the Agent, the Borrowers undertake to deliver all outstanding documents and evidence to or to the order of the Agent no later than 30 days after the relevant Utilisation Date or such other date specified by the Agent (acting on the instructions of all the Lenders).

The advance of a Utilisation under this Clause 4.4 shall not be taken as a waiver of the Lenders' right to require production of all the documents and evidence required by Clause 4.1 (*Initial conditions precedent*).

4.5 **Form and content** All documents and evidence delivered to the Agent under this Clause shall:

4.5.1 be in form and substance acceptable to the Agent; and

4.5.2 if required by the Agent, be certified, notarised, legalised or attested in a manner acceptable to the Agent.

4.6 **Vessel specified** References in Schedule 2 (*Conditions Precedent and Subsequent*) to "the Vessel" or to any person, document or date relating to a Vessel shall be deemed to relate solely to the Vessel specified in the relevant Utilisation Request or to any person, document or date relating to that Vessel respectively.

Section 3 Utilisation

5 Advance

5.1 **Delivery of a Utilisation Request** The Borrowers may request a Utilisation to be advanced by delivery to the Agent of a duly completed Utilisation Request not more than ten Business Days before the proposed Utilisation Date and not later than 11.00 am (London time) three Business Days before the proposed Utilisation Date.

5.2 **Completion of a Utilisation Request** A Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

5.2.1 it is signed by an authorised signatory of each Borrower;

5.2.2 the proposed Utilisation Date is a Business Day within the Availability Period; and

5.2.3 the proposed Interest Period complies with Clause 9 (*Interest Periods*).

5.3 **Currency and amount** The currency specified in a Utilisation Request must be dollars.

5.4 **Lenders' participation**

5.4.1 Subject to Clauses 2 (*The Loan*), 3 (*Purpose*) and 4 (*Conditions of Utilisation*), each Lender shall make its participation in any Utilisation available by the relevant Utilisation Date through its Facility Office.

5.4.2 The amount of each Lender's participation in any Utilisation will be equal to the proportion borne by its Commitment to the Total Commitments.

5.5 **Utilisation limit** The Lenders will only be obliged to advance a Utilisation if:

5.5.1 no other Utilisation has been made on the same Business Day;

5.5.2 that Utilisation will not result in there being more than 4 (four) Utilisations outstanding at any one time;

5.5.3 that Utilisation is not less than $1,000,000; and

5.5.4 that Utilisation will not increase the outstanding amount of the Loan to a sum in excess of the Maximum Loan Amount.

5.6 **Reduction of Maximum Loan Amount** The Maximum Loan Amount:

5.6.1 shall be reduced on each Reduction Date by $833,332; and

5.6.2 may (in addition to any reduction under Clause 5.6.1) be voluntarily reduced by the Borrowers by $833,332 or an integral multiple of that amount with effect from any Business Day by written notice to the Agent given not fewer than 30 days prior to that Business Day, which notice shall be irrevocable.

5.7 **Cancellation of Commitment** The Total Commitments shall be cancelled at the end of the Availability Period to the extent that they are unutilised at that time.

Section 4 Repayment, Prepayment and Cancellation

6 Repayment

6.1 **Repayment of each Utilisation** The Borrowers shall repay each Utilisation on the last day of the Interest Period in respect of that Utilisation.

6.2 **Application of new Utilisations** Without prejudice to the Borrowers' obligation under Clause 6.1 (*Repayment of each Utilisation*), if:

6.2.1 one or more Utilisations are to be made available to the Borrowers:

(a) on the same day that a maturing Utilisation is due to be repaid by the Borrowers; and

(b) in whole or in part for the purpose of refinancing the maturing Utilisation; and

6.2.2 the proportion borne by each Lender's participation in the maturing Utilisation to the amount of that maturing Utilisation is the same as the proportion borne by that Lender's participation in the new Utilisations to the aggregate amount of those new Utilisations,

the aggregate amount of the new Utilisations shall, unless the Borrowers notify the Agent to the contrary in the relevant Utilisation Request, be treated as if applied in or towards repayment of the maturing Utilisation so that:

(a) if the amount of the maturing Utilisation exceeds the aggregate amount of the new Utilisations:

(i) the Borrowers will only be required to make a payment under Clause 31.1 (*Payments to the Agent*) in an amount in the relevant currency equal to that excess; and

(ii) each Lender's participation in the new Utilisations shall be treated as having been made available and applied by the Borrowers in or towards repayment of that Lender's participation in the maturing Utilisation and that Lender will not be required to make a payment under Clause 31.1 (*Payments to the Agent*) in respect of its participation in the new Utilisation; and

(b) if the amount of the maturing Utilisation is equal to or less than the aggregate amount of the new Utilisations:

(i) the Borrowers will not be required to make a payment under Clause 31.1 (*Payments to the Agent*); and

(ii) each Lender will be required to make a payment under Clause 31.1 (*Payments to the Agent*) in respect of its participation in the new Utilisations only to the extent that its participation in the new Utilisations exceeds that Lender's participation in the maturing Utilisation and the remainder of that Lender's participation in the new Utilisations shall be treated as having been made available and applied by the Borrowers in or towards repayment of that Lender's participation in the maturing Utilisation.

6.3 **Reborrowing** Amounts of the Loan which are repaid or prepaid shall be available for reborrowing in accordance with Clause 4 (*Conditions of Utilisation*) prior to the end of the Availability Period.

7 Illegality, Prepayment and Cancellation

7.1 **Illegality** If in any applicable jurisdiction it becomes unlawful (other than by reason of Sanctions) for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in the Loan or it becomes unlawful for any Affiliate of a Lender for that Lender to do so:

7.1.1 that Lender shall promptly notify the Agent upon becoming aware of that event;

7.1.2 upon the Agent notifying the Borrowers, the Commitment of that Lender will be immediately cancelled; and

7.1.3 to the extent that the Lender's participation has not been transferred pursuant to Clause 37.6 (*Replacement of Lender*), the Borrowers shall repay that Lender's participation in any Utilisation on the last day of its current Interest Period or, if earlier, the date specified by that Lender in the notice delivered to the Agent and notified by the Agent to the Borrowers (being no earlier than the last day of any applicable grace period permitted by law) and the Maximum Loan Amount shall be reduced by the amount of that Lender's Commitment in the Loan.

7.2 **Voluntary cancellation** The Borrowers may, if they give the Agent not less than three (3) Business Days' (or such shorter period as the Majority Lenders may agree) prior written notice, cancel the whole or any part (being a minimum amount of $416,666) of the undrawn amount of the Loan. Any cancellation under this Clause 7.2 shall reduce the Commitments of the Lenders rateably.

7.3 **Voluntary prepayment of Utilisations**

7.3.1 The Borrowers may prepay the whole or any part of a Utilisation (but, if in part, being an amount that reduces that Utilisation by a minimum amount of $416,666 an amount which is an integral multiple of $416,666) subject the following condition: they give the Agent not less than three (3) RFR Banking Days' (or such shorter period as the Majority Lenders and the Agent may agree) prior written notice.

7.3.2 If a Borrower fully prepays the Utilisations that correspond to the Indebtedness of that Borrower for the relevant Vessel, the relevant Vessel's mortgage shall be discharged, and the respective Borrower and the respective Managers shall be released from all obligations under this Agreement and the relevant Manager's Undertaking(s), provided that: (a) no Event of Default has occurred and (b) the aggregate Market Value of the remaining Vessel is at least 135% of the outstanding Utilisations following such prepayment.

7.4 **Right of cancellation and prepayment in relation to a single Lender**

7.4.1 If:

(a) any sum payable to any Lender by an Obligor is required to be increased under Clause 12.2.3 (*Tax gross-up*); or

(b) any Lender claims indemnification from a Borrower or a Guarantor under Clause 12.3 (*Tax indemnity*) or Clause 13.1 (*Increased costs*),

the Borrowers may, while the circumstance giving rise to the requirement for that increase or indemnification continues, give the Agent notice of cancellation of the Commitment(s) of that Lender and their intention to procure the repayment of that Lender's participation in each Utilisation.

7.4.2 On receipt of a notice referred to in Clause 7.4.1 in relation to a Lender, the Commitment(s) of that Lender shall be immediately reduced to zero.

7.4.3 On the last day of the Interest Period in respect of each Utilisation which ends after the Borrowers have given notice under Clause 7.4.1 in relation to a Lender (or, if earlier, the date specified by the Borrowers in that notice), the Borrowers shall repay that Lender's participation in that Utilisation together with all interest and other amounts accrued under the Finance Documents.

7.5 **Mandatory prepayment on sale or Total Loss**

7.5.1 In this Agreement, "**Prepayment Date**" means:

(a) in the case of the sale of a Vessel, the time at and date on which the sale is completed; and

(b) in the case of a Total Loss of a Vessel, the earlier of (i) the date falling 120 days after the Total Loss Date and (ii) the date on which the proceeds of any such Total Loss are realised.

7.5.2 If a Vessel is sold by a Borrower or becomes a Total Loss:

(a) on the relevant Prepayment Date the Maximum Loan Amount shall be reduced by an amount equivalent to the same proportion of the Loan then outstanding as the Market Value of that Vessel bears to the aggregate of the Market Value of all the Vessels and the value of any additional security for the time being provided under Clause 18.1 (*Additional security*) (such values to be determined in accordance with Clause 18.1 (*Additional security*));

(b) the Borrowers shall, simultaneously with that reduction, prepay one or more outstanding Utilisations to the extent required to ensure that the aggregate amount of the Utilisations outstanding does not exceed the reduced Maximum Loan Amount; and

(c) the Borrowers shall on the relevant Prepayment Date pay any additional amount that is required to ensure that the Borrowers remain in compliance with the VTL Coverage as calculated on the relevant Prepayment Date and excluding, for the purpose of this calculation, the Vessel sold or that has become a Total Loss.

7.5.3 For the purpose of Clause 7.5.2, the determination of the VTL Coverage will be based on:

(a) the last valuations of the remaining Vessels obtained by the Agent pursuant to Clause 18.2 (*Provision of valuations*); or

(b) if such last valuations predate the relevant Prepayment Date by more than three months, new valuations to be obtained by the Agent pursuant to Clause 18.2 (*Provision of valuations*) on or before the relevant Prepayment Date.

7.6 **Application of Hedge Reduction Proceeds** Any Hedge Reduction Proceeds arising as a result of any prepayment or cancellation of a Utilisation under this Clause 7 (*Illegality, Prepayment and Cancellation*) shall be applied on the final day of the Interest Period for that Utilisation in or towards repayment of that Utilisation.

7.7 **Mandatory prepayment on reduction of Maximum Loan Amount** If the Maximum Loan Amount is reduced in accordance with Clause 5.6 (*Reduction of Maximum Loan Amount*) to an amount which is less than the aggregate amount of the Utilisations then outstanding, the Borrowers shall, simultaneously with that reduction, prepay one or more outstanding Utilisations to the extent required to ensure that the aggregate amount of the Utilisations outstanding does not exceed the reduced Maximum Loan Amount.

7.8 **Right of cancellation in relation to a Defaulting Lender** If any Lender becomes a Defaulting Lender, the Borrowers may, at any time while the Lender continues to be a Defaulting Lender, give the Agent 30 Business Days' notice of cancellation of the Commitment of that Lender. On that notice becoming effective, the Commitment of the Defaulting Lender shall be immediately reduced to zero. The Agent shall as soon as practicable after receipt of that notice notify all the Lenders.

7.9 **Mandatory Prepayment - Change of Control**

If:

7.9.1 the Original Guarantor's Shareholder or any company controlled directly or indirectly by the Original Guarantor's Shareholder ceases to hold directly (legally and beneficially) at least 15 per cent of the issued share capital and voting rights on the Original Guarantor;

7.9.2 without the prior written consent of the Agent (acting on the instructions of all the Lenders) any person or group of persons acting in concert have the right or the ability to control, either directly or indirectly, the affairs or composition of the majority of the board of directors of the Original Guarantor or acquires 1/3 or more of the voting and/or common shares in the Original Guarantor other than:

(a) the Original Guarantor's Shareholder; or

(b) any company controlled directly or indirectly by the Original Guarantor's Shareholder; or

7.9.3 the Original Guarantor ceases to be the sole shareholder of any Borrower,

then:

(a) the Borrowers shall promptly notify the Agent upon becoming aware of that event; and

(b) subject to:

(i) any Lender so requiring (such a Lender, an "**Outgoing Lender**"); and

(ii) the Agent giving no less than 3 Business Days' notice to the Borrower,

the Commitment of that Outgoing Lender will be immediately cancelled and the Borrowers shall repay within 45 days thereafter that Outgoing Lender's participation in each Utilisation.

7.10 **Mandatory prepayment** Any prepayment under Clauses 7.1 (*Illegality*), 7.5 (*Mandatory prepayment on sale or Total Loss*) and 7.9 (*Mandatory Prepayment – Change of Control*) shall be applied on a "pro rata basis", in inverse order of maturity, or in order of maturity, at the Borrowers' option.

7.11 **Restrictions**

7.11.1 Any notice of prepayment or cancellation given under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant prepayment or cancellation is to be made and the amount of that prepayment or cancellation.

7.11.2 Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to (a) any Break Costs and (b) any amounts payable under the Hedging Agreements in connection with that prepayment, without premium or penalty.

7.11.3 The Borrowers shall not repay, prepay or cancel all or any part of the Loan except at the times and in the manner expressly provided for in this Agreement.

7.11.4 No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.

7.11.5 If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to the Borrowers or the affected Lender and/or the Hedge Counterparties, as appropriate.

Section 5 Costs of Utilisation

8 Interest

8.1 **Calculation of interest – Term SOFR Utilisation**

8.1.1 The rate of interest on each Utilisation for each Interest Period in respect of that Utilisation is the percentage rate per annum which is the aggregate of the applicable:

(a) Margin; and

(b) Reference Rate.

8.1.2 If any day during the Interest Period for a Utilisation is not an RFR Banking Day, the rate of interest on that Utilisation for that day will be the rate applicable to the immediately preceding RFR Banking Day.

8.2 **Calculation of interest – Compounded SOFR Utilisation**

The rate of interest on each Utilisation for each relevant Interest Period is the percentage rate per annum which is the aggregate of:

8.2.1 The Margin; and

8.2.2 The Reference Rate.

8.3 **Payment of interest** The Borrowers shall pay accrued interest on each Utilisation on the last day of the Interest Period in respect of that Utilisation (and, if the Interest Period is longer than six (6) Months, on the dates falling at intervals of three (3) Months on the last day of that Interest Period).

8.4 **Hedging**

8.4.1 On or before the first Utilisation Date, the Borrowers may (but are not obliged to) enter into and, if they do so, shall thereafter maintain Hedging Agreements in accordance with this Clause 8.4.

8.4.2

(a) The aggregate notional amount of the transactions in respect of the Hedging Agreements shall be at least 25% of the relevant Utilisation.

(b) Each Hedging Agreement shall:

(i) be with a Hedge Counterparty;

(ii) be for a term ending on the Termination Date to occur under this Agreement;

(iii) have settlement dates coinciding with the relevant Interest Payment Dates; and

(iv) be based on the 2002 ISDA Master Agreement and otherwise in form and substance satisfactory to the Agent.

(c) The rights of each Borrower under the Hedging Agreements to which it is a party shall be assigned in favour of the Security Agent pursuant to a Hedging Security Deed. Notwithstanding section 7 of the Hedging Agreements, each Hedge Counterparty hereby agrees and consents to the assignment by each Borrower of its interests under the Hedging Agreements to which it is a party (and for the avoidance of doubt, without prejudice to, and after giving effect to, the operation of any payment or close-out netting pursuant to section 2(c) or 6(e) of any such Hedging Agreements).

8.4.3

(a) The parties to each Hedging Agreement must comply with the terms of that Hedging Agreement.

(b) The parties to a Hedging Agreement may amend, supplement, extend or waive the terms of such Hedging Agreement provided that such amendment, supplement, extension or waiver does not give rise to a conflict with any provision of this Agreement.

8.4.4

(a) If:

(i) at any time, the aggregate notional amount of the transactions in respect of the Hedging Agreements exceeds 100% of the relevant Utilisation; or,

(ii) as a result of a prepayment or cancellation in part pursuant to Clause 7 (*Illegality, Prepayment and Cancellation*), the aggregate notional amount of the transactions in respect of the Hedging Agreements will exceed 100% of the relevant Utilisation,

a Borrower or a Hedge Counterparty may (or, at the request of the Agent, must) reduce the aggregate notional amount of those transactions by an amount and in a manner satisfactory to the Agent so that it no longer exceeds or will not exceed 100% of the relevant Utilisation outstanding at that time or on the date of such prepayment or cancellation.

(b) Any reductions in the aggregate notional amount of the transactions in respect of the Hedging Agreements in accordance with Clause 8.4.4(a) will be apportioned as between those transactions pro rata.

8.4.5 A Hedge Counterparty may not terminate or close out any transactions in respect of any Hedging Agreement (in whole or in part) except:

(a) to the extent necessary to comply with Clause 8.4.4;

(b) if a Hedging Force Majeure has occurred in respect of the relevant Borrower;

(c) if the Indebtedness (other than in respect of the Hedging Agreements) has been unconditionally and irrevocably paid and discharged in full;

(d) if the relevant Borrower does not pay on the due date any amount payable by it under a Hedging Agreement to which it is a party at the place at and in the currency in which it is expressed to be payable unless:

(i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and

(ii) payment is made within two Business Days of its due date (in the case of Clause 24.1.1(a) (*Non-payment*)) or within two Business Days of its due date (in the case of Clause 24.1.1(a) (*Non-payment*)) payment is made within two Business Days of its due date.

(e) if the Agent serves notice under Clause 24.2.1(b) (*Acceleration*) or, having served notice under Clause 24.2.1(c) (*Acceleration*), makes a demand; or

(f) in the case of any other termination or closing out by a Hedge Counterparty, with the consent of the Agent.

8.4.6 If a Hedge Counterparty terminates or closes out a transaction in respect of a Hedging Agreement (in whole or in part) in accordance with Clause 8.4.5(b), Clause 8.4.5(c), Clause 8.4.5(d) or Clause 8.4.5(e), it shall promptly notify the Agent of that termination or close out.

8.4.7 If a Hedge Counterparty is entitled to terminate or close out any transaction in respect of any Hedging Agreement under Clause 8.4.5(f), such Hedge Counterparty shall promptly terminate or close out such transaction following a request to do so by the Security Agent.

8.4.8 To the extent that the relevant Utilisation is to be cancelled, prepaid or repaid in full, any Hedge Reduction Proceeds arising as a result of any termination or close out in full of any Hedging Agreement shall be paid to the Security Agent for application in accordance with Clause 31.5 (*Partial payments*) or Clause 28 (*Application of Proceeds*) (as applicable).

8.4.9 A Hedge Counterparty may only suspend making payments due under a transaction in respect of a Hedging Agreement if a Borrower is in breach of its payment obligations under any transaction in respect of that Hedging Agreement and has not remedied such failure to pay within the timeframe specified in Clause 8.4.5(d). Nothing in this Clause 8.4.9 shall constitute a waiver by such Hedge Counterparty of any rights that it may have under any Hedging Agreement.

8.4.10 The Security Agent shall not be liable for the performance of any of a Borrower's obligations under a Hedging Agreement.

8.5 **Default interest** If a Borrower or a Guarantor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is two per cent (2%) per annum higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Utilisation in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 8.5 shall be immediately payable by the Borrower or the Guarantor on demand by the Agent.

Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

8.6 **Notifications**

8.6.1 The Agent shall promptly upon an Interest Payment being determinable, notify:

(a) the Borrowers of that Interest Payment;

(b) each relevant Lender of the portion of that Interest Payment which relates to that Lender's participation in the relevant Utilisation; and

(c) for a Compounded SOFR Utilisation the Lenders and the Borrowers of:

(i) the determination of the total amount of accrued interest that relates to a Utilisation (or, in the case of a Lender, relates to its participation in a Utilisation) and is, or is scheduled to become, payable under any Finance Document;

(ii) the applicable rate of interest for each day relating to the determination of that Interest Payment; and

(iii) to the extent it is then determinable, the Market Disruption Rate (if any) relating to the relevant Utilisation.

(d) for a Term SOFR Utilisation the determination of a rate of interest under this Agreement.

This Clause 8.6.1 shall not apply to any Interest Payment determined pursuant to Clause 10.3 (*Cost of funds*).

8.6.2 The Agent shall promptly notify the Lenders and the Borrowers of the determination of a rate of interest relating to a Utilisation to which Clause 10.3 (*Cost of funds*) applies.

8.6.3 The Agent shall promptly notify the Borrowers of each Funding Rate relating to a Utilisation.

8.6.4 This Clause 8.6 shall not require the Agent to make any notification to any Party on a day which is not a Business Day.

8.7 **Calculation of accrued interest**

In relation to Compounded SOFR Utilisation, if, pursuant to this Agreement, any accrued interest on all or part of a Utilisation becomes payable prior to the last day of an Interest Period for that Utilisation, that Interest Period shall:

8.7.1 for the purposes of calculating that accrued interest only, and in relation only to such part of that Utilisation to which that accrued interest relates, be treated as ending on the day on which that accrued interest becomes payable pursuant to this Agreement; and

8.7.2 for all other purposes under this Agreement, continue to end, and shall be treated as ending, on the last day of that Interest Period.

9 Interest Periods

9.1 **Selection of Interest Periods** The Borrowers may select in a written notice to the Agent the duration of the Interest Period for each Utilisation subject as follows:

9.1.1 each notice is irrevocable and must be delivered to the Agent by the Borrowers not later than 9.30 a.m. on the day preceding the first day of the Interest Period for the relevant Utilisation;

9.1.2 if the Borrowers fail to give a notice in accordance with Clause 9.1.1, the relevant Interest Period will, subject to Clause 9.2 (*Non-Business Days*), be three (3) Months;

9.1.3 subject to this Clause 9, the Borrowers may select an Interest Period of one (1) or three (3) Months or any other period agreed between the Borrowers and the Agent (acting on the instructions of all the Lenders);

9.1.4 an Interest Period shall not extend beyond the Termination Date; and

9.1.5 each Interest Period shall start on the Utilisation Date in respect of the Utilisation and end on the date which numerically corresponds to the Utilisation Date in the relevant Month.

9.2 **Non-Business Days** If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10 Changes to the Calculation of Interest

10.1 **Unavailability of Term SOFR** If no Term SOFR is available for the Interest Period of a Utilisation, the applicable Reference Rate shall be the Cumulative Compounded RFR Rate for that Utilisation.

10.2 **Market disruption** If the Agent receives notifications from a Lender or Lenders (whose participations in that Utilisation exceed 50% of that Utilisation) that its cost of funds relating to its participation in that Utilisation would be in excess of that Market Disruption Rate, then Clause 10.3 (*Cost of funds*) shall apply to that Utilisation for the relevant Interest Period.

10.3 **Cost of funds**

10.3.1 If this Clause 10.3 applies to a Utilisation for an Interest Period, then Clause 8.1 (*Calculation of interest*) shall not apply to that Utilisation for that Interest Period and the rate of interest on each Lender's share of that Utilisation for that Interest Period shall be the percentage rate per annum which is the sum of:

(a) the Margin; and

(b) the rate notified to the Agent by that Lender as soon as practicable to be that which expresses as a percentage rate per annum that Lender's cost of funds relating to its participation in the relevant Utilisation.

10.3.2 If this Clause 10.3 applies and the Agent or the Borrowers so require, the Agent and the Borrowers shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.

10.3.3 Any alternative basis agreed pursuant to Clause 10.3.2 shall, with the prior consent of all the Lenders and the Borrowers, be binding on all Parties.

10.3.4 If an alternative basis is not agreed pursuant to Clause 10.3.2, the rate of interest shall continue to be determined in accordance with Clause 10.3.1.

10.4 **Break Costs**

10.4.1 The Borrowers shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs (if any) attributable to all or any part of a Utilisation or Unpaid Sum being paid by the Borrowers on a day prior to the last day of an Interest Period for that Utilisation or Unpaid Sum.

10.4.2 Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in respect of which they become, or may become, payable.

11 Fees

11.1 **Commitment Fee** The Borrowers shall pay to the Agent (for the account of the Lenders in proportion to their Commitments) a fee computed at the rate of 35% of the Margin per annum on the undrawn amount of the Maximum Loan Amount for the Availability Period.

The accrued commitment fee is payable on the last day of each successive period of three Months which ends during the Availability Period, on the last day of the Availability Period, (on the cancelled amount of the relevant Lender's Commitment) at the time the cancellation is effective and at any earlier date upon which the Commitments are fully utilised.

11.2 **Arrangement fee** The Obligors shall pay to the Agent an arrangement fee in the amount and at the times agreed in the Fee Letter.

Section 6 Additional Payment Obligations

12 Tax Gross Up and Indemnities

12.1 **Definitions** In this Agreement:

"**Borrower DTTP Filing**" means an HM Revenue & Customs' Form DTTP2 duly completed and filed by the relevant Borrower, which:

(a) where it relates to a Treaty Lender that is an Original Lender, contains the scheme reference number and jurisdiction of tax residence stated opposite that Lender's name in Schedule 1 (*The Parties*) and is filed with HM Revenue & Customs within 30 days of the date of this Agreement; or

(b) where it relates to a Treaty Lender that is not an Original Lender, contains the scheme reference number and jurisdiction of tax residence stated in respect of that Lender in the documentation which it executes on becoming a Party as a Lender and is filed with HM Revenue & Customs within 30 days of the relevant Transfer Date.

"**Protected Party**" means a Finance Party which is or will be subject to any liability or required to make any payment for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

"**Qualifying Lender**" means a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document and is:

(a) a Lender which is a bank (as defined for the purpose of section 879 of the ITA) making an advance under a Finance Document and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance or would be within such charge as respects such payments apart from section 18A of the CTA; or in respect of an advance made under a Finance Document by a person that was a bank (as defined for the purpose of section 879 of the ITA) at the time that that advance was made and within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or

(b) a Lender which is:

(i) a company resident in the United Kingdom for United Kingdom tax purposes;

(ii) a partnership each member of which is:

(A) a company so resident in the United Kingdom; or

(B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

(C) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company; or

(c) a Treaty Lender.

"**Tax Confirmation**" means a confirmation by a Lender that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:

(a) a company resident in the United Kingdom for United Kingdom tax purposes;

(b) a partnership each member of which is:

(i) a company so resident in the United Kingdom; or

(ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

(c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.

"**Tax Credit**" means a credit against, relief or remission for, or repayment of any Tax.

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

"**Tax Payment**" means either the increase in a payment made by an Obligor to a Finance Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

"**Treaty Lender**" means a Lender which:

(a) is treated as a resident of a Treaty State for the purposes of the Treaty;

(b) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender's participation in the Loan is effectively connected.

"**Treaty State**" means a jurisdiction having a double taxation agreement (a "**Treaty**") with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

"**UK Non-Bank Lender**" means a Lender which is not an Original Lender and which gives a Tax Confirmation in the documentation which it executes on becoming a Party as a Lender.

Unless a contrary indication appears, in this Clause 12 a reference to "determines" or "determined" means a determination made in the absolute discretion of the person making the determination.

12.2 **Tax gross-up**

12.2.1 Each Borrower and each Guarantor shall (and shall procure that each other Obligor will) make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

12.2.2 The Borrowers shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Borrowers and that Obligor.

12.2.3 If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

12.2.4 A payment shall not be increased under Clause 12.2.3 by reason of a Tax Deduction on account of Tax imposed by the United Kingdom, if on the date on which the payment falls due:

(a) the payment could have been made to the relevant Lender without a Tax Deduction if the Lender had been a Qualifying Lender, but on that date that Lender is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty or any published practice or published concession of any relevant taxing authority; or

(b) the relevant Lender is a Qualifying Lender solely by virtue of (b) of the definition of "Qualifying Lender" and:

(i) an officer of H.M. Revenue & Customs has given (and not revoked) a direction (a "**Direction**") under section 931 of the ITA which relates to the payment and that Lender has received from the Obligor making the payment a certified copy of that Direction; and

(ii) the payment could have been made to the Lender without any Tax Deduction if that Direction had not been made; or

(c) the relevant Lender is a Qualifying Lender solely by virtue of (b) of the definition of "Qualifying Lender" and:

(i) the relevant Lender has not given a Tax Confirmation to the Borrowers; and

(ii) the payment could have been made to the Lender without any Tax Deduction if the Lender had given a Tax Confirmation to the Borrowers, on the basis that the Tax Confirmation would have enabled the Borrowers to have formed a reasonable belief that the payment was an "excepted payment" for the purpose of section 930 of the ITA; or

(d) the relevant Lender is a Treaty Lender and the Obligor making the payment is able to demonstrate that the payment could have been made to that Lender without the Tax Deduction had that Lender complied with its obligations under Clause 12.2.7 or Clause 12.2.8 (as applicable).

12.2.5 If an Obligor is required to make a Tax Deduction, the relevant Borrower or Guarantor shall (and, in the case of any other Obligor, the Borrowers and each Guarantor shall procure that such other Obligor will) make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

12.2.6 Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower or Guarantor making that Tax Deduction shall (and, in the case of any other Obligor, the Borrowers and each Guarantor shall procure that such other Obligor will) deliver to the Agent for the Finance Party entitled to the payment a statement under section 975 of the ITA or other evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

12.2.7

(a) Subject to (b), a Treaty Lender and each Borrower or Guarantor which makes a payment to which that Treaty Lender is entitled shall co-operate in completing any procedural formalities necessary for that Borrower or Guarantor to obtain authorisation to make that payment without a Tax Deduction.

(b)

(i) A Treaty Lender which is an Original Lender and that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence opposite its name in Schedule 1 (*The Parties*); and

(ii) a Treaty Lender which is not an Original Lender and that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence in the documentation which it executes on becoming a Party as a Lender,

and, having done so, that Lender shall be under no obligation pursuant to (a).

12.2.8 If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with Clause 12.2.7(b) and:

(a) a Borrower making a payment to that Lender has not made a Borrower DTTP Filing in respect of that Lender; or

(b) a Borrower making a payment to that Lender has made a Borrower DTTP Filing in respect of that Lender but:

(i) that Borrower DTTP Filing has been rejected by HM Revenue & Customs;

(ii) HM Revenue & Customs has not given that Borrower authority to make payments to that Lender without a Tax Deduction within 60 days of the date of the Borrower DTTP Filing; or

(iii) HM Revenue & Customs has given that Borrower authority to make payments to that Lender without a Tax Deduction but such authority has subsequently been revoked or expired,

and in each case, that Borrower has notified that Lender in writing, that Lender and that Borrower shall co-operate in completing any additional procedural formalities necessary for that Borrower to obtain authorisation to make that payment without a Tax Deduction.

12.2.9 If a Lender has not confirmed its scheme reference number and jurisdiction of tax residence in accordance with Clause 12.2.7(b), no Borrower or Guarantor shall make a Borrower DTTP Filing or file any other form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment(s) or its participation in any Utilisation unless the Lender otherwise agrees.

12.2.10 A Borrower shall, promptly on making a Borrower DTTP Filing, deliver a copy of that Borrower DTTP Filing to the Agent for delivery to the relevant Lender.

12.2.11 A UK Non-Bank Lender which is an Original Lender gives a Tax Confirmation to the Borrowers by entering into this Agreement.

12.2.12 A UK Non-Bank Lender shall promptly notify the Borrowers and the Agent if there is any change in the position from that set out in the Tax Confirmation.

12.3 **Tax indemnity**

12.3.1 Each Borrower and each Guarantor shall (within three Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.

12.3.2 Clause 12.3.1 shall not apply:

(a) with respect to any Tax assessed on a Finance Party:

(i) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or

(ii) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or

(b) to the extent a loss, liability or cost:

(i) is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*);

(ii) would have been compensated for by an increased payment under Clause 12.2 (*Tax gross-up*) but was not so compensated solely because one of the exclusions in Clause 12.2.4 (*Tax gross-up*) applied; or

(iii) relates to a FATCA Deduction required to be made by a Party.

12.3.3 A Protected Party making, or intending to make a claim under Clause 12.3.1 shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrowers.

12.3.4 A Protected Party shall, on receiving a payment from a Borrower or a Guarantor under this Clause 12.3, notify the Agent.

12.4 **Tax Credit** If an Obligor makes a Tax Payment and the relevant Finance Party determines that:

12.4.1 a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and

12.4.2 that Finance Party has obtained and utilised that Tax Credit,

that Finance Party shall pay an amount to the relevant Obligor which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made.

12.5 **Lender status confirmation** Each Lender which is not an Original Lender shall indicate, in the documentation which it executes on becoming a Party as a Lender, and for the benefit of the Agent and without liability to any Obligor, which of the following categories it falls in:

12.5.1 not a Qualifying Lender;

12.5.2 a Qualifying Lender (other than a Treaty Lender); or

12.5.3 a Treaty Lender.

If such a Lender fails to indicate its status in accordance with this Clause 12.5 then that Lender shall be treated for the purposes of this Agreement (including by each Obligor) as if it is not a Qualifying Lender until such time as it notifies the Agent which category applies (and the Agent, upon receipt of such notification, shall inform the Borrowers). For the avoidance of doubt, the documentation which a Lender executes on becoming a Party as a Lender shall not be invalidated by any failure of a Lender to comply with this Clause 12.5.

12.6 **Stamp taxes** The Borrowers and each Guarantor shall pay and, within three Business Days of demand, indemnify each Secured Party against any cost, loss or liability that Secured Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.7 **VAT**

12.7.1 All amounts expressed to be payable under a Finance Document by any Party or any Obligor to a Finance Party which (in whole or in part) constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, and accordingly, subject to Clause 12.7.2, if VAT is or becomes chargeable on any supply made by any Finance Party to any Party or any Obligor under a Finance Document and such Finance Party is required to account to the relevant tax authority for the VAT, that Party shall (or, where the relevant Obligor is not a Party, the Borrowers and each Guarantor shall procure that such Obligor will) pay to such Finance Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT (and such Finance Party must promptly provide an appropriate VAT invoice to the recipient of such supply).

12.7.2 If VAT is or becomes chargeable on any supply made by any Finance Party (the "**Supplier**") to any other Finance Party (the "**Recipient**") under a Finance Document, and any Party other than the Recipient (the "**Relevant Party**") is required by the terms of any Finance Document to pay an amount equal to the consideration for that supply to the Supplier (rather than being required to reimburse or indemnify the Recipient in respect of that consideration):

(a) (where the Supplier is the person required to account to the relevant tax authority for the VAT) the Relevant Party must also pay to the Supplier (at the same time as paying that amount) an additional amount equal to the amount of the VAT. The Recipient must (where this Clause 12.7.2(a) applies) promptly pay to the Relevant Party an amount equal to any credit or repayment the Recipient receives from the relevant tax authority which the Recipient reasonably determines relates to the VAT chargeable on that supply; and

(b) (where the Recipient is the person required to account to the relevant tax authority for the VAT) the Relevant Party must promptly, following demand from the Recipient, pay to the Recipient an amount equal to the VAT chargeable on that supply but only to the extent that the Recipient reasonably determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT.

12.7.3 Where a Finance Document requires any Party or Obligor to reimburse or indemnify a Finance Party for any cost or expense, that Party shall (or, where the relevant Obligor is not a Party, the Borrowers and each Guarantor shall procure that such Obligor will) reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.

12.7.4 Any reference in this Clause 12.7 to any Party or Obligor shall, at any time when such person is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the representative member of such group at such time (the term "representative member" to have the same meaning as in the Value Added Tax Act 1994) or any equivalent person in any jurisdiction other than the United Kingdom.

12.7.5 In relation to any supply made by a Finance Party to any Party or Obligor under a Finance Document, if reasonably requested by such Finance Party, that Party shall (or, where the relevant Obligor is not a Party, the Borrowers and each Guarantor shall procure that such Obligor will) promptly provide such Finance Party with details of that person's VAT registration and such other information as is reasonably requested in connection with such Finance Party's VAT reporting requirements in relation to such supply.

12.8 **FATCA information**

12.8.1 Subject to Clause 12.8.3, each Party shall, within ten Business Days of a reasonable request by another Party:

(a) confirm to that other Party whether it is:

(i) a FATCA Exempt Party; or

(ii) not a FATCA Exempt Party;

(b) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and

(c) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other similar law, regulation, or exchange of information regime.

12.8.2 If a Party confirms to another Party pursuant to Clause 12.8.1(a)(i) that it is a FATCA Exempt Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

12.8.3 Clause 12.8.1 shall not oblige any Finance Party to do anything, and Clause 12.8.1(c) shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:

(a) any law or regulation;

(b) any fiduciary duty; or

(c) any duty of confidentiality.

12.8.4 If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with Clause 12.8.1(a) or 12.8.1(b) (including, for the avoidance of doubt, where Clause 12.8.3 applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

12.8.5 If a Borrower is a US Tax Obligor or the Agent reasonably believes that its obligations under FATCA or any other applicable law or regulation require it, each Lender shall, within ten Business Days of:

(a) where a Borrower is a US Tax Obligor and the relevant Lender is an Original Lender, the date of this Agreement;

(b) where a Borrower is a US Tax Obligor on a date on which any other Lender becomes a Party as a Lender, that date; or

(c) where a Borrower is not a US Tax Obligor, the date of a request from the Agent,

supply to the Agent:

(i) a withholding certificate on Form W-8 or Form W-9 or any other relevant form; or

(ii) any withholding statement or other document, authorisation or waiver as the Agent may require to certify or establish the status of such Lender under FATCA or that other law or regulation.

12.8.6 The Agent shall provide any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to Clause 12.8.5 to the Borrowers.

12.8.7 If any withholding certificate, withholding statement, document, authorisation or waiver provided to the Agent by a Lender pursuant to Clause 12.8.5 is or becomes materially inaccurate or incomplete, that Lender shall promptly update it and provide such updated withholding certificate, withholding statement, document, authorisation or waiver to the Agent unless it is unlawful for the Lender to do so (in which case the Lender shall promptly notify the Agent). The Agent shall provide any such updated withholding certificate, withholding statement, document, authorisation or waiver to the Borrowers.

12.8.8 The Agent may rely on any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to Clause 12.8.5 or 12.8.7 without further verification. The Agent shall not be liable for any action taken by it under or in connection with Clause 12.8.5, 12.8.6 or 12.8.7.

12.9 **FATCA Deduction**

12.9.1 Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

12.9.2 Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the Party to whom it is making the payment and, in addition, shall notify the Borrowers and the Agent and the Agent shall notify the other Finance Parties.

13 Increased Costs

13.1 **Increased Costs** Subject to Clause 13.3 (*Exceptions*), the Borrowers shall, within three Business Days of a demand by the Agent, pay to the Agent for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement or (iii) the implementation or application of or compliance with Basel III or CRD IV or any other law or regulation which implements Basel III or CRD IV (whether such implementation, application or compliance is by a government, regulator, that Finance Party or any of that Finance Party's Affiliates).

In this Agreement:

13.1.1 "**Basel III**" means:

(a) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;

(b) the rules for global systemically important banks contained in "Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text" published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and

(c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III".

13.1.2 "**CRD IV**" means EU CRD IV and UK CRD IV.

13.1.3 "**EU CRD IV**" means:

(a) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012; and

(b) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

13.1.4 "**UK CRD IV**" means:

(a) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 as it forms part of domestic law of the United Kingdom by virtue of the 2018 Withdrawal Act;

(b) the law of the United Kingdom or any part of it, which immediately before IP Completion Day (as defined in the 2020 Withdrawal Act) implemented Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC and its implementing measures; and

(c) direct EU legislation (as defined in the 2018 Withdrawal Act), which immediately before IP Completion Day (as defined in the 2020 Withdrawal Act) implemented EU CRD IV as it forms part of domestic law of the United Kingdom by virtue of the 2018 Withdrawal Act.

13.1.5 "**Increased Costs**" means:

(a) a reduction in the rate of return from the Loan or on a Finance Party's (or its Affiliate's) overall capital;

(b) an additional or increased cost; or

(c) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into any Finance Document or funding or performing its obligations under any Finance Document.

13.2 **Increased cost claims**

13.2.1 A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Borrowers.

13.2.2 Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs.

13.3 **Exceptions** Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

13.3.1 attributable to a Tax Deduction required by law to be made by a Borrower or a Guarantor;

13.3.2 attributable to a FATCA Deduction required to be made by a Party;

13.3.3 compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 but was not so compensated solely because any of the exclusions in Clause 12.3 applied);

13.3.4 attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation; or

13.3.5 attributable to the implementation or application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (but excluding any amendment arising out of Basel III) ("**Basel II**") or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates).

In this Clause 13.3, a reference to a "**Tax Deduction**" has the same meaning given to the term in Clause 12.1 (*Definitions*).

14 Other Indemnities

14.1 **Currency indemnity** If any sum due from a Borrower or a Guarantor under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

14.1.1 making or filing a claim or proof against that Borrower or that Guarantor (as the case may be); or

14.1.2 obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Borrower or that Guarantor (as the case may be) shall as an independent obligation, within three Business Days of demand, indemnify each Secured Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (a) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (b) the rate or rates of exchange available to that Secured Party at the time of its receipt of that Sum.

Each Borrower and each Guarantor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

14.2 **Other indemnities**

14.2.1 The Borrowers shall, within three Business Days of demand, indemnify each Secured Party against any cost, loss or liability incurred by that Secured Party as a result of:

(a) the occurrence of any Event of Default;

(b) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 30 (*Sharing among the Finance Parties*);

(c) funding, or making arrangements to fund, its participation in a Utilisation requested by the Borrowers in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by a Finance Party alone); or

(d) a Utilisation (or part of a Utilisation) not being prepaid in accordance with a notice of prepayment given by the Borrowers.

14.2.2 The Borrowers shall promptly indemnify each Finance Party, each Affiliate of a Finance Party and each officer or employee of a Finance Party or its Affiliate (each such person for the purposes of this Clause 14.2 an "**Indemnified Person**") against any cost, loss or liability incurred by that Indemnified Person pursuant to or in connection with any litigation, arbitration or administrative proceedings or regulatory enquiry, in connection with or arising out of the entry into and the transactions contemplated by the Finance Documents, having the benefit of any Encumbrance constituted by the Finance Documents or which relates to the condition or operation of, or any incident occurring in relation to, a Vessel, unless such cost, loss or liability is caused by the gross negligence or wilful misconduct of that Indemnified Person. Any Affiliate or any officer or employee of a Finance Party or its Affiliate may rely on this Clause 14.2 subject to Clause 1.12 (*Third party rights*) and the provisions of the Third Parties Act.

14.2.3 Subject to any limitations set out in Clause 14.2.2, the indemnity in that Clause shall cover any cost, loss or liability incurred by each Indemnified Person in any jurisdiction:

(a) arising or asserted under or in connection with any law relating to safety at sea, the ISM Code, any Environmental Law or any Sanctions; or

(b) in connection with any Environmental Claim.

14.3 **Indemnity to the Agent** Each Borrower and each Guarantor jointly and severally shall promptly indemnify the Agent against:

14.3.1 any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

(a) investigating any event which it reasonably believes is a Default; or

(b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised; or

(c) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under this Agreement; and

14.3.2 any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 31.10 (*Disruption to payment systems etc*.) notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) in acting as Agent under the Finance Documents.

14.4 **Indemnity to the Security Agent** Each Borrower and each Guarantor jointly and severally shall promptly indemnify the Security Agent and every Receiver and Delegate against any cost, loss or liability incurred by any of them as a result of:

14.4.1 any failure by the Borrowers to comply with their obligations under Clause 16 (*Costs and Expenses*);

14.4.2 acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised;

14.4.3 the taking, holding, protection or enforcement of the Transaction Encumbrances;

14.4.4 the exercise of any of the rights, powers, discretions, authorities and remedies vested in the Security Agent and each Receiver and Delegate by the Finance Documents or by law;

14.4.5 any default by any Obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents; or

14.4.6 acting as Security Agent, Receiver or Delegate under the Finance Documents or which otherwise relates to any of the Security Property (otherwise, in each case, than by reason of the relevant Security Agent's, Receiver's or Delegate's gross negligence or wilful misconduct).

The Security Agent and every Receiver and Delegate may, in priority to any payment to the Secured Parties, indemnify itself out of the Security Assets in respect of, and pay and retain, all sums necessary to give effect to the indemnity in this Clause 14.4 and shall have a lien on the Transaction Encumbrances and the proceeds of the enforcement of the Transaction Encumbrances for all moneys payable to it.

14.5 **Indemnity survival** The indemnities contained in this Agreement shall survive repayment of the Loan.

15 Mitigation by the Finance Parties

15.1 **Mitigation** Each Finance Party shall, in consultation with the Borrowers, take all reasonable steps to mitigate any circumstances which arise and which would result in all or any part of the Loan ceasing to be available or any amount becoming payable under or pursuant to any of Clause 7.1 (*Illegality*), Clause 12 (*Tax Gross Up and Indemnities*) or Clause 13 (*Increased Costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office. The above does not in any way limit the obligations of any Obligor under the Finance Documents.

15.2 **Limitation of liability** The Borrowers shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 15.1 (*Mitigation*). A Finance Party is not obliged to take any steps under Clause 15.1 if, in its opinion (acting reasonably), to do so might be prejudicial to it.

16 Costs and Expenses

16.1 **Transaction expenses** The Borrowers shall promptly on demand pay the Agent, the Security Agent and the Bookrunner the amount of all documented costs and expenses (including legal fees) reasonably incurred by any of them (and, in the case of the Security Agent, by any Receiver or Delegate) in connection with:

16.1.1 the negotiation, preparation, printing, execution, syndication and perfection of this Agreement and any other documents referred to in this Agreement;

16.1.2 the negotiation, preparation, printing, execution and perfection of any other Finance Documents executed after the date of this Agreement;

16.1.3 any other document which may at any time be required by a Finance Party to give effect to any Finance Document or which a Finance Party is entitled to call for or obtain under any Finance Document; and

16.1.4 any discharge, release or reassignment of any of the Security Documents.

16.2 **Amendment costs** If (a) an Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 31.9 (*Change of currency*), the Borrowers shall, within three Business Days of demand, reimburse each of the Agent and the Security Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Agent and the Security Agent (and, in the case of the Security Agent, by any Receiver or Delegate) in responding to, evaluating, negotiating or complying with that request or requirement.

16.3 **Agent and Security Agent's management time and additional remuneration** Any amount payable to the Agent under Clause 14.3 (*Indemnity to the Agent*) or to the Security Agent under Clause 14.4 (*Indemnity to the Security Agent*) or to either of them under this Clause 16 or Clause 27.12 (*Lenders' indemnity to the Agent and the Security Agent*) shall include the cost of utilising the management time or other resources of the Agent or the Security Agent (as the case may be) and will be calculated on the basis of such reasonable daily or hourly rates as the Agent or the Security Agent may notify to the Borrowers and the Lenders, and is in addition to any other fee paid or payable to the Agent or the Security Agent.

16.4 **Enforcement and preservation costs** The Borrowers shall, within three Business Days of demand, pay to each Secured Party the amount of all costs and expenses (including legal fees) incurred by that Secured Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document or the Transaction Encumbrances and any proceedings instituted by or against the Secured Party as a consequence of entering into a Finance Document, taking or holding the Transaction Encumbrances or enforcing those rights including (without limitation) any losses, costs and expenses which that Secured Party may from time to time sustain, incur or become liable for by reason of that Secured Party being mortgagee of a Vessel and/or a lender to a Borrower, or by reason of that Secured Party being deemed by any court or authority to be an operator or controller, or in any way concerned in the operation or control, of a Vessel.

16.5 **Other costs** The Borrowers shall, within three Business Days of demand, pay to each Secured Party the amount of all sums which that Secured Party may pay or become actually or contingently liable for on account of a Borrower in connection with a Vessel (whether alone or jointly or jointly and severally with any other person) including (without limitation) all sums which that Secured Party may pay or guarantees which it may give in respect of the Insurances, any expenses incurred by that Secured Party in connection with the maintenance or repair of a Vessel or in discharging any lien, bond or other claim relating in any way to a Vessel, and any sums which that Secured Party may pay or guarantees which it may give to procure the release of a Vessel from arrest or detention.

Section 7 Accounts and Application of Earnings

17 Earnings Accounts

17.1 **Maintenance of Earnings Accounts**

17.1.1 The Borrowers shall maintain the Earnings Accounts with the Account Holder for the duration of the Facility Period free of Encumbrances and rights of set off other than those created by or under the Finance Documents.

17.1.2 No Borrower shall open any bank account except for an Earnings Account.

17.2 **Earnings** Each Borrower shall procure that:

17.2.1 all Earnings in respect of its Vessel and any Requisition Compensation in respect of its Vessel are credited to its Earnings Account; and

17.2.2 all payments which become due to the Borrowers under any Hedging Agreements (including any Hedge Reduction Proceeds) are paid in to the Earnings Account.

17.3 **Withdrawals**

17.3.1 During the Facility Period, sums may be withdrawn from the Earnings Accounts without the prior written consent of the Security Agent, provided that no Event of Default is continuing and no notice has been given to the Borrowers by the Agent that any sums shall not be withdrawn from the Earnings Account.

17.3.2 No Earnings Account shall be overdrawn as a result of a withdrawal made in accordance with this Clause 17.3.

17.4 **Additional payments to Earnings Account** If for any reason the amount standing to the credit of the Earnings Accounts is insufficient, the Borrowers shall, without demand, procure that there is credited to the Earnings Accounts, an amount equal to the amount of the shortfall.

17.5 **Application of Earnings Account** The Borrowers shall procure that there is transferred from the Earnings Account to the Agent for the account of the Finance Parties:

17.5.1 on the due date for repayment of each Utilisation, the amount of that Utilisation; and

17.5.2 on each Interest Payment Date in respect of a Utilisation, the amount of interest due in respect of that Utilisation, (such amount being reduced to the extent of any net payments which are due to the Borrowers under any relevant Hedging Agreements on such Interest Payment Date);

17.5.3 on each Interest Payment Date in respect of a Utilisation, the amount payable by any Borrower to any Hedge Counterparty under any Hedging Agreement on such Interest Payment Date; and

17.5.4 if applicable, on such due date for repayment of a Utilisation, all Hedge Reduction Proceeds paid into the Earnings Account prior to such date,

and the Borrowers irrevocably authorise the Security Agent to instruct the Account Holder to make those transfers on the relevant date.

17.6 **Borrowers' obligations not affected** If for any reason the amount standing to the credit of the Earnings Account is insufficient to repay any Utilisation, or to make any payment of interest when due or to pay any amount to any Hedge Counterparty under any Hedging Agreement, the Borrowers' obligation to repay that Utilisation, or to make that payment of interest or to pay that amount to any Hedge Counterparty under any Hedging Agreement shall not be affected.

17.7 **Relocation of Earnings Accounts** On and at any time after the occurrence of an Event of Default which is continuing, the Security Agent may without the consent of the Borrowers instruct the Account Holder to relocate any Earnings Account to any other branch of the Account Holder, without prejudice to the continued application of this Clause 17 and the rights of the Finance Parties under the Finance Documents.

17.8 **Access to information** The Security Agent (and its nominees) may from time to time during the Facility Period review the records held by the Account Holder (whether in written or electronic form) in relation to the Accounts, and the Borrowers irrevocably waive any right of confidentiality which may exist in relation to those records.

17.9 **Statements** Without prejudice to the rights of the Security Agent under Clause 17.8 (*Access to information*), the Borrowers shall procure that the Account Holder provides to the Security Agent, no less frequently than each calendar month during the Facility Period, statements of account (in written or electronic form) showing all entries made to the credit and debit of each of the Accounts during the immediately preceding calendar month.

18 Additional Security

18.1 **VTL Coverage**

18.1.1 If at any time the aggregate of (a) the Market Value of the Vessels and (b) the value of any additional security (such value to be (i) the face amount of the deposit (in the case of cash), (ii) determined conclusively by appropriate advisers appointed by the Agent (in the case of other charged assets other than a vessel), (iii) the Market Value of a vessel (in the case of a vessel), and (iv) determined by the Agent (in all other cases)) for the time being provided to the Security Agent under this Clause 18 is less than 135% of the aggregate of the amount of the Loan then outstanding and the Hedging Close-Out Liabilities (the "**VTL Coverage**"), the Borrowers shall, within 30 days of the Agent's request, at the Borrowers' option:

(a) pay to the Security Agent or to its nominee a cash deposit in the amount of the shortfall to be secured in favour of the Security Agent as additional security for the payment of the Indebtedness; or

(b) give to the Security Agent other additional security in amount and form acceptable to the Security Agent in its sole discretion for a value determined in accordance with the first part of this Clause 18.1.1; or

(c) prepay one or more outstanding Utilisations to the extent required to eliminate the shortfall.

18.1.2 Clause 7.3 (*Voluntary prepayment of Utilisations*) and Clause 7.11 (*Restrictions*) shall apply, *mutatis mutandis*, to any prepayment made under this Clause 18.1.

18.1.3 If, at any time after the Borrowers have provided additional security in accordance with the Agent's request under this Clause 18.1, the Agent shall determine when testing compliance with the VTL Coverage that all or any part of that additional security may be released without resulting in a shortfall in the VTL Coverage, then, provided that no Default is continuing, the Agent shall instruct the Security Agent to, and the Security Agent shall, release all or any part of that additional security in accordance with the Agent's instructions, but this shall be without prejudice to the Agent's right to make a further request under this Clause 18.1 should the value of the remaining security subsequently merit it.

18.2 **Provision of valuations**

18.2.1 The Agent shall be entitled to obtain a valuation in evidence of a Market Value for the purpose of testing compliance with Clause 18.1 (*VTL Coverage*):

(a) on or about the date falling semi-annually from the first Utilisation Date (in the case of a Vessel);

(b) on or about the date falling semi-annually from the date a vessel (other than a Vessel) is provided as additional security (in the case of a vessel other than a Vessel); and

(c) on or before the Prepayment Date, if the last valuation obtained by the Agent before the Prepayment Date pursuant to this Clause 18.2.1 predates the Prepayment Date by more than three months.

18.2.2 Additionally, the Agent shall, at the request of the Lenders, be entitled to obtain a valuation in evidence of a Market Value for the purpose of Clause 18.1 (*VTL Coverage*) at any time and each such valuation obtained shall be at the expense of the Lenders except where such valuation shows that the Borrowers are not in compliance with the VTL Coverage.

18.2.3 The Agent may at any time after a Default has occurred and is continuing obtain a valuation in evidence of a Market Value.

18.2.4 All valuations referred to in this Clause 18.2, except where specified in Clause 18.2.2, and all valuations to be obtained pursuant to Clause 4 (*Conditions of Utilisation*) shall be obtained at the cost and expense of the Borrowers and the Borrowers shall within three Business Days of demand by the Agent pay to the Agent the amount of all such costs and expenses.

19 Guarantee and Indemnity

19.1 **Guarantee and indemnity** Each Guarantor irrevocably and unconditionally jointly and severally:

19.1.1 guarantees to each Finance Party punctual performance by each other Obligor of all that Obligor's obligations under the Finance Documents;

19.1.2 undertakes with each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and

19.1.3 agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of an Obligor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by a Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 19 if the amount claimed had been recoverable on the basis of a guarantee.

19.2 **Continuing Guarantee** This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

19.3 **Reinstatement** If any discharge, release or arrangement (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is made by a Finance Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Guarantor under this Clause 19 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

19.4 **Waiver of defences** The obligations of each Guarantor under this Clause 19 will not be affected by an act, omission, matter or thing which, but for this Clause 19.4, would reduce, release or prejudice any of its obligations under this Clause 19 (without limitation and whether or not known to it or any Finance Party) including:

19.4.1 any time, waiver or consent granted to, or composition with, any Obligor or other person;

19.4.2 the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any Obligor or any other member of the Group;

19.4.3 the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

19.4.4 any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;

19.4.5 any amendment, novation, supplement, extension restatement (however fundamental and whether or not more onerous) or replacement of a Finance Document or any other document or security including, without limitation, any change in the purpose of, any extension of or increase in any facility or the addition of any new facility under any Finance Document or other document or security;

19.4.6 any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or

19.4.7 any insolvency or similar proceedings.

19.5 **Guarantor intent** Without prejudice to the generality of Clause 19.4 (*Waiver of defences*), each Guarantor expressly confirms that it intends that this guarantee shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to any of the Finance Documents and/or any facility or amount made available under any of the Finance Documents for the purposes of or in connection with any of the following: business acquisitions of any nature; increasing working capital; enabling investor distributions to be made; carrying out restructurings; refinancing existing facilities; refinancing any other indebtedness; making facilities available to new borrowers; any other variation or extension of the purposes for which any such facility or amount might be made available from time to time; and any fees, costs and/or expenses associated with any of the foregoing.

19.6 **Immediate recourse** Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this Clause 19. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

19.7 **Appropriations** Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

19.7.1 refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and

19.7.2 hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this Clause 19.

19.8 **Deferral of Guarantors' rights** Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, no Guarantor shall exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 19:

19.8.1 to be indemnified by an Obligor;

19.8.2 to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents;

19.8.3 to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;

19.8.4 to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under Clause 19.1 (*Guarantee and indemnity*);

19.8.5 to exercise any right of set-off against any Obligor; and/or

19.8.6 to claim or prove as a creditor of any Obligor in competition with any Finance Party.

If a Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with Clause 31 (*Payment mechanics*).

19.9 **Additional security** This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

19.10 **Subordination** Each Guarantor agrees and undertakes with the Finance Parties that all claims of whatsoever nature which it has or may have at any time against any other Obligor or any of its property or assets shall rank after and be in all respects subordinate to any and all claims, whether actual or contingent, which the Finance Parties have or may have at any time against such other Obligor or any of its property or assets and that it will not without the prior written consent of the Agent (acting on the instructions of the Majority Lenders):

19.10.1 demand or accept payment in whole or in part of any moneys owing to it by any other Obligor;

19.10.2 take any steps to enforce its rights to recover any moneys owing to it by any other Obligor and more particularly (but without limitation) take or issue any judicial or other legal proceedings against any other Obligor or any of its property or assets; or

19.11 prove in the liquidation or other dissolution of any other Obligor in competition with a Finance Party.

Section 8 Representations, Undertakings and Events of Default

20 Representations

20.1 **Representations** Each Borrower and each Guarantor makes the representations and warranties set out in this Clause 20 to each Finance Party.

20.1.1 **Status** Each of the Obligors:

(a) is a limited liability corporation, duly incorporated and validly existing under the law of its Original Jurisdiction; and

(b) has the power to own its assets and carry on its business as it is being conducted.

20.1.2 **Binding obligations** Subject to the Legal Reservations:

(a) the obligations expressed to be assumed by each of the Obligors in each of the Relevant Documents to which it is a party are legal, valid, binding and enforceable obligations; and

(b) (without limiting the generality of Clause 20.1.2(a)) each Security Document to which it is a party creates the security interests which that Security Document purports to create and those security interests are valid and effective.

20.1.3 **Non-conflict with other obligations** The entry into and performance by each of the Obligors of, and the transactions contemplated by, the Relevant Documents do not and will not conflict with:

(a) any law or regulation applicable to such Obligor;

(b) the constitutional documents of such Obligor; or

(c) any agreement or instrument binding upon such Obligor or any of such Obligor's assets or constitute a default or termination event (however described) under any such agreement or instrument.

20.1.4 **Power and authority**

(a) Each of the Obligors has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Relevant Documents to which it is or will be a party and the transactions contemplated by those Relevant Documents.

(b) No limit on the powers of any Obligor will be exceeded as a result of the borrowing, grant of security or giving of guarantees or indemnities contemplated by the Relevant Documents to which it is a party.

20.1.5 **Validity and admissibility in evidence** All Authorisations required or desirable:

(a) to enable each of the Obligors lawfully to enter into, exercise its rights and comply with its obligations in the Relevant Documents to which it is a party or to enable each Finance Party to enforce and exercise all its rights under the Relevant Documents; and

(b) to make the Relevant Documents to which any Obligor is a party admissible in evidence in its Relevant Jurisdictions,

have been obtained or effected and are in full force and effect, with the exception only of the registrations referred to in Part IV (*Conditions subsequent*) of Schedule 2 (*Conditions Precedent and Subsequent*).

20.1.6 **Governing law and enforcement**

(a) The choice of governing law of any Finance Document will be recognised and enforced in the Relevant Jurisdictions of each relevant Obligor.

(b) Any judgment obtained in relation to any Finance Document in the jurisdiction of the governing law of that Finance Document will be recognised and enforced in the Relevant Jurisdictions of each relevant Obligor.

20.1.7 **Insolvency** No corporate action, legal proceeding or other procedure or step described in Clause 24.1.7 (*Insolvency proceedings*) or creditors' process described in Clause 24.1.8 (*Creditors' process*) has been taken or, to the knowledge of any Borrower or any Guarantor, threatened in relation to an Obligor; and none of the circumstances described in Clause 24.1.6 (*Insolvency*) applies to an Obligor.

20.1.8 **No filing or stamp taxes** Under the laws of the Relevant Jurisdictions of each relevant Obligor it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in any of those jurisdictions or that any stamp, registration, notarial or similar Taxes or fees be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents except registration of each Mortgage at the Ships Registry where title to the relevant Vessel is registered in the ownership of the relevant Borrower and payment of associated fees, which registrations, filings, taxes and fees will be made and paid promptly after the date of the relevant Finance Document.

20.1.9 **Deduction of Tax** None of the Obligors is required under the law of its jurisdiction of incorporation to make any deduction for or on account of Tax from any payment it may make under any Finance Document to a Lender which is:

(a) a Qualifying Lender falling within (a) of the definition of Qualifying Lender; or, except where a Direction has been given under section 931 of the ITA in relation to the payment concerned, a Qualifying Lender falling within (b) of the definition of Qualifying Lender; or

(b) a Treaty Lender and the payment is one specified in a direction given by the Commissioners of Revenue & Customs under Regulation 2 of the Double Taxation Relief (Taxes on Income) (General) Regulations 1970 (SI 1970/488).

20.1.10 **No default**

(a) No Event of Default and, on the date of this Agreement and each Utilisation Date, no Default is continuing or is likely to result from the advance of any Utilisation or the entry into, the performance of, or any transaction contemplated by, any of the Relevant Documents.

(b) No other event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (however described) under any other agreement or instrument which is binding on any of the Obligors or to which its assets are subject which has a Material Adverse Effect.

20.1.11 **No misleading information** Save as disclosed in writing to the Agent prior to the date of this Agreement:

(a) all material information provided to a Finance Party by or on behalf of any of the Obligors on or before the date of this Agreement and not superseded before that date is accurate and not misleading in any material respect and all projections provided to any Finance Party on or before the date of this Agreement have been prepared in good faith on the basis of assumptions which were reasonable at the time at which they were prepared and supplied; and

(b) all other written information provided by any of the Obligors (including its advisers) to a Finance Party was true, complete and accurate in all material respects as at the date it was provided and is not misleading in any respect.

20.1.12 **Financial statements**

(a) The Original Financial Statements were prepared in accordance with GAAP consistently applied.

(b) The audited Original Financial Statements fairly represent the Group's financial condition and results of operations during the relevant financial year.

(c) There has been no material adverse change in the Group's assets, business or financial condition since the date of the Original Financial Statements.

(d) The Group's most recent financial statements delivered pursuant to Clause 21.1 (*Financial statements*):

(i) have been prepared in accordance with GAAP as applied to the Original Financial Statements; and

(ii) fairly represent its consolidated financial condition as at the end of, and its consolidated results of operations for, the period to which they relate.

(e) Since the date of the most recent financial statements delivered pursuant to Clause 21.1 (*Financial statements*) there has been no material adverse change in the assets, business or financial condition of the Group.

20.1.13 **No proceedings**

(a) No litigation, arbitration or administrative proceedings or investigation of or before any court, arbitral body or agency which, if adversely determined, are likely to have a Material Adverse Effect have (to the best of its knowledge and belief (having made due and careful enquiry)) been started or threatened against any of the Obligors.

(b) No judgment or order of a court, arbitral body or agency which is likely to have a Material Adverse Effect has (to the best of its knowledge and belief (having made due and careful enquiry)) been made against any of the Obligors.

20.1.14 **No breach of laws** None of the Obligors has breached any law or regulation which breach has a Material Adverse Effect.

20.1.15 **Environmental laws**

(a) Each of the Obligors and each other member of the Group is in compliance with Clause 23.3 (*Environmental compliance*) and to the best of its knowledge and belief (having made due and careful enquiry) no circumstances have occurred which would prevent such compliance in a manner or to an extent which has or is likely to have a Material Adverse Effect.

(b) No Environmental Claim has been commenced or (to the best of its knowledge and belief (having made due and careful enquiry)) is threatened against any of the Obligors or any other member of the Group where that claim has or is likely, if determined against that Obligor or other member of the Group, to have a Material Adverse Effect.

20.1.16 **Taxation**

(a) None of the Obligors is materially overdue in the filing of any Tax returns or is overdue in the payment of any amount in respect of Tax.

(b) No claims or investigations are being, or are likely to be, made or conducted against any of the Obligors with respect to Taxes.

(c) Each of the Obligors is resident for Tax purposes only in its Original Jurisdiction.

20.1.17 **Anti-corruption law** Each of the Obligors and, to their knowledge, each other member of the Group and each Affiliate of any of them has conducted its businesses in compliance with applicable anti-corruption laws and has instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

20.1.18 **No Encumbrance or Financial Indebtedness**

(a) No Encumbrance or Quasi-Security exists over all or any of the present or future assets of any of the Borrowers other than as permitted by the Finance Documents.

(b) None of the Borrowers has any Financial Indebtedness outstanding other than as permitted by this Agreement.

20.1.19 **Pari passu ranking** The payment obligations of each of the Obligors under the Finance Documents to which it is a party rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

20.1.20 **No adverse consequences**

(a) It is not necessary under the laws of the Relevant Jurisdictions of any of the Obligors:

(i) in order to enable any Finance Party to enforce its rights under any Finance Document; or

(ii) by reason of the execution of any Finance Document or the performance by it of its obligations under any Finance Document,

that any Finance Party should be licensed, qualified or otherwise entitled to carry on business in any of the Relevant Jurisdictions of any of the Obligors.

(b) No Finance Party is or will be deemed to be resident, domiciled or carrying on business in any of the Relevant Jurisdictions of any of the Obligors by reason only of the execution, performance and/or enforcement of any Finance Document.

20.1.21 **Disclosure of material facts** No Borrower is aware of any material facts or circumstances which have not been disclosed to the Agent and which might, if disclosed, have changed the decision of a person willing to make loan facilities of the nature contemplated by this Agreement available to the Borrowers.

20.1.22 **Completeness of Relevant Documents**

(a) The copies of any Relevant Documents provided or to be provided by the Borrowers to the Agent in accordance with Clause 4 (*Conditions of Utilisation*) are, or will be, true and accurate copies of the originals and represent, or will represent, the full agreement between the parties to those Relevant Documents in relation to the subject matter of those Relevant Documents.

(b) There are no commissions, rebates, premiums or other payments due or to become due in connection with the subject matter of the Relevant Documents other than in the ordinary course of business or as disclosed to, and approved in writing by, the Agent.

(c) There is no dispute under any of the Relevant Documents as between the parties to any such document.

20.1.23 **No immunity** No Obligor or any of its assets is immune to any legal action or proceeding.

20.1.24 **Money laundering** Any borrowing by a Borrower under this Agreement, and the performance of its obligations under this Agreement and under the other Finance Documents, will be for its own account and will not involve any breach by it of any law or regulatory measure relating to "**money laundering**" as defined in Article 1 of the Directive ((EU) 2015/849) of the European Parliament and of the Council of the European Communities (as it forms part of the domestic law of the United Kingdom by virtue of the 2018 Withdrawal Act).

20.1.25 **Sanctions**

(a) None of the Obligors, and to the knowledge of the Obligors, no other member of the Group or any Affiliate of any of them is a Prohibited Person or is owned or controlled by, or acting directly or indirectly on behalf of or for the benefit of, a Prohibited Person and none of such persons owns or controls a Prohibited Person.

(b) No proceeds of the Loan shall be made available, directly or indirectly, to or for the benefit of a Prohibited Person or otherwise shall be, directly or indirectly, applied in a manner or for a purpose prohibited by Sanctions.

(c) Each of the Obligors, and to the knowledge of the Obligors, no other member of the Group and each Affiliate of any of them is in compliance with all Sanctions.

20.1.26 **Valuations**

(a) All information supplied by an Obligor or (with an Obligor's knowledge) on its behalf to an Approved Shipbroker for the purposes of a valuation in evidence of a Market Value in accordance with this Agreement was true and accurate as at the date it was supplied or (if appropriate) as at the date (if any) at which it is stated to be given.

(b) No Obligor has omitted to supply any information to an Approved Shipbroker in its possession or knowledge which, if disclosed, would adversely affect any such valuation.

(c) To the best of each Obligor's knowledge, there has been no change to the factual information supplied in relation to any such valuation between the date such information was supplied and the date of that valuation which renders that information untrue or misleading in any material respect.

20.1.27 **DAC6** No transaction contemplated by the Relevant Documents nor any transaction to be carried out in connection with any transaction contemplated by the Relevant Documents (a) meets any hallmark set out in Annex IV of DAC6 or for the purposes of any implementation of DAC6 in any EU member state or (b) constitutes a CRS avoidance arrangement or an opaque offshore structure for the purposes of MDR.

20.2 **Repetition** Each Repeating Representation is deemed to be made by each Borrower and each Guarantor by reference to the facts and circumstances then existing on the date of each Utilisation Request, on each Utilisation Date, on the first day of each Interest Period and, in the case of those contained in Clauses 20.1.12(c) and 20.1.12(a) (*Financial statements*) and for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

21 Information Undertakings

The undertakings in this Clause 21 remain in force for the duration of the Facility Period.

21.1 **Financial statements** The Original Guarantor shall supply to the Agent in sufficient copies for all of the Lenders:

21.1.1 as soon as the same become available, but in any event within 180 days after the end of each of its financial years its audited consolidated financial statements for that financial year.

21.1.2 as soon as the same become available, but in any event within 90 days after the end of each quarter during each of its financial years, the unaudited quarterly financial statements for that quarter in the form in which they were published in the relevant press release provided that such form is compliant with the requirements of the US Securities and Exchange Commission.

21.2 **Compliance Certificate**

21.2.1 The Original Guarantor shall supply to the Agent, with each set of its annual financial statements delivered pursuant to Clause 21.1.1 (*Financial statements*) and each set of its quarterly financial statements delivered pursuant to Clause 21.1.2 (*Financial statements*), a Compliance Certificate setting out (in detail) computations as to compliance with Clause 22 (*Financial Covenants*) as at the date as at which those financial statements were drawn up.

21.2.2 Each Compliance Certificate shall be signed by the chief executive officer of the Original Guarantor.

21.3 **Requirements as to financial statements**

Each set of financial statements delivered pursuant to Clause 21.1 (*Financial statements*):

21.3.1 shall be certified by a director of the Original Guarantor as fairly representing its financial condition and operations as at the date as at which those financial statements were drawn up;

21.3.2 shall be prepared using GAAP, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in GAAP, the accounting practices or reference periods and its auditors deliver to the Agent:

(a) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the Original Financial Statements were prepared; and

(b) sufficient information, in form and substance as may be required by the Agent, to enable the Agent to determine whether Clause 22 (*Financial Covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and the Original Financial Statements.

Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

21.4 **Information: miscellaneous** The Original Guarantor shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

21.4.1 at the same time as they are dispatched, copies of all documents dispatched by that Borrower to its shareholders generally (or any class of them) or dispatched by that Borrower or any other Obligor to its creditors generally (or any class of them);

21.4.2 promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any Obligor and which, if adversely determined, are likely to have a Material Adverse Effect;

21.4.3 promptly upon becoming aware of them, the details of any judgment or order of a court, arbitral body or agency which is made against any Obligor and which is likely to have a Material Adverse Effect;

21.4.4 promptly, such information and documents as the Security Agent may require about the Security Assets and compliance of the Obligors with the terms of any Security Documents (including without limitation cash flow analyses and details of the operating costs of any Vessel); and

21.4.5 promptly on request, such further information regarding the financial condition, assets and operations of any Obligor or any other member of the Group (including any requested amplification or explanation of any item in the financial statements, budgets or other material provided by any Obligor under this Agreement, any changes to management of the Group and an up to date copy of its shareholders' register (or equivalent in its Original Jurisdiction)) as any Finance Party through the Agent may request.

21.5 **Notification of default**

21.5.1 Each Borrower and each Guarantor shall notify the Agent of any Default and any Sanctions Event (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

21.5.2 Promptly upon a request by the Agent, each Borrower shall supply to the Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

21.6 **"Know your customer" checks**

21.6.1 If:

(a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;

(b) any change in the status of an Obligor (or of a Holding Company of an Obligor) or the composition of the shareholders of an Obligor (or of a Holding Company of an Obligor) after the date of this Agreement; or

(c) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of Clause 21.6.1(c), any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, each Borrower shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in Clause 21.6.1(c), on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in Clause 21.6.1(c), any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

21.6.2 Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

21.6.3 The Borrowers shall, by not less than ten Business Days' prior written notice to the Agent, notify the Agent (which shall promptly notify the Lenders) of the intention to request that any other member of the Group becomes an Additional Guarantor pursuant to Clause 26 (*Changes to the Obligors*).

21.6.4 Following the giving of any notice pursuant to Clause 21.6.3, if the accession of such Additional Guarantor obliges the Agent or any Lender to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrowers shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or on behalf of any prospective new Lender) in order for the Agent or such Lender or any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the accession of such member of the Group to this Agreement as an Additional Guarantor.

22 Financial Covenants

22.1 **Minimum liquidity** The Original Guarantor shall maintain throughout the Facility Period an aggregate amount of (a) Cash and (b) Cash Equivalents not less than the higher of:

22.1.1 (a) $9,000,000 at all times during the Facility Period for a total five (5) tanker Fleet Vessels plus (b) $500,000 per tanker Fleet Vessel (over and above five (5) tanker Fleet Vessels), if any; and

22.1.2 7.5% of the Total Debt.

22.2 **Minimum working capital** The Original Guarantor shall maintain Working Capital greater than zero dollars throughout the Facility Period.

22.3 **Minimum Equity Ratio** The Original Guarantor shall maintain a Value Adjusted Equity Ratio at a minimum of 35%.

23 General Undertakings

The undertakings in this Clause 23 remain in force for the duration of the Facility Period.

23.1 **Authorisations** Each Borrower and each Guarantor shall promptly:

23.1.1 obtain, comply with and do all that is necessary to maintain in full force and effect; and

23.1.2 supply certified copies to the Agent of,

any Authorisation required under any law or regulation of a Relevant Jurisdiction to:

(a) enable any Obligor to perform its obligations under the Finance Documents to which it is a party;

(b) ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document; and

(c) enable any Obligor to carry on its business where failure to do so has or is likely to have a Material Adverse Effect.

23.2 **Compliance with laws**

23.2.1 Each Borrower and each Guarantor shall comply (and shall procure that each other Obligor, each other member of the Group and each Affiliate of any of them will comply), in all respects with all laws to which it may be subject, if (except as regards Sanctions, to which Clause 23.2.2 applies, and anti-corruption laws, to which Clause 23.5 (*Anti-corruption law*) applies) failure so to comply has or is likely to have a Material Adverse Effect.

23.2.2 Each Borrower and each Guarantor shall comply (and shall procure that each other Obligor, each other member of the Group and each Affiliate of any of them will comply) in all respects with all Sanctions.

23.3 **Environmental compliance**

Each Borrower and each Guarantor shall:

23.3.1 comply with all Environmental Laws;

23.3.2 obtain, maintain and ensure compliance with all requisite Environmental Approvals; and

23.3.3 implement procedures to monitor compliance with and to prevent liability under any Environmental Law,

where failure to do so has a Material Adverse Effect.

23.4 **Environmental Claims**

Each Borrower and each Guarantor shall promptly upon becoming aware of the same, inform the Agent in writing of:

23.4.1 any Environmental Claim against any of the Obligors or any other member of the Group which is current, pending or threatened; and

23.4.2 any facts or circumstances which are likely to result in any Environmental Claim being commenced or threatened against any of the Obligors or any other member of the Group,

where the claim, if determined against that Obligor or other member of the Group, has or is likely to have a Material Adverse Effect.

23.5 **Anti-corruption law**

23.5.1 Each Borrower and each Guarantor shall not (and, should they be aware of it, shall procure that no other Obligor or no other member of the Group will) directly or indirectly use the proceeds of the Loan for any purpose which would breach the Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation in other jurisdictions.

23.5.2 Each Borrower and each Guarantor shall (and, should they be aware of it, shall procure that each other Obligor and each other member of the Group will):

(a) conduct its businesses in compliance with applicable anti-corruption laws; and

(b) maintain policies and procedures designed to promote and achieve compliance with such laws.

23.6 **Taxation**

23.6.1 Each Borrower and each Guarantor shall (and shall procure that each other Obligor and each other member of the Group will) pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

(a) such payment is being contested in good faith;

(b) adequate reserves are being maintained for those Taxes and the costs required to contest them which have been disclosed in its latest financial statements delivered to the Agent under Clause 21.1 (*Financial statements*); and

(c) such payment can be lawfully withheld and failure to pay those Taxes does not have or is not likely to have a Material Adverse Effect.

23.6.2 Neither any Borrower nor any Guarantor may (and no other Obligor or other member of the Group may) change its residence for Tax purposes.

23.7 **Evidence of good standing** Each Borrower and each Guarantor will from time to time, if applicable and if requested by the Agent, provide the Agent with evidence in form and substance satisfactory to the Agent that each Obligor and each corporate shareholder of an Obligor remains in good standing.

23.8 **Pari passu ranking** Each Borrower and each Guarantor shall ensure that at all times any unsecured and unsubordinated claims of a Finance Party against it under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies.

23.9 **Negative pledge**

In this Clause 23.9, "**Quasi-Security**" means an arrangement or transaction described in Clause 23.9.2.

Except as permitted under Clause 23.9.3:

23.9.1 None of the Borrowers shall create nor permit to subsist any Encumbrance over any of its assets.

23.9.2 None of the Borrowers shall:

(a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by an Obligor or any other member of the Group;

(b) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

(d) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

23.9.3 Clauses 23.9.1 and 23.9.2 do not apply to any Encumbrance or (as the case may be) Quasi-Security, which is a Permitted Encumbrance.

23.10 **Disposals**

23.10.1 Except as permitted under Clause 23.10.2 none of the Borrowers shall enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset.

23.10.2 Clause 23.10.1 does not apply to any sale, lease, transfer or other disposal which is a Permitted Disposal or any time charter or contract of employment in respect of a Vessel.

23.11 **Arm's length basis**

23.11.1 Except as permitted under Clause 23.11.2, none of the Borrowers shall enter into any transaction with any person except on arm's length terms and for full market value.

23.11.2 The following transactions shall not be a breach of this Clause 23.11: fees, costs and expenses payable under the Relevant Documents in the amounts set out in the Relevant Documents delivered to the Agent under Clause 4.1 (*Initial conditions precedent*) or agreed by the Agent.

23.12 **Merger** None of the Borrowers shall enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction.

23.13 **Change of business** None of the Borrowers shall make any substantial change to the general nature of its business from that carried on at the date of this Agreement.

23.14 **No other business** None of the Borrowers shall engage in any business other than the ownership, operation, chartering and management of the relevant Vessel.

23.15 **No acquisitions** None of the Borrowers shall acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them) or incorporate a company.

23.16 **No Joint Ventures** None of the Borrowers:

23.16.1 enter into, invest in or acquire (or agree to acquire) any shares, stocks, securities or other interest in any Joint Venture; or

23.16.2 transfer any assets or lend to or guarantee or give an indemnity for or give security for the obligations of a Joint Venture or maintain the solvency of or provide working capital to any Joint Venture (or agree to do any of the foregoing).

23.17 **No borrowings** None of the Borrowers shall incur or allow to remain outstanding any Financial Indebtedness (except for the Loan).

23.18 **No substantial liabilities** Except in the ordinary course of business, none of the Borrowers shall incur any liability to any third party which is in the Agent's opinion of a substantial nature.

23.19 **No loans or credit** None of the Borrowers shall be a creditor in respect of any Financial Indebtedness.

23.20 **No guarantees or indemnities** No Borrower shall incur or allow to remain outstanding any guarantee in respect of any obligation of any person.

23.21 **No dividends**

23.21.1 Each Borrower may:

(a) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);

(b) repay or distribute any dividend or share premium reserve;

(c) pay any management, advisory or other fee to or to the order of any of the shareholders of the Original Guarantor;

(d) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; or

(e) issue any new shares in its share capital or resolve to do so,

Provided that no Event of Default has occurred, or would occur as a result of any action referred to in Clause 23.21.1(a) to (e) above.

23.21.2 The Original Guarantor may:

(a) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);

(b) repay or distribute any dividend or share premium reserve;

(c) pay any management, advisory or other fee to or to the order of any of the shareholders of the Original Guarantor;

(d) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so,

provided that:

(i) the cash balances of the Original Guarantor (as evidenced by the latest financial statements) following any action referred to in Clause 23.21.2(a) to (d) above shall not be less than the higher of (A) $8,000,000 and (B) 12.5% of the Total Debt; and

(ii) no Event of Default has occurred, or would occur as a result of any action referred to in Clause 23.21.2(a) to (d) above.

23.22 **People with significant control regime** Each Borrower and each Guarantor shall (and shall procure that each other Obligor will):

23.22.1 within the relevant timeframe, comply with any notice it receives pursuant to Part 21A of the Companies Act 2006 from any company incorporated in the United Kingdom whose shares are the subject of any Security Document; and

23.22.2 promptly provide the Security Agent with a copy of that notice.

23.23 **Inspection of records** Each Borrower and each Guarantor will permit the inspection of its financial records and accounts from time to time by the Agent or its nominee.

23.24 **No change in Relevant Documents** Neither any Borrower nor any Guarantor shall (and the Borrowers shall procure that no other will) amend, vary, novate, supplement, supersede, waive or terminate any term of, any of the Relevant Documents which are not Finance Documents, or any other document delivered to the Agent pursuant to Clause 4.1 (*Initial conditions precedent*) or Clause 4.2 (*Further conditions precedent*) or Clause 4.3 (*Conditions subsequent*).

23.25 **Further assurance**

23.25.1 Each Borrower and each Guarantor shall (and shall procure that each other Obligor will) promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Agent may specify (and in such form as the Security Agent may require in favour of the Security Agent or its nominee(s)):

(a) to perfect any Encumbrance created or intended to be created under or evidenced by the Security Documents (which may include the execution of a mortgage, charge, assignment or other Encumbrance over all or any of the assets which are, or are intended to be, the subject of the Security Documents) or for the exercise of any rights, powers and remedies of the Security Agent or the Finance Parties provided by or pursuant to the Finance Documents or by law;

(b) to confer on the Security Agent or confer on the Finance Parties an Encumbrance over any property and assets of that Borrower (or that other Obligor or that other member of the Group as the case may be) located in any jurisdiction equivalent or similar to the Encumbrance intended to be conferred by or pursuant to the Security Documents; and/or

(c) to facilitate the realisation of the assets which are, or are intended to be, the subject of the Security Documents.

23.25.2 Each Borrower and each Guarantor shall (and shall procure that each other Obligor and each other member of the Group will) take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Encumbrance conferred or intended to be conferred on the Security Agent or the Finance Parties by or pursuant to the Finance Documents.

23.26 **Sanctions**

23.26.1 Each Borrower and each Guarantor shall (and, should they be aware of it, shall procure that the other members of the Group shall) have implemented and maintain in effect policies and procedures designed to promote and ensure compliance by them and their respective directors, officers, employees with Sanctions and anti-corruption laws and regulations.

23.26.2 The Borrowers will not request any utilisation of the Loan and they will not use (and, should they be aware of it, shall procure that no other member of the Group, nor its or their respective directors or officers use) the proceeds of the Loan for the purpose of funding, financing or facilitating any activities, business or transaction of or with any a Prohibited Person or otherwise in violation of any Sanctions.

23.26.3 Each Borrower and each Guarantor shall (and, should they be aware of it, shall procure that each other Obligor and each other member of the Group shall) comply with all Sanctions and anti-corruption laws and regulations and are not engaged in any activity that constitutes or could reasonably be expected to result in a Sanctions Event.

23.27 **No dealings with Master Agreement** No Borrower shall assign, novate or encumber or in any other way transfer any of its rights or obligations under the 2002 ISDA Master Agreement, nor enter into any interest rate exchange or hedging agreement with anyone other than the Original Hedge Counterparty.

23.28 **US listing**

The Original Guarantor shall remain listed in the New York Stock Exchange (NASDAQ) throughout the Facility Period.

23.29 **Charter-in tonnage**

The Original Guarantor and its Subsidiaries shall not charter-in tonnage any Vessel without the prior consent of the Lenders.

23.30 **Green scrapping**

23.30.1 Each Borrower shall use endeavours (including the implementation of internal policies) to ensure that any scrapping of its Vessel is carried out in accordance with the Hong Kong Convention and the IMO Convention for the Safe and Environmentally Sound Recycling of Ships.

23.30.2 If applicable, each Borrower shall obtain and maintain a green passport notification (based on the inventory of hazardous materials) for its Vessel from the relevant classification society on or prior to the relevant Utilisation Date.

23.31 **Poseidon Principles**

23.31.1 In this Clause 23.31:

"Poseidon Principles" means the financial industry framework for assessing and disclosing the climate alignment of ship finance portfolios published on 18 June 2019 as the same may be amended or replaced (to reflect changes in applicable law or regulation or the introduction of, or changes to, mandatory requirements of the International Maritime Organization) from time to time.

"**Relevant Lender**" means a Lender which has, at any time during the Facility Period, become a signatory to the Poseidon Principles.

"**Statement of Compliance**" means a statement of compliance related to fuel oil consumption pursuant to regulations 6.6 and 6.7 of Annex VI.

23.31.2 Each Borrower shall, upon the request of any Relevant Lender and at the cost of the Borrowers, on or before 31 July in each calendar year, supply or procure the supply to the Agent (for transmission to the applicable Relevant Lender) of all information necessary in order for any Relevant Lender to comply with its obligations under the Poseidon Principles in respect of the preceding calendar year, including, without limitation, all ship fuel oil consumption data required to be collected and reported in accordance with regulation 22A of Annex VI and any Statement of Compliance, in each case relating to its Vessel for the preceding calendar year, provided that no Relevant Lender shall publicly disclose such information with the identity of the relevant Vessel without the prior written consent of the relevant Borrower and, for the avoidance of doubt, such information shall be "Confidential Information" for the purposes of Clause 38.1 (*Confidential Information*) but each Borrower acknowledges that, in accordance with the Poseidon Principles, such information will form part of the information published regarding the applicable Relevant Lender's portfolio climate alignment.

23.32 **No dealings with Hedging Agreement** No Borrower shall assign, novate or encumber or in any other way transfer any of its rights or obligations under a Hedging Agreement except as contemplated in the Security Documents, nor enter into any interest rate exchange or hedging agreement with anyone other than a Hedge Counterparty.

24 Events of Default

24.1 **Events of Default** Each of the events or circumstances set out in this Clause 24.1 is an Event of Default.

24.1.1 **Non-payment** An Obligor does not pay on the due date any amount payable by it under a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

(a) its failure to pay is caused by:

(i) administrative or technical error; or

(ii) a Disruption Event; and

(b) payment is made within two Business Days of its due date.

24.1.2 **Other specific obligations**

(a) Any requirement of Clause 22 (*Financial Covenants*) is not satisfied.

(b) An Obligor does not comply with any obligation in a Finance Document relating to the Insurances, with Clause 7.5 (*Mandatory prepayment on sale or Total Loss*) or with Clause 18.1 (*Additional Security*).

24.1.3 **Other obligations**

(a) An Obligor does not comply with any provision of a Finance Document (other than those referred to in Clause 24.1.1 (*Non-payment*) and Clause 24.1.2 (*Other specific obligations*)).

(b) No Event of Default under this Clause 24.1.3 will occur if the failure to comply is capable of remedy and is remedied within ten Business Days of the earlier of (i) the Agent giving notice to the Borrowers and (ii) the Borrowers becoming aware of the failure to comply.

24.1.4 **Misrepresentation** Any representation or statement made or deemed to be made by an Obligor in any Finance Document or any other document delivered by or on behalf of an Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading when made or deemed to be made.

24.1.5 **Cross default**

(a) Any Financial Indebtedness of an Obligor is not paid when due nor within any originally applicable grace period.

(b) Any Financial Indebtedness of an Obligor is declared to be, or otherwise becomes, due and payable prior to its specified maturity as a result of an event of default (however described).

(c) Any commitment for any Financial Indebtedness of an Obligor is cancelled or suspended by a creditor of an Obligor as a result of an event of default (however described).

(d) Any creditor of an Obligor becomes entitled to declare any Financial Indebtedness of an Obligor due and payable prior to its specified maturity as a result of an event of default (however described).

(e) No Event of Default will occur under this Clause 24.1.5 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within (a) to (d) is less than $10,000,000 (or its equivalent in any other currency or currencies).

24.1.6 **Insolvency**

(a) An Obligor:

(i) is unable or admits inability to pay its debts as they fall due;

(ii) is deemed to, or is declared to, be unable to pay its debts under applicable law;

(iii) suspends or threatens to suspend making payments on any of its debts; or

(iv) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

(b) The value of the assets of an Obligor is less than its liabilities (taking into account contingent and prospective liabilities).

(c) A moratorium is declared in respect of any indebtedness of an Obligor. If a moratorium occurs, the ending of the moratorium will not remedy any Event of Default caused by that moratorium.

24.1.7 **Insolvency proceedings** Any corporate action, legal proceedings or other procedure or step is taken in relation to:

(a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, bankruptcy or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of an Obligor;

(b) a composition, compromise, assignment or arrangement with any creditor of an Obligor;

(c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager, trustee or other similar officer in respect of an Obligor or any of its assets; or

(d) enforcement of any Encumbrance over any assets of an Obligor,

or any analogous procedure or step is taken in any jurisdiction.

This Clause 24.1.7 shall not apply to (i) any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement or (ii) any arrest or detention of a Vessel from which that Vessel is released within 14 days from the date of that arrest or detention.

24.1.8 **Creditors' process** Any expropriation, attachment, sequestration, distress or execution (or any analogous process in any jurisdiction) affects any asset or assets of an Obligor and is not discharged within 30 days.

24.1.9 **Unlawfulness and invalidity**

(a) It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents or any Encumbrance created or expressed to be created or evidenced by the Security Documents ceases to be effective.

(b) Any obligation or obligations of any Obligor under any Finance Documents are not (subject to the Legal Reservations) or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Lenders under the Finance Documents.

(c) Any Finance Document ceases to be in full force and effect or any Encumbrance created or expressed to be created or evidenced by the Security Documents ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than a Finance Party) to be ineffective.

24.1.10 **Cessation of business** An Obligor ceases, or threatens to cease, to carry on all or a substantial part of its business except as a result of a Permitted Disposal.

24.1.11 **Expropriation** The authority or ability of an Obligor to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to an Obligor or any of its assets.

24.1.12 **Repudiation and rescission of agreements**

(a) An Obligor rescinds or purports to rescind or repudiates or purports to repudiate a Finance Document or evidences an intention to rescind or repudiate a Finance Document.

(b) Subject to Clause 24.1.12(c), any party to any of the Relevant Documents that is not a Finance Document rescinds or purports to rescind or repudiates or purports to repudiate that Relevant Document in whole or in part where to do so has or is, in the reasonable opinion of the Majority Lenders, likely to have a material adverse effect on the interests of the Lenders under the Finance Documents.

(c) Any of the Management Agreements is terminated, cancelled or otherwise ceases to remain in full force and effect at any time prior to its contractual expiry date and is not immediately replaced by a similar agreement in form and substance satisfactory to the Majority Lenders.

24.1.13 **Conditions subsequent** Any of the conditions referred to in Clause 4.3 (*Conditions subsequent*) is not satisfied within the time required by the Agent.

24.1.14 **Revocation or modification of Authorisation** Any Authorisation of any governmental, judicial or other public body or authority which is now, or which at any time during the Facility Period becomes, necessary to enable any of the Obligors or any other person (except a Finance Party) to comply with any of their obligations under any Relevant Document is not obtained, is revoked, suspended, withdrawn or withheld, or is modified in a manner which the Agent considers is, or may be, prejudicial to the interests of any Finance Party, or ceases to remain in full force and effect.

24.1.15 **Reduction of capital** A Borrower reduces its authorised or issued or subscribed capital.

24.1.16 **Challenge to registration** The registration of a Vessel or a Mortgage is contested or becomes void or voidable or liable to cancellation or termination, or the validity or priority of a Mortgage is contested.

24.1.17 **War** The country of registration of a Vessel becomes involved in war (whether or not declared) or civil war or is occupied by any other power and the Agent considers that, as a result, the security conferred by any of the Security Documents is materially prejudiced.

24.1.18 **Master Agreement termination** A notice is given by the Original Hedge Counterparty under section 6(a) of the 2002 ISDA Master Agreement, or by any person under section 6(b)(iv) of the 2002 ISDA Master Agreement, in either case designating an Early Termination Date (as defined therein) for the purpose of the 2002 ISDA Master Agreement, or the 2002 ISDA Master Agreement is for any other reason terminated, cancelled, suspended, rescinded, revoked or otherwise ceases to remain in full force and effect.

24.1.19 **Notice of determination** A Guarantor gives notice to the Security Agent to determine any obligations under the relevant Guarantee.

24.1.20 **Litigation** Any litigation, arbitration or administrative proceedings or investigations of, or before, any court, arbitral body or agency are started or threatened, or any judgment or order of a court, arbitral body or agency is made, in relation to the Relevant Documents or the transactions contemplated in the Relevant Documents or against (a) an Obligor or its assets which have, or has, or are, or is, likely to have a Material Adverse Effect, or (b) any other member of the Group or its assets which have, or has a Material Adverse Effect.

24.1.21 **Material adverse change** Any event or circumstance occurs which the Majority Lenders believe has or is likely to have a Material Adverse Effect.

24.1.22 **Group impact** Any event or circumstance of those referred to in Clauses 24.1.5 (*Cross default*), 24.1.6 (*Insolvency*), 24.1.7 (*Insolvency proceedings*), 24.1.8 (*Creditors' process*), 24.1.10 (*cessation of business*) and 24.1.11 (*Expropriation*) occurs in respect of a member of the Group which the Majority Lenders believe has a significant impact on the financial status of the Group.

24.2 **Acceleration** On and at any time after the occurrence of an Event of Default the Agent may, and shall if so directed by the Majority Lenders, do all or any of the following:

24.2.1 by notice to the Borrowers:

(a) cancel the Total Commitments, at which time they shall immediately be cancelled; and/or

(b) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents are immediately due and payable, at which time they shall become immediately due and payable; and/or

(c) declare that all or part of the Loan is payable on demand, at which time it shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders; and/or

24.2.2 exercise any or all of its rights, remedies, powers or discretions under the Finance Documents; and/or

24.2.3 direct the Security Agent to exercise any or all of the Security Agent's rights, remedies, powers or discretions under the Finance Documents.

Section 9 Changes to Parties

25 Changes to the Lenders and Hedge Counterparties

25.1 **Assignments and transfers by the Lenders** Subject to this Clause 25, a Lender (the "**Existing Lender**") may:

25.1.1 assign any of its rights; or

25.1.2 transfer by novation any of its rights and obligations,

under any Finance Document to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the "**New Lender**").

25.2 **Conditions of assignment or transfer**

25.2.1 An Existing Lender must consult with the Borrowers before it may make an assignment or transfer in accordance with Clause 25.1 (*Assignments and transfers by the Lenders*) unless the assignment or transfer is:

(a) to another Lender or an Affiliate of any Lender;

(b) to a fund which is a Related Fund of that Existing Lender; or

(c) made at a time when an Event of Default is continuing.

25.2.2 An assignment will only be effective on:

(a) receipt by the Agent (whether in the Assignment Agreement or otherwise) of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties and the other Secured Parties as it would have been under if it had been an Original Lender; and

(b) performance by the Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the New Lender,

provided always that the liabilities of the Borrowers and each other Obligor under this Agreement and any other Finance Document shall not be increased as a result of any such assignment or transfer and that in the event that the Borrowers' or of any other Obligors' liabilities (actual or contingent) are increased, neither the Borrowers nor any other Obligor shall be liable for any such excess.

25.2.3 A transfer will only be effective if the procedure set out in Clause 25.5 (*Procedure for transfer*) is complied with.

25.2.4 If:

(a) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and

(b) as a result of circumstances existing at the date the assignment, transfer or change occurs, a Borrower or a Guarantor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax Gross Up and Indemnities*) or Clause 13 (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred. This Clause 25.2.4 shall not apply:

(c) in respect of an assignment or transfer made in the ordinary course of the primary syndication of the Loan; or

(d) in relation to Clause 12.2 (*Tax gross-up*), to a Treaty Lender that has included a confirmation of its scheme reference number and its jurisdiction of tax residence in accordance with Clause 12.2.7(b)(ii) (*Tax gross-up*) if the Borrower making the payment has not made a Borrower DTTP Filing in respect of that Treaty Lender.

25.2.5 Each New Lender, by executing the relevant Transfer Certificate or Assignment Agreement, confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender.

25.3 **Assignment or transfer fee**

25.3.1 Subject to Clause 25.3.2, the New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Agent (for its own account) a fee of $10,000.

25.3.2 No fee is payable pursuant to Clause 25.3.1 if:

(a) the Agent agrees that no fee is payable; or

(b) the assignment or transfer is made by an Existing Lender:

(i) to an Affiliate of that Existing Lender;

(ii) to a fund which is a Related Fund of that Existing Lender; or

(iii) in connection with primary syndication of the Loan.

25.4 **Limitation of responsibility of Existing Lenders**

25.4.1 Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

(a) the legality, validity, effectiveness, adequacy or enforceability of the Relevant Documents or any other documents;

(b) the financial condition of any Obligor;

(c) the performance and observance by any Obligor or any other member of the Group of its obligations under the Relevant Documents or any other documents; or

(d) the accuracy of any statements (whether written or oral) made in or in connection with any of the Relevant Documents or any other document,

and any representations or warranties implied by law are excluded.

25.4.2 Each New Lender confirms to the Existing Lender, the other Finance Parties and the Secured Parties that it:

(a) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and each other member of the Group and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any of the Relevant Documents; and

(b) will continue to make its own independent appraisal of the creditworthiness of each Obligor and each other member of the Group and its related entities for the duration of the Facility Period.

25.4.3 Nothing in any Finance Document obliges an Existing Lender to:

(a) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 25; or

(b) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Relevant Documents or otherwise.

25.5 **Procedure for transfer**

25.5.1 Subject to the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with Clause 25.5.3 when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to Clause 25.2.2(b), as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.

25.5.2 The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.

25.5.3 Subject to Clause 25.10 (*Pro rata interest settlement*), on the Transfer Date:

(a) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents each Borrower and each Guarantor and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another shall be cancelled (being the "**Discharged Rights and Obligations**");

(b) each Borrower and each Guarantor and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Borrower and that Guarantor and the New Lender have assumed and/or acquired the same in place of that Borrower and that Guarantor and the Existing Lender;

(c) the Agent, the Security Agent, the Bookrunner, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Security Agent, the Bookrunner and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and

(d) the New Lender shall become a Party as a "Lender".

25.6 **Procedure for assignment**

25.6.1 Subject to the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*) an assignment may be effected in accordance with Clause 25.6.3 when the Agent executes an otherwise duly completed Assignment Agreement delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to Clause 25.6.2, as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement.

25.6.2 The Agent shall only be obliged to execute an Assignment Agreement delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the assignment to such New Lender.

25.6.3 Subject to Clause 25.10 (*Pro rata interest settlement*), on the Transfer Date:

(a) the Existing Lender will assign absolutely to the New Lender its rights under the Finance Documents and in respect of any Encumbrance created or expressed to be created or evidenced by the Security Documents and expressed to be the subject of the assignment in the Assignment Agreement;

(b) the Existing Lender will be released from the obligations (the "**Relevant Obligations**") expressed to be the subject of the release in the Assignment Agreement (and any corresponding obligations by which it is bound in respect of any Encumbrance created or expressed to be created or evidenced by the Security Documents); and

(c) the New Lender shall become a Party as a "Lender" and will be bound by obligations equivalent to the Relevant Obligations.

25.6.4 Lenders may utilise procedures other than those set out in this Clause 25.6 to assign their rights under the Finance Documents (but not, without the consent of the relevant Obligor or unless in accordance with Clause 25.5 (*Procedure for transfer*), to obtain a release by that Obligor from the obligations owed to that Obligor by the Lenders nor the assumption of equivalent obligations by a New Lender) **provided that** they comply with the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*).

25.7 **Copy of Transfer Certificate or Assignment Agreement to Borrowers** The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate or an Assignment Agreement, send to the Borrowers a copy of that Transfer Certificate or Assignment Agreement.

25.8 **Additional Hedge Counterparties**

25.8.1 The Borrowers or a Lender may request that a Lender or an Affiliate of a Lender becomes an Additional Hedge Counterparty, with the prior approval of the Majority Lenders and (in the case of a request by a Lender) the Borrowers, by delivering to the Agent a duly executed Hedge Counterparty Accession Letter signed by such Lender or Affiliate.

25.8.2 A Hedge Counterparty may transfer any of its rights or transfer by novation any of its rights and obligations to its Affiliate, another Lender or an Affiliate of another Lender, with the prior approval of the Majority Lenders and the Borrowers, by delivering to the Agent a duly executed Hedge Counterparty Accession Letter signed by such Lender or Affiliate.

25.8.3 In the case of Clauses 25.8.1 and 25.8.2, the relevant Lender or Affiliate will become an Additional Hedge Counterparty when the Agent enters into the relevant Hedge Counterparty Accession Letter.

25.9 **Security over Lenders' rights** In addition to the other rights provided to Lenders under this Clause 25, each Lender may without consulting with or obtaining consent from any Obligor, at any time charge, assign or otherwise create Encumbrances in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

25.9.1 any charge, assignment or other Encumbrance to secure obligations to a federal reserve or central bank; and

25.9.2 any charge, assignment or other Encumbrance granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,

except that no such charge, assignment or Encumbrance shall:

(a) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Encumbrance for the Lender as a party to any of the Finance Documents; or

(b) require any payments to be made by an Obligor other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

25.10 **Pro rata interest settlement**

25.10.1 If the Agent has notified the Lenders that it is able to distribute interest payments on a "pro rata basis" to Existing Lenders and New Lenders then (in respect of any transfer pursuant to Clause 25.5 (*Procedure for transfer*) or any assignment pursuant to Clause 25.6 (*Procedure for assignment*) the Transfer Date of which, in each case, is after the date of such notification and is not on the last day of an Interest Period):

(a) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date ("**Accrued Amounts**") and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Interest Period; and

(b) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts, so that, for the avoidance of doubt:

(i) when the Accrued Amounts become payable, those Accrued Amounts will be payable for the account of the Existing Lender; and

(ii) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 25.10, have been payable to it on that date, but after deduction of the Accrued Amounts.

25.10.2 In this Clause 25.10, references to "Interest Period" shall be construed to include a reference to any other period for accrual of fees.

25.10.3 An Existing Lender which retains the right to the Accrued Amounts pursuant to this Clause 25.10 but which does not have a Commitment shall be deemed not to be a Lender for the purposes of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve any request for a consent, waiver, amendment or other vote of Lenders under the Finance Documents.

26 Changes to the Obligors

26.1 **No assignment or transfer by Obligors** No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

26.2 **Additional Guarantors**

26.2.1 Subject to compliance with the provisions of Clauses 21.6.3 and 21.6.4 ("*Know your customer" checks*), the Borrowers may request that any member of the Group become a Guarantor.

26.2.2 A member of the Group shall become an Additional Guarantor if:

(a) the Borrowers and the proposed Additional Guarantor deliver to the Agent a duly completed and executed Accession Deed; and

(b) the Agent has received all of the documents and other evidence listed in Part II (*Initial Utilisation Conditions Precedent*) and, if applicable, Part IV (*Conditions subsequent*) of Schedule 2 (*Conditions Precedent and Subsequent*) in relation to that Additional Guarantor, each in form and substance satisfactory to the Agent.

26.2.3 The Agent shall notify the Borrowers and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in Part II (*Initial Utilisation Conditions Precedent*) and, if applicable, Part IV (*Conditions subsequent*) of Schedule 2 (*Conditions Precedent and Subsequent*).

26.2.4 Other than to the extent that the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in Clause 26.2.3, the Lenders authorise (but do not require) the Agent to give that notification. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

26.3 **Resignation of a Guarantor**

26.3.1 The Borrowers may request that a Guarantor ceases to be a Guarantor by delivering to the Agent a resignation letter if all the Lenders have consented to the resignation of that Guarantor.

26.3.2 The Agent shall accept a resignation letter and notify the Borrowers and the Lenders of its acceptance if:

(a) the Borrowers have confirmed that no Default is continuing or would result from the acceptance of the resignation letter; and

(b) no payment is due from any Guarantor under Clause 19.1 (*Guarantee and Indemnity*).

26.4 **Repetition of Representations**

Delivery of an Accession Deed constitutes confirmation by the relevant member of the Group that the Repeating Representations are true and correct in relation to it as at the date of delivery as if made by reference to the facts and circumstances then existing.

Section 10 The Finance Parties

27 Role of the Agent, the Security Agent and the Bookrunner

27.1 **Appointment of the Agent**

27.1.1 Each of the Bookrunner, and the Lenders and the Hedge Counterparties appoints the Agent to act as its agent under and in connection with the Finance Documents.

27.1.2 The Security Agent declares that it holds the Security Property and all rights, powers, discretions and remedies vested in the Security Agent by the Finance Documents or by law on trust for the Secured Parties on the terms contained in this Agreement.

27.1.3 Each of the Finance Parties authorises the Agent and the Security Agent to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Agent and the Security Agent (as applicable) under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

27.2 **Enforcement through Security Agent only** The Secured Parties shall not have any independent power to enforce, or have recourse to, any of the Transaction Encumbrances or to exercise any right, power, authority or discretion arising under the Security Documents except through the Security Agent (unless a Finance Document requires otherwise).

27.3 **Instructions**

27.3.1 Each of the Agent and the Security Agent shall:

(a) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it as Agent or Security Agent (as applicable) in accordance with any instructions given to it by:

(i) all the Lenders if the relevant Finance Document stipulates the matter is an all Lender decision; and

(ii) in all other cases, the Majority Lenders; and

(b) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with Clause 27.3.1(a) (or, if this Agreement stipulates the matter is a decision for any other Finance Party or group of Finance Parties, from that Finance Party or group of Finance Parties).

27.3.2 Each of the Agent and the Security Agent shall be entitled to request instructions, or clarification of any instruction, from the Majority Lenders (or, if the relevant Finance Document stipulates the matter is a decision for any other Finance Party or group of Finance Parties, from that Finance Party or group of Finance Parties) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion and the Agent or Security Agent (as applicable) may refrain from acting unless and until it receives any such instructions or clarification that it has requested.

27.3.3 Save in the case of decisions stipulated to be a matter for any other Finance Party or group of Finance Parties under the relevant Finance Document and unless a contrary indication appears in a Finance Document, any instructions given to the Agent or Security Agent (as applicable) by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties.

27.3.4 Clause 27.3.1 shall not apply:

(a) where a contrary indication appears in a Finance Document;

(b) where a Finance Document requires the Agent or the Security Agent to act in a specified manner or to take a specified action;

(c) in respect of any provision which protects the Agent's or the Security Agent's own position in its personal capacity as opposed to its role of Agent or Security Agent for the relevant Finance Parties or Secured Parties (as applicable) including, without limitation, Clause 27.6 (*No fiduciary duties*) to Clause 27.11 (*Exclusion of liability*), Clause 27.15 (*Confidentiality*) to Clause 27.23 (*Custodians and nominees*) and Clause 27.26 (*Acceptance of title*) to Clause 27.29 (*Disapplication of Trustee Acts*);

(d) in respect of the exercise of the Security Agent's discretion to exercise a right, power or authority under any of:

(i) Clause 28.1 (*Order of application*);

(ii) Clause 28.2 (*Prospective liabilities*); and

(iii) Clause 28.5 (*Permitted deductions*).

27.3.5 If giving effect to instructions given by the Majority Lenders would (in the Agent's or (as applicable) the Security Agent's opinion) have an effect equivalent to an amendment or waiver referred to in Clause 37 (*Amendments and Waivers*), the Agent or (as applicable) the Security Agent shall not act in accordance with those instructions unless consent to it so acting is obtained from each Party (other than the Agent or the Security Agent) whose consent would have been required in respect of that amendment or waiver.

27.3.6 In exercising any discretion to exercise a right, power or authority under the Finance Documents where either:

(a) it has not received any instructions as to the exercise of that discretion; or

(b) the exercise of that discretion is subject to Clause 27.3.4(d),

the Agent or Security Agent shall do so having regard to the interests of (in the case of the Agent) all the Finance Parties and (in the case of the Security Agent) all the Secured Parties.

27.3.7 The Agent or the Security Agent (as applicable) may refrain from acting in accordance with any instructions of any Finance Party or group of Finance Parties until it has received any indemnification and/or security that it may require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability (together with any applicable Tax) which it may incur in complying with those instructions.

27.3.8 Without prejudice to the remainder of this Clause 27.327.3, in the absence of instructions, each of the Agent and the Security Agent may act (or refrain from acting) as it considers to be in the best interest of (in the case of the Agent) the Finance Parties and (in the case of the Security Agent) the Secured Parties.

27.3.9 Neither the Agent nor the Security Agent is authorised to act on behalf of a Finance Party (without first obtaining that Finance Party's consent) in any legal or arbitration proceedings relating to any Finance Document. This Clause 27.3.9 shall not apply to any legal or arbitration proceedings relating to the perfection, preservation or protection of rights under the Security Documents or the enforcement of the Transaction Encumbrances or Security Documents.

27.4 **Duties of the Agent and Security Agent**

27.4.1 The duties of the Agent and the Security Agent under the Finance Documents are solely mechanical and administrative in nature.

27.4.2 Subject to Clause 27.4.3, each of the Agent and the Security Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent or the Security Agent (as applicable) for that Party by any other Party.

27.4.3 Without prejudice to Clause 25.7 (*Copy of Transfer Certificate or Assignment Agreement to Borrowers*), Clause 27.4.2 shall not apply to any Transfer Certificate or any Assignment Agreement.

27.4.4 Except where a Finance Document specifically provides otherwise, neither the Agent nor the Security Agent is obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

27.4.5 If the Agent or the Security Agent receives notice from a Party referring to any Finance Document, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.

27.4.6 If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent, the Bookrunner or the Security Agent) under this Agreement it shall promptly notify the other Finance Parties.

27.4.7 Each of the Agent and the Security Agent shall have only those duties, obligations and responsibilities expressly specified in the Finance Documents to which it is expressed to be a party (and no others shall be implied).

27.5 **Role of the Bookrunner** Except as specifically provided in the Finance Documents, the Bookrunner has no obligations of any kind to any other Party under or in connection with any Finance Document.

27.6 **No fiduciary duties**

27.6.1 Nothing in any Finance Document constitutes:

(a) the Agent or the Bookrunner as a trustee or fiduciary of any other person; or

(b) the Security Agent as an agent, trustee or fiduciary of any Obligor.

27.6.2 None of the Agent, the Security Agent or the Bookrunner shall be bound to account to any other Finance Party or (in the case of the Security Agent) any Secured Party for any sum or the profit element of any sum received by it for its own account.

27.7 **Business with Obligors and the Group** The Agent, the Security Agent and the Bookrunner may accept deposits from, lend money to and generally engage in any kind of banking or other business with any Borrower, any other Obligor or its Affiliate and any other member of the Group.

27.8 **Rights and discretions**

27.8.1 Each of the Agent and the Security Agent may:

(a) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;

(b) assume that:

(i) any instructions received by it from the Majority Lenders, any Finance Party or any group of Finance Parties are duly given in accordance with the terms of the Finance Documents; and

(ii) unless it has received notice of revocation, that those instructions have not been revoked; and

(c) rely on a certificate from any person:

(i) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or

(ii) to the effect that such person approves of any particular dealing, transaction, step, action or thing,

as sufficient evidence that that is the case and, in the case of (c), may assume the truth and accuracy of that certificate.

27.8.2 Each of the Agent and the Security Agent may assume (unless it has received notice to the contrary in its capacity as agent or security trustee for the Finance Parties or the Secured Parties) that:

(a) no Default has occurred (unless, in the case of the Agent, it has actual knowledge of a Default arising under Clause 24.1 (*Events of Default*));

(b) any right, power, authority or discretion vested in any Party or any group of Finance Parties has not been exercised; and

(c) any notice or request made by the Borrowers (other than a Utilisation Request) is made on behalf of and with the consent and knowledge of all the Obligors.

27.8.3 Each of the Agent and the Security Agent may engage and pay for the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts.

27.8.4 Without prejudice to the generality of Clause 27.8.3 or Clause 27.8.5, each of the Agent and the Security Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Agent or the Security Agent (as applicable) (and so separate from any lawyers instructed by the Lenders), if the Agent or the Security Agent (as applicable) in its reasonable opinion deems this to be desirable.

27.8.5 Each of the Agent and the Security Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Agent, the Security Agent or any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.

27.8.6 Each of the Agent and the Security Agent may act in relation to the Finance Documents and the Security Property through its officers, employees and agents and shall not:

(a) be liable for any error of judgment made by any such person; or

(b) be bound to supervise, or be in any way responsible for any loss incurred by reason of misconduct, omission or default on the part of, any such person,

unless such error or such loss was directly caused by the Agent's or the Security Agent's (as applicable) gross negligence or wilful misconduct.

27.8.7 Unless a Finance Document expressly provides otherwise each of the Agent and the Security Agent may disclose to any other Party any information it reasonably believes it has received as agent or security trustee under the Finance Documents.

27.8.8 Without prejudice to the generality of Clause 27.8.7, the Agent:

(a) may disclose; and

(b) on the written request of the Borrowers or the Majority Lenders shall, as soon as reasonably practicable, disclose,

the identity of a Defaulting Lender to the Borrowers and to the other Finance Parties.

27.8.9 Notwithstanding any other provision of any Finance Document to the contrary, none of the Agent, the Security Agent or the Bookrunner is obliged to do or omit to do anything if it would, or might in its reasonable opinion, constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

27.8.10 Notwithstanding any provision of any Finance Document to the contrary, neither the Agent nor the Security Agent is obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

27.9 **Responsibility for documentation** None of the Agent, the Security Agent or the Bookrunner is responsible or liable for:

27.9.1 the adequacy, accuracy or completeness of any information (whether oral or written) supplied by the Agent, the Security Agent, the Bookrunner, an Obligor or any other person in or in connection with any Relevant Document or the transactions contemplated in the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under, or in connection with, any Finance Document; or

27.9.2 the legality, validity, effectiveness, adequacy or enforceability of any Relevant Document or the Security Property or any other agreement, arrangement or document entered into, made or executed in anticipation of, under, or in connection with, any Relevant Document or the Security Property; or

27.9.3 any determination as to whether any information provided or to be provided to any Finance Party or Secured Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

27.10 **No duty to monitor** Neither the Agent nor the Security Agent shall be bound to enquire:

27.10.1 whether or not any Default has occurred;

27.10.2 as to the performance, default or any breach by any Party of its obligations under any Finance Document; or

27.10.3 whether any other event specified in any Finance Document has occurred.

27.11 **Exclusion of liability**

27.11.1 Without limiting Clause 27.11.2 (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of the Agent, the Security Agent or any Receiver or Delegate), none of the Agent, the Security Agent or any Receiver or Delegate will be liable (including, without limitation, for negligence or any other category of liability whatsoever) for:

(a) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Finance Document or the Security Property, unless directly caused by its gross negligence or wilful misconduct;

(b) exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Finance Document, the Security Property or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document or the Security Property;

(c) any shortfall which arises on the enforcement or realisation of the Security Property; or

(d) without prejudice to the generality of Clauses 27.11.1(a), 27.11.1(b) and 27.11.1(c), any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of:

(i) any act, event or circumstance not reasonably within its control; or

(ii) the general risks of investment in, or the holding of assets in, any jurisdiction,

including (in each case and without limitation) such damages, costs, losses, diminution in value or liability arising as a result of: nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets (including any Disruption Event); breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.

27.11.2 No Party (other than the Agent, the Security Agent, that Receiver or that Delegate (as applicable)) may take any proceedings against any officer, employee or agent of the Agent, the Security Agent, a Receiver or a Delegate in respect of any claim it might have against the Agent, the Security Agent, a Receiver or a Delegate or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Relevant Document or any Security Property and any officer, employee or agent of the Agent, the Security Agent, a Receiver or a Delegate may rely on this Clause subject to Clause 1.12 (*Third party rights*) and the provisions of the Third Parties Act.

27.11.3 Neither the Agent nor the Security Agent will be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Agent or the Security Agent (as applicable) if the Agent or the Security Agent (as applicable) has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent or the Security Agent (as applicable) for that purpose.

27.11.4 Nothing in this Agreement shall oblige the Agent, the Security Agent or the Bookrunner to carry out:

(a) any "know your customer" or other checks in relation to any person; or

(b) any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Lender or for any Affiliate of any Finance Party,

on behalf of any Finance Party and each Finance Party confirms to the Agent, the Security Agent and the Bookrunner that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent, the Security Agent or the Bookrunner.

27.11.5 Without prejudice to any provision of any Finance Document excluding or limiting the liability of the Agent, the Security Agent, any Receiver or Delegate, any liability of the Agent, the Security Agent, any Receiver or Delegate arising under or in connection with any Finance Document or the Security Property shall be limited to the amount of actual loss which has been finally judicially determined to have been suffered (as determined by reference to the date of default of the Agent, the Security Agent, any Receiver or Delegate or, if later, the date on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Agent, the Security Agent, any Receiver or Delegate at any time which increase the amount of that loss. In no event shall the Agent, the Security Agent, any Receiver or Delegate be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Agent, the Security Agent, the Receiver or Delegate has been advised of the possibility of such loss or damages.

27.12 **Lenders' indemnity to the Agent and the Security Agent**

27.12.1 Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent, the Security Agent, every Receiver and every Delegate, within three Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by any of them (otherwise than by reason of the Agent's, the Security Agent's, the Receiver's or the Delegate's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 31.10 (*Disruption to payment systems etc.*), notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) in acting as Agent, Security Agent, Receiver or Delegate under the Finance Documents (unless the Agent, Security Agent, Receiver or Delegate has been reimbursed by an Obligor pursuant to a Finance Document).

27.12.2 Subject to Clause 27.12.3, the Borrowers shall immediately on demand reimburse any Lender for any payment that Lender makes to the Agent or the Security Agent pursuant to Clause 27.12.1.

27.12.3 Clause 27.12.2 shall not apply to the extent that the indemnity payment in respect of which the Lender claims reimbursement relates to a liability of the Agent or the Security Agent to an Obligor.

27.13 **Resignation of the Agent or the Security Agent**

27.13.1 Each of the Agent and the Security Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Borrowers.

27.13.2 Alternatively the Agent or the Security Agent may resign by giving 30 days' notice to the other Finance Parties and the Borrowers, in which case the Majority Lenders (after consultation with the Borrowers) may appoint a successor Agent or Security Agent (as applicable).

27.13.3 If the Majority Lenders have not appointed a successor Agent or Security Agent in accordance with Clause 27.13.2 within 20 days after notice of resignation was given, the retiring Agent or Security Agent (as applicable) (after consultation with the Borrowers) may appoint a successor Agent or Security Agent (as applicable).

27.13.4 If the Agent wishes to resign because (acting reasonably) it has concluded that it is no longer appropriate for it to remain as agent and the Agent is entitled to appoint a successor Agent under Clause 27.13.3, the Agent may (if it concludes (acting reasonably) that it is necessary to do so in order to persuade the proposed successor Agent to become a party to this Agreement as Agent) agree with the proposed successor Agent amendments to this Clause 27 and any other term of this Agreement dealing with the rights or obligations of the Agent consistent with then current market practice for the appointment and protection of corporate trustees together with any reasonable amendments to the agency fee payable under this Agreement which are consistent with the successor Agent's normal fee rates and those amendments will bind the Parties.

27.13.5 The retiring Agent or Security Agent (as applicable) shall, make available to the successor Agent or Security Agent (as applicable) such documents and records and provide such assistance as the successor Agent or Security Agent may reasonably request for the purposes of performing its functions as Agent or Security Agent (as applicable) under the Finance Documents. The Borrowers shall, within three Business Days of demand, reimburse the retiring Agent or Security Agent (as applicable) for the amount of all costs and expenses (including legal fees) properly incurred by it in making available such documents and records and providing such assistance.

27.13.6 The resignation notice of the Agent or the Security Agent (as applicable) shall only take effect upon:

(a) the appointment of a successor; and

(b) (in the case of the Security Agent) the transfer of the Security Property to that successor.

27.13.7 Upon the appointment of a successor, the retiring Agent or Security Agent (as applicable) shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under Clause 27.27 (*Winding up of trust*) and Clause 27.13.5) but shall remain entitled to the benefit of Clause 14.3 (*Indemnity to the Agent),* Clause 14.4 (*Indemnity to the Security Agent*) and this Clause 27 (and any fees for the account of the retiring Agent or Security Agent (as applicable) shall cease to accrue from (and shall be payable on) that date). Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

27.13.8 After consultation with the Borrowers, the Majority Lenders may, by giving 30 days' notice to the Agent or the Security Agent (as applicable), require it to resign in accordance with Clause 27.13.2. In this event, the Agent or the Security Agent (as applicable) shall resign in accordance with Clause 27.13.2 but the cost referred to in Clause 27.13.5 shall be for the account of the Borrowers.

27.13.9 The Agent shall resign in accordance with Clause 27.13.2 (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent pursuant to Clause 27.13.3) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Agent under the Finance Documents, either:

(a) the Agent fails to respond to a request under Clause 12.8 (*FATCA information*) and a Lender reasonably believes that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

(b) the information supplied by the Agent pursuant to Clause 12.8 (*FATCA information*) indicates that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or

(c) the Agent notifies the Borrowers and the Lenders that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Agent were a FATCA Exempt Party, and that Lender, by notice to the Agent, requires it to resign.

27.14 **Parallel Debt (covenant to pay the Security Agent)**

27.14.1 Each Borrower and each Guarantor shall, and shall procure that each other Obligor shall, pay to the Security Agent its Parallel Debt which shall be in an amount equal to, and in the currency or currencies of, its Corresponding Debt.

27.14.2 The Parallel Debt of an Obligor:

(a) shall become due and payable at the same time as its Corresponding Debt;

(b) is independent and separate from, and without prejudice to, its Corresponding Debt.

27.14.3 For the purposes of this Clause 27.14, the Security Agent:

(a) is the independent and separate creditor of each Parallel Debt;

(b) acts in its own name and not as agent, representative or trustee of the Finance Parties and its claims in respect of each Parallel Debt shall not be held on trust; and

(c) shall have the independent and separate right to demand payment of each Parallel Debt in its own name (including, without limitation, through any suit, execution, enforcement of security, recovery of guarantees and applications for and voting in any kind of insolvency proceeding).

27.14.4 The Parallel Debt of an Obligor shall be:

(a) decreased to the extent that its Corresponding Debt has been irrevocably and unconditionally paid or discharged; and

(b) increased to the extent that its Corresponding Debt has increased,

and the Corresponding Debt of an Obligor shall be:

(i) decreased to the extent that its Parallel Debt has been irrevocably and unconditionally paid or discharged; and

(ii) increased to the extent that its Parallel Debt has increased,

in each case provided that the Parallel Debt of an Obligor shall never exceed its Corresponding Debt.

27.14.5 All amounts received or recovered by the Security Agent in connection with this Clause 27.14 shall be applied, to the extent permitted by applicable law, in accordance with Clause 28.1 (*Order of application*) and Clause 31.5 (*Partial payments*) as applicable.

27.14.6 This Clause 27.14 shall apply, with any necessary modifications, to each Finance Document.

27.15 **Confidentiality**

27.15.1 In acting as agent or trustee for the Finance Parties, the Agent or the Security Agent (as applicable) shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.

27.15.2 If information is received by another division or department of the Agent or the Security Agent, it may be treated as confidential to that division or department and the Agent or the Security Agent (as applicable) shall not be deemed to have notice of it.

27.16 **Relationship with the other Finance Parties**

27.16.1 Subject to Clause 25.10 (*Pro rata interest settlement*), the Agent may treat the person shown in its records as Lender or Hedge Counterparty at the opening of business (in the place of the Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office or, as the case may be, a Hedge Counterparty:

(a) entitled to or liable for any payment due under any Finance Document on that day; and

(b) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five Business Days' prior notice from that Lender or Hedge Counterparty to the contrary in accordance with the terms of this Agreement.

27.16.2 Any Lender or Hedge Counterparty may by notice to the Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender or Hedge Counterparty under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 33.5 (*Electronic communication*)) electronic mail address and/or any other information required to enable the transmission of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address or such other information, department and officer by that Lender or Hedge Counterparty for the purposes of Clause 33.2 (*Addresses*) and Clause 33.5.1(b) (*Electronic communication*) and the Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender or Hedge Counterparty.

27.17 **Credit appraisal by the Lenders and Hedge Counterparties** Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Relevant Document, each Lender and Hedge Counterparty confirms to the Agent, the Security Agent and the Bookrunner that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Relevant Document including but not limited to:

27.17.1 the financial condition, status and nature of each Obligor and each other member of the Group;

27.17.2 the legality, validity, effectiveness, adequacy or enforceability of Relevant Document, the Security Property, and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Relevant Document or the Security Property;

27.17.3 whether that Finance Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Relevant Document, the Security Property, the transactions contemplated by Relevant Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of under or in connection with any Relevant Document or the Security Property; and

27.17.4 the adequacy, accuracy or completeness of any information provided by the Agent, the Security Agent, any Party or by any other person under or in connection with any Relevant Document, the transactions contemplated by any Relevant Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Relevant Document; and

27.17.5 the right or title of any person in or to, or the value or sufficiency of any part of, the Security Assets, the priority of any Transaction Encumbrance or the existence of any Encumbrance affecting the Security Assets.

27.18 **Agent's and Security Agent's management time**

27.18.1 Any amount payable to the Agent or the Security Agent under Clause 14.3 (*Indemnity to the Agent*), Clause 14.4 (*Indemnity to the Security Agent*), Clause 16 (*Costs and Expenses*) and Clause 27.12 (*Lenders' indemnity to the Agent and the Security Agent*) shall include the cost of utilising the management time of the Agent or the Security Agent (as applicable) or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Agent or the Security Agent may notify to the Borrowers and the Finance Parties, and is in addition to any fee paid or payable to the Agent or the Security Agent under Clause 11 (*Fees*).

27.18.2 Without prejudice to Clause 27.18.1, in the event of:

(a) An Event of Default;

(b) the Security Agent being requested by an Obligor or the Majority Lenders to undertake duties which the Security Agent and the Borrowers agree to be of an exceptional nature or outside the scope of the normal duties of the Security Agent under the Finance Documents; or

(c) the Security Agent and the Borrowers agreeing that it is otherwise appropriate in the circumstances,

the Borrowers shall pay to the Security Agent any additional remuneration that may be agreed between them or determined pursuant to Clause 27.18.3.

27.18.3 If the Security Agent and the Borrowers fail to agree upon the nature of the duties, or upon the additional remuneration referred to in Clause 27.18.2 or whether additional remuneration is appropriate in the circumstances, any dispute shall be determined by an investment bank (acting as an expert and not as an arbitrator) selected by the Security Agent and approved by the Borrowers or, failing approval, nominated (on the application of the Security Agent) by the President for the time being of the Law Society of England and Wales (the costs of the nomination and of the investment bank being payable by the Borrowers) and the determination of that investment bank shall be final and binding upon the Parties.

27.19 **Deduction from amounts payable by the Agent** If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

27.20 **Amounts paid in error**

27.20.1 If the Agent or the Security Agent pays an amount to another Party and within 10 Business Days of the date of payment the Agent or the Security Agent notifies that Party that such payment was an Erroneous Payment then the Party to whom that amount was paid by the Agent or the Security Agent shall on demand refund the same to the Agent or the Security Agent together with interest on that amount from the date of payment to the date of receipt by the Agent or the Security Agent, calculated by the Agent or Security Agent to reflect its cost of funds.

27.20.2 Neither:

(a) the obligations of any party to the Agent or the Security Agent; nor

(b) the remedies of the Agent or the Security Agent

(whether arising under this Clause 27.20 or otherwise) which relate to an Erroneous Payment will be affected by any act, omission, matter or thing which, but for this Clause 27.20.2 would reduce, release or prejudice any such obligation or remedy (whether or not known by the Agent or the Security Agent or any other Party).

27.20.3 All payments to be made by a Party to the Agent or the Security Agent (whether made pursuant to this Clause 27.20 or otherwise) which relate to an Erroneous Payment shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

27.20.4 In this Agreement, "**Erroneous Payment**" means a payment of an amount by the Agent or the Security Agent to another Party which the Agent or the Security Agent (as appropriate) determines (in its sole discretion) was made in error.

27.21 **No responsibility to perfect Transaction Encumbrances** The Security Agent shall not be liable for any failure to:

27.21.1 require the deposit with it of any deed or document certifying, representing or constituting the title of any Obligor to any of the Security Assets;

27.21.2 obtain any licence, consent or other authority for the execution, delivery, legality, validity, enforceability or admissibility in evidence of any Finance Document or the Transaction Encumbrances;

27.21.3 register, file or record or otherwise protect any Transaction Encumbrance (or the priority of any Transaction Encumbrance) under any law or regulation or to give notice to any person of the execution of any Finance Document or of the Transaction Encumbrances;

27.21.4 take, or to require any Obligor to take, any step to perfect its title to any of the Security Assets or to render the Transaction Encumbrances effective or to secure the creation of any ancillary Encumbrance under any law or regulation; or

27.21.5 require any further assurance in relation to any Security Document.

27.22 **Insurance by the Security Agent**

27.22.1 The Security Agent shall not be obliged:

(a) to insure any of the Security Assets;

(b) to require any other person to maintain any insurance; or

(c) to verify any obligation to arrange or maintain insurance contained in any Finance Document,

and the Security Agent shall not be liable for any damages, costs or losses to any person as a result of the lack of, or inadequacy of, any such insurance.

27.22.2 Where the Security Agent is named on any insurance policy as an insured party, it shall not be liable for any damages, costs or losses to any person as a result of its failure to notify the insurers of any material fact relating to the risk assumed by such insurers or any other information of any kind, unless the Majority Lenders request it to do so in writing and the Security Agent fails to do so within 14 days after receipt of that request.

27.23 **Custodians and nominees** The Security Agent may appoint and pay any person to act as a custodian or nominee on any terms in relation to any asset of the trust as the Security Agent may determine, including for the purpose of depositing with a custodian this Agreement or any document relating to the trust created under this Agreement and the Security Agent shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it under this Agreement or be bound to supervise the proceedings or acts of any person.

27.24 **Delegation by the Security Agent**

27.24.1 Each of the Security Agent, any Receiver and any Delegate may, at any time, delegate by power of attorney or otherwise to any person for any period, all or any right, power, authority or discretion vested in it in its capacity as such.

27.24.2 That delegation may be made upon any terms and conditions (including the power to sub-delegate) and subject to any restrictions that the Security Agent, that Receiver or that Delegate (as the case may be) may think fit in the interests of the Secured Parties.

27.24.3 No Security Agent, Receiver or Delegate shall be bound to supervise, or be in any way responsible for any damages, costs or losses incurred by reason of any misconduct, omission or default on the part of, any such delegate or sub-delegate.

27.25 **Additional Security Agents**

27.25.1 The Security Agent may at any time appoint (and subsequently remove) any person to act as a separate trustee or as a co-trustee jointly with it:

(a) if it considers that appointment to be in the interests of the Secured Parties;

(b) for the purposes of conforming to any legal requirement, restriction or condition which the Security Agent deems to be relevant; or

(c) for obtaining or enforcing any judgment in any jurisdiction,

and the Security Agent shall give prior notice to the Borrowers and the Finance Parties of that appointment.

27.25.2 Any person so appointed shall have the rights, powers, authorities and discretions (not exceeding those given to the Security Agent under or in connection with the Finance Documents) and the duties, obligations and responsibilities that are given or imposed by the instrument of appointment.

27.25.3 The remuneration that the Security Agent may pay to that person, and any costs and expenses (together with any applicable Tax) incurred by that person in performing its functions pursuant to that appointment shall, for the purposes of this Agreement, be treated as costs and expenses incurred by the Security Agent.

27.26 **Acceptance of title** The Security Agent shall be entitled to accept without enquiry, and shall not be obliged to investigate, any right and title that any Obligor may have to any of the Security Assets and shall not be liable for, or bound to require any Obligor to remedy, any defect in its right or title.

27.27 **Winding up of trust** If the Security Agent, with the approval of the Agent, determines that:

27.27.1 all of the Indebtedness and all other obligations secured by the Security Documents have been fully and finally discharged; and

27.27.2 no Secured Party is under any commitment, obligation or liability (actual or contingent) to make advances or provide other financial accommodation to any Obligor pursuant to the Finance Documents,

then

(a) the trusts set out in this Agreement shall be wound up and the Security Agent shall release, without recourse or warranty, all of the Transaction Encumbrances and the rights of the Security Agent under each of the Security Documents; and

(b) any Security Agent which has resigned pursuant to Clause 27.13 (*Resignation of the Agent or the Security Agent*) shall release, without recourse or warranty, all of its rights under each Security Document.

27.28 **Powers supplemental to Trustee Acts** The rights, powers, authorities and discretions given to the Security Agent under or in connection with the Finance Documents shall be supplemental to the Trustee Act 1925 and the Trustee Act 2000 and in addition to any which may be vested in the Security Agent by law or regulation or otherwise.

27.29 **Disapplication of Trustee Acts** Section 1 of the Trustee Act 2000 shall not apply to the duties of the Security Agent in relation to the trusts constituted by this Agreement. Where there are any inconsistencies between the Trustee Act 1925 or the Trustee Act 2000 and the provisions of this Agreement, the provisions of this Agreement shall, to the extent permitted by law and regulation, prevail and, in the case of any inconsistency with the Trustee Act 2000, the provisions of this Agreement shall constitute a restriction or exclusion for the purposes of that Act.

28 Application of Proceeds

28.1 **Order of application** Subject to Clause 28.2 (*Prospective liabilities*), all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Finance Document or under Clause 27.14 (*Parallel Debt (covenant to pay the Security Agent)*) in connection with the realisation or enforcement of all or part of the Transaction Encumbrances (for the purposes of this Clause 28, the "**Recoveries**") shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this Clause 28), in the following order:

28.1.1 **first**, in discharging any sums owing to the Security Agent (in its capacity as such) other than pursuant to Clause 27.14 (*Parallel Debt (covenant to pay the Security Agent)*), any Receiver or any Delegate;

28.1.2 **secondly**, in payment of all costs and expenses incurred by the Agent or any Secured Party in connection with any realisation or enforcement of the Transaction Encumbrances taken in accordance with the terms of this Agreement;

28.1.3 **thirdly**, in or towards payment pro rata of any unpaid fee, costs and expenses of the Agent, the Security Agent, any Receiver or any Delegate under the Finance Documents;

28.1.4 **fourthly**, in or towards payment pro rata of:

(a) any accrued interest, fee or commission due but unpaid under this Agreement and any default interest payable under any Hedging Agreement; and

(b) any Hedge Breakage Loss due and payable to any Hedge Counterparty but unpaid under any relevant Hedging Agreement;

28.1.5 **fifthly**, in or towards payment pro rata of any principal due but unpaid under this Agreement;

28.1.6 **sixthly**, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents (excluding the Hedging Agreements);

28.1.7 **lastly**, in or towards payment pro rata to the Hedge Counterparties for application in or towards the discharge of any relevant Borrower's liabilities in respect of any other amounts then due and payable under the Hedging Agreements.

The balance (if any) of the amounts received shall be paid to the Borrowers or as the Borrowers may direct.

28.2 **Prospective liabilities** Following enforcement of any of the Transaction Encumbrances the Security Agent may, in its discretion, hold any amount of the Recoveries in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest being credited to the relevant account) for later application under Clause 28.1 (*Order of application*) in respect of:

28.2.1 any sum to the Security Agent, any Receiver or any Delegate; and

28.2.2 any part of the Indebtedness,

that the Security Agent reasonably considers, in each case, might become due or owing at any time in the future.

28.3 **Investment of proceeds** Prior to the application of the proceeds of the Recoveries in accordance with Clause 28.1 (*Order of application*), the Security Agent may, in its discretion, hold all or part of those proceeds in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest being credited to the relevant account) pending the application from time to time of those moneys in the Security Agent's discretion in accordance with the provisions of this Clause 28.

28.4 **Currency conversion**

28.4.1 For the purpose of, or pending the discharge of, any part of the Indebtedness the Security Agent may convert any moneys received or recovered by the Security Agent from one currency to another, at a market rate of exchange.

28.4.2 The obligations of any Obligor to pay in the due currency shall only be satisfied to the extent of the amount of the due currency purchased after deducting the costs of conversion.

28.5 **Permitted deductions** The Security Agent shall be entitled, in its discretion:

28.5.1 to set aside by way of reserve amounts required to meet, and to make and pay, any deductions and withholdings (on account of Taxes or otherwise) which it is or may be required by any applicable law to make from any distribution or payment made by it under this Agreement; and

28.5.2 to pay all Taxes which may be assessed against it in respect of any of the Security Assets, or as a consequence of performing its duties, or by virtue of its capacity as the Security Agent under any of the Finance Documents or otherwise (other than in connection with its remuneration for performing its duties under this Agreement).

28.6 **Good discharge**

28.6.1 Any payment to be made in respect of the Indebtedness by the Security Agent may be made to:

(a) the Agent on behalf of the Finance Parties; or

(b) (as applicable) the Hedge Counterparties

and any payment made in that way shall be a good discharge, to the extent of that payment, by the Security Agent.

28.6.2 The Security Agent is under no obligation to make the payments to the Agent or the Hedge Counterparties under Clause 28.6.1 in the same currency as that in which the obligations and liabilities owing to the relevant Finance Party are denominated.

29 Conduct of Business by the Finance Parties

No provision of this Agreement will:

29.1 interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;

29.2 oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or

29.3 oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

30 Sharing among the Finance Parties

30.1 **Payments to Finance Parties** If a Finance Party (a "**Recovering Finance Party**") receives or recovers any amount from an Obligor other than in accordance with Clause 31 (*Payment Mechanics*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

30.1.1 the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery, to the Agent;

30.1.2 the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 31 (*Payment Mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and

30.1.3 the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 31.5 (*Partial payments*).

30.2 **Redistribution of payments** The Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 31.5 (*Partial payments*) towards the obligations of that Obligor to the Sharing Finance Parties.

30.3 **Recovering Finance Party's rights** On a distribution by the Agent under Clause 30.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from an Obligor, as between the relevant Obligor and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Obligor.

30.4 **Reversal of redistribution** If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

30.4.1 each Sharing Finance Party shall, upon request of the Agent, pay to the Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the "**Redistributed Amount**"); and

30.4.2 as between the relevant Obligor and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Obligor.

30.5 **Exceptions**

30.5.1 This Clause 30 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Obligor.

30.5.2 A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:

(a) it notified that other Finance Party of the legal or arbitration proceedings; and

(b) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

Section 11 Administration

31 Payment Mechanics

31.1 **Payments to the Agent** On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, that Obligor or that Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

Payment shall be made to such account in the principal financial centre of the country of that currency and with such bank as the Agent, in each case, specifies.

31.2 **Distributions by the Agent** Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 31.3 (*Distributions to an Obligor*) and Clause 31.4 (*Clawback and pre-funding*), be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank specified by that Party in the principal financial centre of the country of that currency.

31.3 **Distributions to an Obligor** The Agent may (with the consent of an Obligor or in accordance with Clause 32 (*Set-Off*)) apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

31.4 **Clawback and pre-funding**

31.4.1 Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

31.4.2 Unless Clause 31.4.3 applies, if the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

31.4.3 If the Agent is willing to make available amounts for the account of a Borrower before receiving funds from the Lenders then if and to the extent that the Agent does so but it proves to be the case that it does not then receive funds from a Lender in respect of a sum which it paid to a Borrower:

(a) the Borrower to whom that sum was made available shall on demand refund it to the Agent; and

(b) the Lender by whom those funds should have been made available or, if that Lender fails to do so, the Borrower to whom that sum was made available, shall on demand pay to the Agent the amount (as certified by the Agent) which will indemnify the Agent against any funding cost incurred by it as a result of paying out that sum before receiving those funds from that Lender.

31.5 **Partial payments**

31.5.1 Provided that no acceleration has occurred under Clause 24.2 (*Acceleration*), if the Agent or the Security Agent (as applicable) receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Agent or the Security Agent (as applicable) shall apply that payment towards the obligations of that Obligor under the Finance Documents in the following order:

(a) **first**, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent, the Security Agent, any Receiver or any Delegate under the Finance Documents;

(b) **secondly**, in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement;

(c) **thirdly**, in or towards payment pro rata of any principal due but unpaid under this Agreement; and

(d) **fourthly**, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.

31.5.2 The Agent shall, if so directed by the Majority Lenders, vary, or instruct the Security Agent to vary (as applicable), the order set out in Clause 31.5.1. Any such variation may include the re-ordering of obligations set out in that Clause.

31.5.3 Clauses 31.5.1 and 31.5.2 will override any appropriation made by an Obligor.

31.6 **No set-off by Obligors**

31.6.1 All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

31.6.2 Clause 31.6.1 shall not affect the operation of any payment or close-out netting pursuant to section 2(c) or 6(e) of any Hedging Agreement in respect of any amounts owing under that Hedging Agreement.

31.7 **Business Days** Any payment under the Finance Documents which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

31.8 **Currency of account**

31.8.1 Subject to Clauses 31.8.2 to 31.8.5, dollars is the currency of account and payment for any sum due from an Obligor under any Finance Document.

31.8.2 A repayment or payment of all or part of a Utilisation or an Unpaid Sum shall be made in the currency in which that Utilisation or Unpaid Sum is denominated, pursuant to this Agreement, on its due date.

31.8.3 Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated, pursuant to this Agreement, when that interest accrued.

31.8.4 Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

31.8.5 Any amount expressed to be payable in a currency other than dollars shall be paid in that other currency.

31.9 **Change of currency**

31.9.1 Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

(a) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrowers); and

(b) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).

31.9.2 If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrowers) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Market and otherwise to reflect the change in currency.

31.10 **Disruption to payment systems etc.** If either the Agent determines that a Disruption Event has occurred or the Agent is notified by the Borrowers that a Disruption Event has occurred:

31.10.1 the Agent may, and shall if requested to do so by the Borrowers, consult with the Borrowers with a view to agreeing with the Borrowers such changes to the operation or administration of the Loan as the Agent may deem necessary in the circumstances;

31.10.2 the Agent shall not be obliged to consult with the Borrowers in relation to any changes mentioned in Clause 31.10.1 if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to any such changes;

31.10.3 the Agent may consult with the Finance Parties in relation to any changes mentioned in Clause 31.10.1 but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;

31.10.4 any such changes agreed upon by the Agent and the Borrowers shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 37 (*Amendments and Waivers*);

31.10.5 the Agent shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including, without limitation, for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 31.10; and

31.10.6 the Agent shall notify the Finance Parties of all changes agreed pursuant to Clause 31.10.4.

32 Set-Off

A Finance Party may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

33 Notices

33.1 **Communications in writing** Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

33.2 **Addresses** The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

33.2.1 in the case of each Borrower, that identified with its name in Part III (*The Obligors*) of Schedule 1 (*The Parties*);

33.2.2 in the case of each Original Guarantor, that identified with its name in Part III (*The Obligors*) of Schedule 1 (*The Parties*), and in the case of each Additional Guarantor, that notified in writing to the Agent on or prior to the date on which it becomes an Additional Guarantor;

33.2.3 in the case of each Lender, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and

33.2.4 in the case of each Hedge Counterparty, that identified with its name in Part II (*The other Finance Parties*) of Schedule 1 (*The Parties*); and

33.2.5 in the case of the Agent or the Security Agent, that identified with its name in Part II (*The other Finance Parties*) of Schedule 1 (*The Parties*),

or any substitute address, fax number, or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

33.3 **Delivery** Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

33.3.1 if by way of fax, when received in legible form; or

33.3.2 if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details provided under Clause 33.2 (*Addresses*), if addressed to that department or officer.

Any communication or document to be made or delivered to the Agent or the Security Agent will be effective only when actually received by the Agent or the Security Agent and then only if it is expressly marked for the attention of the department or officer identified with the Agent's or the Security Agent's signature below (or any substitute department or officer as the Agent or the Security Agent shall specify for this purpose).

All notices from or to an Obligor in respect of a Finance Document shall be sent through the Agent.

Any communication or document which becomes effective, in accordance with this Clause 33.3, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

33.4 **Notification of address and fax number** Promptly upon changing its address or fax number, the Agent shall notify the other Parties.

33.5 **Electronic communication**

33.5.1 Any communication or document to be made or delivered by one Party to another under or in connection with the Finance Documents may be made or delivered by electronic mail or other electronic means (including, without limitation, by way of posting to a secure website) if those two Parties:

(a) notify each other in writing of their electronic mail address and/or any other information required to enable the transmission of information by that means; and

(b) notify each other of any change to their address or any other such information supplied by them by not less than five Business Days' notice.

33.5.2 Any such electronic communication or delivery as specified in Clause 33.5.1 to be made between an Obligor and a Finance Party may only be made in that way to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication or delivery.

33.5.3 Any such electronic communication or document made or delivered by one Party to another will be effective only when actually received (or made available) in readable form and in the case of any electronic communication or document made or delivered by a Party to the Agent or the Security Agent only if it is addressed in such a manner as the Agent or the Security Agent shall specify for this purpose.

33.5.4 Any electronic communication or document which becomes effective, in accordance with Clause 33.5.3, after 5.00 p.m. in the place in which the Party to whom the relevant communication or document is sent or made available has its address for the purpose of this Agreement shall be deemed only to become effective on the following day.

33.5.5 Any reference in a Finance Document to a communication being sent or received or a document being delivered shall be construed to include that communication or document being made available in accordance with this Clause 33.5.

33.6 **Direct electronic delivery by Borrowers**

Each Borrower may satisfy its obligations under this Agreement to deliver any information in relation to a Lender by delivering that information directly to that Lender in accordance with Clause 33.5 (*Electronic communication*) to the extent that Lender and the Agent agree to this method of delivery.

33.7 **English language** Any notice given under or in connection with any Finance Document must be in English. All other documents provided under or in connection with any Finance Document must be:

33.7.1 in English; or

33.7.2 if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

34 Calculations and Certificates

34.1 **Accounts** In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

34.2 **Certificates and determinations** Any certification or determination by the Agent of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

34.3 **Day count convention and interest calculation**

34.3.1 Any interest, commission or fee accruing under a Finance Document will accrue from day to day and the amount of any such interest, commission or fee is calculated:

(a) on the basis of the actual number of days elapsed and a year of 360 days (or, in any case where the practice in the Relevant Market differs, in accordance with that market practice); and

(b) Subject to Clause 34.3.2, without rounding.

34.3.2 The aggregate amount of interest, commission or fee which is, or becomes, payable by an Obligor under a Finance Document shall be rounded to two decimal places.

35 Partial Invalidity

If, at any time, any provision of a Finance Document is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

36 Remedies and Waivers

No failure to exercise, nor any delay in exercising, on the part of any Finance Party or Secured Party, any right or remedy under a Finance Document shall operate as a waiver of any such right or remedy or constitute an election to affirm any Finance Document. No election to affirm any Finance Document on the part of any Finance Party or Secured Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in each Finance Document are cumulative and not exclusive of any rights or remedies provided by law.

37 Amendments and Waivers

37.1 **Required consents**

37.1.1 Subject to Clauses 37.2 (*All Lender matters*) and 37.3 (*Other exceptions*), any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Borrowers and any such amendment or waiver will be binding on all Parties.

37.1.2 The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 37.

37.1.3 Without prejudice to the generality of Clauses 27.8.3, 27.8.4 and 27.8.5 (*Rights and discretions*), the Agent may engage, pay for and rely on the services of lawyers in determining the consent level required for and effecting any amendment, waiver or consent under this Agreement.

37.1.4 Clause 25.10.3 (*Pro rata interest settlement*) shall apply to this Clause 37.

37.2 **All Lender matters** Subject to Clause 37.4 (*Changes to reference rates*), an amendment, waiver or (in the case of a Security Document) a consent under, or in relation to, any term of any Finance Document that has the effect of changing or which relates to:

37.2.1 the definition of "**Majority Lenders**" in Clause 1.1 (*Definitions*);

37.2.2 an extension to the date of payment of any amount under the Finance Documents;

37.2.3 a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;

37.2.4 a change in currency of payment of any amount under the Finance Documents;

37.2.5 an increase in any Commitment, an extension of the Availability Period or any requirement that a cancellation of Commitments reduces the Commitments of the Lenders rateably;

37.2.6 a change to a Borrower or a change to a Guarantor other than in accordance with Clause 26 (*Changes to the Obligors*);

37.2.7 any provision which expressly requires the consent of all the Lenders;

37.2.8 Clause 2.2 (*Finance Parties' rights and obligations*), Clause 5.1 (*Delivery of a Utilisation Request*), Clause 7.1 (*Illegality*), Clause 7.5 (*Mandatory prepayment on sale or Total Loss*), Clause 20.1.24 (*Money laundering*), Clause 23.2.2 (*Compliance with laws*), Clause 23.5 (*Anti-corruption law*), Clause 23.26 (*Sanctions*), Clause 25 (*Changes to the Lenders and Hedge Counterparties*), Clause 26 (*Changes to the Obligors*), this Clause 37, Clause 43 (*Governing Law*) or Clause 44.1 (*Jurisdiction*);

37.2.9 (other than as expressly permitted by the provisions of any Finance Document) the nature or scope of:

(a) any Guarantee;

(b) the Security Assets; or

(c) the manner in which the proceeds of enforcement of the Transaction Encumbrances are distributed; or

37.2.10 the release of any Guarantee or of any Transaction Encumbrance unless permitted under this Agreement or any other Finance Document or relating to a sale or disposal of an asset which is the subject of the Transaction Encumbrances where such sale or disposal is expressly permitted under this Agreement or any other Finance Document;

shall not be made, or given, without the prior consent of all the Lenders.

37.3 **Other exceptions**

37.3.1 An amendment or waiver which relates to the rights or obligations of the Agent, the Security Agent or the Bookrunner (each in their capacity as such) may not be effected without the consent of the Agent, the Security Agent or, as the case may be, the Bookrunner.

37.3.2 An amendment or waiver which relates to any of the following provisions and would adversely affect the rights or obligations of a Hedge Counterparty (in its capacity as such) may not be effected without the consent of that Hedge Counterparty:

(a) the definition of "Finance Parties";

(b) the definition of "Finance Documents";

(c) Clause 8.4 (*Hedging*);

(d) Clause 23.32 (*No dealings with Hedging Agreements*);

(e) Clause 28 (Application of Proceeds); or

(f) this Clause 37.3.2.

37.4 **Changes to reference rates**

37.4.1 In this Clause 37.4:

"**Published Rate**" means the Term SOFR for any Quoted Tenor or SOFR.

"**Published Rate Replacement Event**" means, in relation to a Published Rate:

(a) the methodology, formula or other means of determining that Published Rate has, in the opinion of the Majority Lenders and the Obligors materially changed;

(b)

(i)

(A) the administrator of that Published Rate or its supervisor publicly announces that such administrator is insolvent; or

(B) information is published in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body which reasonably confirms that the administrator of that Published Rate is insolvent,

provided that, in each case, at that time, there is no successor administrator to continue to provide that Published Rate;

(ii) the administrator of that Published Rate publicly announces that it has ceased or will cease, to provide that Published Rate permanently or indefinitely and, at that time, there is no successor administrator to continue to provide that Published Rate;

(iii) the supervisor of the administrator of that Published Rate publicly announces that such Published Rate has been or will be permanently or indefinitely discontinued;

(iv) the administrator of that Published Rate or its supervisor announces that that Published Rate may no longer be used; or

(c) the administrator of that Published Rate (or the administrator of an interest rate which is a constituent element of that Published Rate) determines that that Published Rate should be calculated in accordance with its reduced submissions or other contingency or fallback policies or arrangements and either:

(i) the circumstance(s) or event(s) leading to such determination are not (in the opinion of the Majority Lenders and the Obligors) temporary; or

(ii) that Published Rate is calculated in accordance with any such policy or arrangement for a period no less than 30 days; or

(d) in the opinion of the Majority Lenders and the Obligors, that Published Rate is otherwise no longer appropriate for the purposes of calculating interest under this Agreement.

"**Quoted Tenor**" means, in relation to Term SOFR, any period for which that rate is customarily displayed on the relevant page or screen of an information service.

"**Relevant Nominating Body**" means any applicable central bank, regulator or other supervisory authority or a group of them, or any working group or committee sponsored or chaired by, or constituted at the request of, any of them or the Financial Stability Board.

"**Replacement Reference Rate**" means a reference rate which is:

(a) formally designated, nominated or recommended as the replacement for a Published Rate by:

(i) the administrator of that Published Rate (provided that the market or economic reality that such reference rate measures is the same as that measured by that Published Rate); or

(ii) any Relevant Nominating Body,

and if replacements have, at the relevant time, been formally designated, nominated or recommended under both (i) and (ii), the "Replacement Reference Rate" will be the replacement under (ii);

(b) in the opinion of the Majority Lenders and the Borrowers, generally accepted in the international or any relevant domestic syndicated loan markets as the appropriate successor to that Published Rate; or

(c) in the opinion of the Majority Lenders and the Borrowers, an appropriate successor to a Published Rate.

37.4.2 Subject to Clause 37.3.1 (*Other exceptions*), if a Published Rate Replacement Event has occurred in relation to any Published Rate any amendment or waiver which relates to:

(a) providing for the use of a Replacement Reference Rate in place of that Published Rate; and

(b)

(i) aligning any provision of any Finance Document to the use of that Replacement Reference Rate;

(ii) enabling that Replacement Reference Rate to be used for the calculation of interest under this Agreement (including, without limitation, any consequential changes required to enable that Replacement Reference Rate to be used for the purposes of this Agreement);

(iii) implementing market conventions applicable to that Replacement Reference Rate;

(iv) providing for appropriate fallback (and market disruption) provisions for that Replacement Reference Rate; or

(v) adjusting the pricing to reduce or eliminate, to the extent reasonably practicable, any transfer of economic value from one Party to another as a result of the application of that Replacement Reference Rate (and if any adjustment or method for calculating any adjustment has been formally designated, nominated or recommended by the Relevant Nominating Body, the adjustment shall be determined on the basis of that designation, nomination or recommendation),

may be made with the consent of the Agent (acting on the instructions of the Majority Lenders), the Guarantors and the Borrowers.

37.4.3 If any Lender fails to respond to a request for an amendment or waiver described in Clause 37.4.1 within 30 Business Days (or such longer time period in relation to any request which the Borrowers and the Agent may agree) of that request being made:

(a) its Commitment(s) shall not be included for the purpose of calculating the Total Commitments under the relevant Utilisation when ascertaining whether any relevant percentage of Total Commitments has been obtained to approve that request; and

(b) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

37.5 **Excluded Commitments**

If:

37.5.1 any Defaulting Lender fails to respond to a request for a consent, waiver, amendment of or in relation to any term of any Finance Document or any other vote of Lenders under the terms of this Agreement within five Business Days of that request being made; or

37.5.2 any Lender which is not a Defaulting Lender fails to respond to such a request,

(unless, in either case, the Borrowers and the Agent agree to a longer time period in relation to any request):

(a) its Commitment(s) shall not be included for the purpose of calculating the Total Commitments when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Total Commitments has been obtained to approve that request; and

(b) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

37.6 **Replacement of Lender**

37.6.1 If:

(a) any Lender becomes a Non-Consenting Lender (as defined in Clause 37.6.4); or

(b) a Borrower or a Guarantor becomes obliged to repay any amount in accordance with Clause 7.1 (*Illegality*) or to pay additional amounts pursuant to Clause 12.2 (*Tax gross-up*), Clause 12.3 (*Tax Indemnity*) or Clause 13.1 (*Increased costs*) to any Lender,

then the Borrowers may, on ten Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant to Clause 25 (*Changes to the Lenders and Hedge Counterparties*) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity selected by the Borrowers (a "**Replacement Lender**") which confirms its willingness to assume and does assume all the obligations of the transferring L25accordance with Clause 25 (*Changes to the Lenders and Hedge Counterparties*) for a purchase price in cash payable at the time of transfer in an amount equal to the outstanding principal amount of such Lender's participation in the outstanding Loan and all accrued interest (to the extent that the Agent has not given a notification under Clause 25.10 (*Pro rata interest settlement*)), Break Costs and other amounts payable in relation thereto under the Finance Documents.

37.6.2 The replacement of a Lender pursuant to this Clause 37.6 shall be subject to the following conditions:

(a) the Borrowers shall have no right to replace the Agent or Security Agent;

(b) neither the Agent nor the Lender shall have any obligation to the Borrowers to find a Replacement Lender;

(c) in the event of a replacement of a Non-Consenting Lender such replacement must take place no later than 15 days after the date on which that Lender is deemed a Non-Consenting Lender;

(d) in no event shall the Lender replaced under this Clause 37.6 be required to pay or surrender to such Replacement Lender any of the fees received by such Lender pursuant to the Finance Documents; and

(e) the Lender shall only be obliged to transfer its rights and obligations pursuant to Clause 37.6.1 once it is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to that transfer.

37.6.3 A Lender shall perform the checks described in Clause 37.6.2(e) as soon as reasonably practicable following delivery of a notice referred to in Clause 37.6.1 and shall notify the Agent and the Borrowers when it is satisfied that it has complied with those checks.

37.6.4 In the event that:

(a) the Borrowers or the Agent (at the request of the Borrowers) have requested the Lenders to give a consent in relation to, or to agree to a waiver or amendment of, any provisions of the Finance Documents;

(b) the consent, waiver or amendment in question requires the approval of all the Lenders; and

(c) Lenders whose Commitments aggregate more than 51% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 51% of the Total Commitments prior to that reduction) have consented or agreed to such waiver or amendment,

then any Lender who does not and continues not to consent or agree to such waiver or amendment shall be deemed a "**Non-Consenting Lender**".

37.7 **Disenfranchisement of Defaulting Lenders**

37.7.1 For so long as a Defaulting Lender has any Commitment, in ascertaining:

(a) the Majority Lenders; or

(b) whether:

(i) any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments; or

(ii) the agreement of any specified group of Lenders,

has been obtained to approve any request for a consent, waiver, amendment or other vote of Lenders under the Finance Documents, that Defaulting Lender's Commitment will be reduced by the amount of its participation in the Loan it has failed to make available and, to the extent that that reduction results in that Defaulting Lender's Commitment being zero, that Defaulting Lender shall be deemed not to be a Lender for the purposes of (i) and (ii).

37.7.2 For the purposes of this Clause 37.7, the Agent may assume that the following Lenders are Defaulting Lenders:

(a) any Lender which has notified the Agent that it has become a Defaulting Lender;

(b) any Lender in relation to which it is aware that any of the events or circumstances referred to in (a), (b) or (c) of the definition of "Defaulting Lender" has occurred,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Agent) or the Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

37.8 **Replacement of a Defaulting Lender**

37.8.1 The Borrowers may, at any time a Lender has become and continues to be a Defaulting Lender, by giving ten Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant to Clause 25 (*Changes to the Lenders and Hedge Counterparties*) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity selected by the Borrowers (a "**Replacement Lender**") which confirms its willingness to assume and does assume all the obligations, or all the relevant obligations, of the transferring L25accordance with Clause 25 (*Changes to the Lenders and Hedge Counterparties)* for a purchase price in cash payable at the time of transfer which is either:

(a) in an amount equal to the outstanding principal amount of such Lender's participation in the outstanding Loan and all accrued interest (to the extent that the Agent has not given a notification under Clause 25.10 (*Pro rata interest settlement*)), Break Costs and other amounts payable in relation thereto under the Finance Documents; or

(b) in an amount agreed between that Defaulting Lender, the Replacement Lender and the Borrowers and which does not exceed the amount described in (a).

37.8.2 Any transfer of rights and obligations of a Defaulting Lender pursuant to this Clause 37.8 shall be subject to the following conditions:

(a) the Borrowers shall have no right to replace the Agent or Security Agent;

(b) neither the Agent nor the Defaulting Lender shall have any obligation to the Borrowers to find a Replacement Lender;

(c) the transfer must take place no later than 15 days after the notice referred to in Clause 37.8.1;

(d) in no event shall the Defaulting Lender be required to pay or surrender to the Replacement Lender any of the fees received by the Defaulting Lender pursuant to the Finance Documents; and

(e) the Defaulting Lender shall only be obliged to transfer its rights and obligations pursuant to 37.8.1 once it is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to that transfer to the Replacement Lender.

37.8.3 The Defaulting Lender shall perform the checks described in Clause 37.8.2(e) as soon as reasonably practicable following delivery of a notice referred to in Clause 37.8.1 and shall notify the Agent and the Borrowers when it is satisfied that it has complied with those checks.

38 Confidentiality

38.1 **Confidential Information** Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 38.2 (*Disclosure of Confidential Information*) and Clause 38.3 (*Disclosure to numbering service providers*), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

38.2 **Disclosure of Confidential Information**

38.2.1 Any Finance Party may disclose:

(a) to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this Clause 38.2.1(a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

(b) to any person:

(i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Agent or Security Agent and, in each case, to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Borrowers or Guarantors and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(iii) appointed by any Finance Party or by a person to whom Clause 38.2.1(b)(i) or 38.2.1(b)(ii) applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including, without limitation, any person appointed under Clause 27.16.2 (*Relationship with the other Finance Parties*));

(iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in Clause 38.2.1(b)(i) or 38.2.1(b)(ii);

(v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(vi) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;

(vii) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Encumbrances (or may do so) pursuant to Clause 25.9 (*Security over Lenders' rights*);

(viii) who is a Party; or

(ix) with the consent of the Borrowers;

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

(x) in relation to Clauses 38.2.1(b)(i), 38.2.1(b)(ii) and 38.2.1(b)(iii), the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;

(xi) in relation to Clause 38.2.1(b)(iv), the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;

(xii) in relation to Clauses 38.2.1(b)(v), 38.2.1(b)(vi) and 38.2.1(b)(vii), the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances; and

(c) to any person appointed by that Finance Party or by a person to whom Clause 38.2.1(b)(i) or 38.2.1(b)(ii) applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this Clause 38.2.1(c) if the service provider to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking; and

(d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Borrowers and/or the Guarantors and/or the Group if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information.

38.2.2 Nothing in any Finance Document shall prevent disclosure of any Confidential Information or other matter to the extent that preventing that disclosure would otherwise cause any transaction contemplated by the Finance Documents or any transaction carried out in connection with any transaction contemplated by the Finance Documents to become an arrangement described in (a) Part II A 1 of Annex IV of DAC6 including as implemented in any EU member state or (b) regulation of MDR.

38.3 **Disclosure to numbering service providers**

38.3.1 Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Loan and/or one or more Obligors the following information:

(a) names of Obligors;

(b) country of domicile of Obligors;

(c) place of incorporation of Obligors;

(d) date of this Agreement;

(e) Clause 43 (*Governing law*);

(f) the names of the Agent and the Bookrunner;

(g) date of each amendment and restatement of this Agreement;

(h) amount of Total Commitments;

(i) currencies of the Loan;

(j) type of Loan;

(k) ranking of the Loan;

(l) Termination Date;

(m) changes to any of the information previously supplied pursuant to (a) to (l); and

(n) such other information agreed between such Finance Party and that Obligor,

to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

38.3.2 The Parties acknowledge and agree that each identification number assigned to this Agreement, the Loan and/or one or more Obligors by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.

38.3.3 Each Borrower and each Guarantor represents that none of the information set out in Clauses 38.3.1(a) to 38.3.1(n) is, nor will at any time be, unpublished price-sensitive information.

38.3.4 The Agent shall notify the Borrowers and the other Finance Parties of:

(a) the name of any numbering service provider appointed by the Agent in respect of this Agreement, the Loan and/or one or more Obligors; and

(b) the number or, as the case may be, numbers assigned to this Agreement, the Loan and/or one or more Obligors by such numbering service provider.

38.4 **Entire agreement** This Clause 38 constitutes the entire agreement between the Parties in relation to the obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

38.5 **Inside information** Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

38.6 **Notification of disclosure** Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Borrowers:

38.6.1 of the circumstances of any disclosure of Confidential Information made pursuant to Clause 38.2.1(b)(v) except where such disclosure is made to any of the persons referred to in that Clause during the ordinary course of its supervisory or regulatory function; and

38.6.2 upon becoming aware that Confidential Information has been disclosed in breach of this Clause 38.

38.7 **Continuing obligations** The obligations in this Clause 38 are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of 12 months from the earlier of:

38.7.1 the date on which all amounts payable by the Obligors under or in connection with the Finance Documents have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and

38.7.2 the date on which such Finance Party otherwise ceases to be a Finance Party.

39 Confidentiality of Funding Rates

39.1 Confidentiality and disclosure

39.1.1 The Agent, each Borrower and each Guarantor agree to keep each Funding Rate confidential and not to disclose it to anyone, save to the extent permitted by Clause 39.1.2 and Clause 39.1.3.

39.1.2 The Agent may disclose:

(a) any Funding Rate to the Borrowers pursuant to Clause 8.6 (*Notifications*); and

(b) any Funding Rate to any person appointed by it to provide administration services in respect of one or more of the Finance Documents to the extent necessary to enable such service provider to provide those services if the service provider to whom that information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration / Settlement Service Providers or in such other form of confidentiality undertaking agreed between the Agent and the relevant Lender.

39.1.3 The Agent and each Borrower and each Guarantor may disclose any Funding Rate to:

(a) any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives if any person to whom that Funding Rate is to be given pursuant to this Clause 39.1.3 is informed in writing of its confidential nature and that it may be price sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of that Funding Rate or is otherwise bound by requirements of confidentiality in relation to it;

(b) any person to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation if the person to whom that Funding Rate is to be given is informed in writing of its confidential nature and that it may be price sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the Borrowers or the relevant Guarantor, as the case may be, it is not practicable to do so in the circumstances;

(c) any person to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes if the person to whom that Funding Rate is to be given is informed in writing of its confidential nature and that it may be price sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the Borrowers or the relevant Guarantor, as the case may be, it is not practicable to do so in the circumstances; and

(d) any person with the consent of the relevant Lender.

39.2 **Related obligations**

39.2.1 The Agent and each Borrower and each Guarantor acknowledge that each Funding Rate is or may be price sensitive information and that its use may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and the Agent, each Borrower and each Guarantor undertake not to use any Funding Rate for any unlawful purpose.

39.2.2 The Agent, each Borrower and each Guarantor agree (to the extent permitted by law and regulation) to inform the relevant Lender:

(a) of the circumstances of any disclosure made pursuant to Clause 39.1.3(b) except where such disclosure is made to any of the persons referred to in that Clause during the ordinary course of its supervisory or regulatory function; and

(b) upon becoming aware that any information has been disclosed in breach of this Clause 39.

39.3 **No Event of Default** No Event of Default will occur under Clause 24.1.3 (*Other obligations*) by reason only of a Borrower's or a Guarantor's failure to comply with this Clause 39.

40 Disclosure of Lender Details by Agent

40.1 **Supply of Lender details to Borrowers** The Agent shall provide to the Borrowers within seven Business Days of a request by the Borrowers (but no more frequently than once per calendar month) a list (which may be in electronic form) setting out the names of the Lenders as at that Business Day, their respective Commitments, the address and fax number (and the department or officer, if any, for whose attention any communication is to be made) of each Lender for any communication to be made or document to be delivered under or in connection with the Finance Documents, the electronic mail address and/or any other information required to enable the transmission of information by electronic mail or other electronic means to and by each Lender to whom any communication under or in connection with the Finance Documents may be made by that means and the account details of each Lender for any payment to be distributed by the Agent to that Lender under the Finance Documents.

40.2 **Supply of Lender details at Borrowers' direction**

40.2.1 The Agent shall, at the request of the Borrowers, disclose the identity of the Lenders and the details of the Lenders' Commitments to any:

(a) other Party or any other person if that disclosure is made to facilitate, in each case, a refinancing of the Financial Indebtedness arising under the Finance Documents or a material waiver or amendment of any term of any Finance Document; and

(b) Obligor or any other member of the Group.

40.2.2 Subject to Clause 40.2.3, the Borrowers shall procure that the recipient of information disclosed pursuant to Clause 40.2.1 shall keep such information confidential and shall not disclose it to anyone and shall ensure that all such information is protected with security measures and a degree of care that would apply to the recipient's own confidential information.

40.2.3 The recipient may disclose such information to any of its officers, directors, employees, professional advisers, auditors and partners as it shall consider appropriate if any such person is informed in writing of its confidential nature, except that there shall be no such requirement to so inform if that person is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by duties of confidentiality in relation to the information.

40.3 **Supply of Lender details to other Lenders**

40.3.1 If a Lender (a "**Disclosing Lender**") indicates to the Agent that the Agent may do so, the Agent shall disclose that Lender's name and Commitment to any other Lender that is, or becomes, a Disclosing Lender.

40.3.2 The Agent shall, if so directed by the Requisite Lenders, request each Lender to indicate to it whether it is a Disclosing Lender.

40.4 **Lender enquiry** If any Lender believes that any entity is, or may be, a Lender and:

40.4.1 that entity ceases to have an Investment Grade Rating; or

40.4.2 an Insolvency Event occurs in relation to that entity,

the Agent shall, at the request of that Lender, indicate to that Lender the extent to which that entity has a Commitment.

40.5 **Lender details definitions** In this Clause 40:

"**Investment Grade Rating**" means, in relation to an entity, a rating for its long-term unsecured and non-credit-enhanced debt obligations of BBB- or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or Baa3 or higher by Moody's Investors Service Limited or a comparable rating from an internationally recognised credit rating agency.

"**Requisite Lenders**" means a Lender or Lenders whose Commitments aggregate 15% (or more) of the Total Commitments (or if the Total Commitments have been reduced to zero, aggregated 15% (or more) of the Total Commitments immediately prior to that reduction).

41 Counterparts

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

42 Joint and Several Liability

42.1 **Nature of liability** The representations, warranties, covenants, obligations and undertakings of the Borrowers contained in this Agreement shall be joint and several so that each Borrower shall be jointly and severally liable with all the Borrowers for all of the same and such liability shall not in any way be discharged, impaired or otherwise affected by:

42.1.1 any forbearance (whether as to payment or otherwise) or any time or other indulgence granted to any other Borrower or any other Obligor under or in connection with any Finance Document;

42.1.2 any amendment, variation, novation or replacement of any other Finance Document;

42.1.3 any failure of any Finance Document to be legal valid binding and enforceable in relation to any other Borrower or any other Obligor for any reason;

42.1.4 the winding-up or dissolution of any other Borrower or any other Obligor;

42.1.5 the release (whether in whole or in part) of, or the entering into of any compromise or composition with, any other Borrower or any other Obligor; or

42.1.6 any other act, omission, thing or circumstance which would or might, but for this provision, operate to discharge, impair or otherwise affect such liability.

42.2 **No rights as surety** Until the Indebtedness has been unconditionally and irrevocably paid and discharged in full, each Borrower agrees that it shall not, by virtue of any payment made under this Agreement on account of the Indebtedness or by virtue of any enforcement by a Finance Party of its rights under this Agreement or by virtue of any relationship between, or transaction involving, the relevant Borrower and any other Borrower or any other Obligor:

42.2.1 exercise any rights of subrogation in relation to any rights, security or moneys held or received or receivable by a Finance Party or any other person; or

42.2.2 exercise any right of contribution from any other Borrower or any other Obligor under any Finance Document; or

42.2.3 exercise any right of set-off or counterclaim against any other Borrower or any other Obligor; or

42.2.4 receive, claim or have the benefit of any payment, distribution, security or indemnity from any other Borrower or any other Obligor; or

42.2.5 unless so directed by the Agent (when the relevant Borrower will prove in accordance with such directions), claim as a creditor of any other Borrower or any other Obligor in competition with any Finance Party

and each Borrower shall hold in trust for the Finance Parties and forthwith pay or transfer (as appropriate) to the Agent any such payment (including an amount equal to any such set-off), distribution or benefit of such security, indemnity or claim in fact received by it.

Section 12 Governing Law and Enforcement

43 Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

44 Enforcement

44.1 **Jurisdiction**

44.1.1 The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement) (a "**Dispute**").

44.1.2 The Parties agree that the courts of England are the most appropriate and convenient courts to decide Disputes and accordingly no Party will argue to the contrary.

44.2 **Service of process**

44.2.1 Without prejudice to any other mode of service allowed under any relevant law, each Borrower and each Guarantor:

(a) irrevocably appoints Hill Dickinson Services (London) Ltd, the Broadgate Tower, 20 Primrose Street, London EC2A 2EW, as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document; and

(b) agrees that failure by a process agent to notify that Borrower or that Guarantor (as the case may be) of the process will not invalidate the proceedings concerned.

44.2.2 If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process or terminates its appointment as agent for service of process, the relevant Borrower or relevant Guarantor (as the case may be) must immediately (and in any event within five days of such event taking place) appoint another agent on terms acceptable to the Agent. Failing this, the Agent may appoint another agent for this purpose.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

Schedule 1
The Parties

Part I
The Original Lenders

Name of Original Lender	Commitment	Treaty Passport scheme reference number and jurisdiction of tax residence (if applicable)
Nordea Bank Abp, filial i Norge	US$20,000,000	

Part II
The other Finance Parties

The Agent
Address: Essendrops gate 7
N-0368 Oslo
Norway

Fax no.:
Department/Officer:
Email address:

The Security Agent
Address: Essendrops gate 7
N-0368 Oslo
Norway

Fax no.:
Department/Officer:
Email address:

The Bookrunner
Address: Essendrops gate 7
N-0368 Oslo
Norway

Fax no.:
Department/Officer:
Email address:

The Original Hedge Counterparties
Address: Nordea Danmark, Filial af Nordea Bank Abp, Finland, 7288 Derivative Services, PO Box 850, DK-0900 Copenhagen K, Denmark

Fax no.:
Department/Officer:
Email address:

Part III

The Obligors

The Borrowers
Name: Taburao Shipping Company Inc.
Address: Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960

c/o Unitized Ocean transport Limited
373 Syngrou Ave. & 2-4 Ymittou str.
17564, Palaio Faliro, Athens, Greece
Fax no.:
Department/Officer:
Email address:

Name: Tarawa Shipping Company Inc.
Address: Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960

c/o Unitized Ocean transport Limited
373 Syngrou Ave. & 2-4 Ymittou str.
17564, Palaio Faliro, Athens, Greece
Fax no.:
Department/Officer:
Email address:

The Original Guarantor
Name: Performance Shipping Inc.
Address: Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960

c/o Unitized Ocean transport Limited
373 Syngrou Ave. & 2-4 Ymittou str.
17564, Palaio Faliro, Athens, Greece
Fax no.:
Department/Officer:
Email address:

Schedule 2

Conditions Precedent and Subsequent

Schedule 3

Utilisation Request

Schedule 4

Form of Transfer Certificate

Schedule 5

Form of Assignment Agreement

Schedule 6

Form of Accession Deed

Schedule 7

Form of Compliance Certificate

Schedule 8

Form of Hedge Counterparty Accession Letter

Schedule 9

Reference Rate Terms

Currency	dollars
Cost of funds as a fallback	Cost of funds will apply as a fallback.
Definitions	
Break Costs	None Specified.
Central Bank Rate:	(a) the short-term interest rate target set by the US Federal Open Market Committee as published by the Federal Reserve Bank of New York from time to time; or (b) if that target is not a single figure, the arithmetic mean of: (i) the upper bound of the short-term interest rate target range set by the US Federal Open Market Committee and published by the Federal Reserve Bank of New York; and (ii) the lower bound of that target range.
Central Bank Rate Adjustment:	means, in relation to the Central Bank Rate prevailing at close of business on any RFR Banking Day, the 20 per cent trimmed arithmetic mean (calculated by the Agent), of the Central Bank Rate Spreads for the five most immediately preceding RFR Banking Days for which the RFR is available.
Central Bank Rate Spread:	means, in relation to any RFR Banking Day, the difference (expressed as a percentage rate per annum) calculated by the Agent of: (a) the Central Bank Rate prevailing at close of business on that RFR Banking Day; and (b) the relevant Daily Rate.
Daily Rate:	The "**Daily Rate**" for any RFR Banking Day is: (a) the RFR for that RFR Banking Day; or (b) if the RFR is not available for that RFR Banking Day, the percentage rate per annum which is the aggregate of: (i) the Central Bank Rate for that RFR Banking Day; and

(ii) the applicable Central Bank Rate Adjustment ; or

(c) if (b) above applies but the Central Bank Rate for that RFR Banking Day is not available, the percentage rate per annum which is the aggregate of:

(i) the most recent Central Bank Rate for a day which is no more than five RFR Banking Days before that RFR Banking Day; and

(ii) the applicable Central Bank Rate Adjustment,

rounded, in either case, to five decimal places and if, in either case, that rate is less than zero, the Daily Rate shall be deemed to be zero.

Lookback Period: Five RFR Banking Days.

Market Disruption Rate The percentage rate per annum which is the Daily Rate for each day during the Interest Period of the relevant Utilisation.

Relevant Market The market for overnight cash borrowing collateralised by US Government securities.

RFR the secured overnight financing rate (SOFR) administered by the Federal Reserve Bank of New York (or any other person which takes over the administration of that rate) published by the Federal Reserve Bank of New York (or any other person which takes over the publication of that rate).

RFR Banking Day a day other than:

(a) a Saturday or Sunday; and

(b) a day on which the Securities Industry and Financial Markets Association (or any successor organisation) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in US Government securities

Schedule 10

Cumulative Compounded RFR Rate

The "**Cumulative Compounded RFR Rate**" for any Interest Period for a Utilisation is the Observation Period CCRR for the Observation Period relating to that Interest Period where:

the "**Observation Period**" relating to an Interest Period for a Utilisation is the period from and including the day falling the applicable Lookback Period prior to the first day of that Interest Period and ending on, but excluding, the day falling the applicable Lookback Period prior to the last day of that Interest Period; and

the "**Observation Period CCRR**" for the Observation Period relating to any Interest Period for a Compounded Rate Relevant is the percentage rate per annum (rounded to five decimal places) calculated as set out below:

Stephenson Harwood
Ariston Building, 2nd Floor
Filellinon 2 & Akti Miaouli, 185 36 Piraeus, Greece
T: +30 210 429 5160 | F: +30 210 429 5166
www.shlegal.com

where:

"$\mathbf{d_0}$" means the number of RFR Banking Days in the Observation Period;

"**i**" means a series of whole numbers from one to d_0, each representing the relevant RFR Banking Day in chronological order in the Observation Period;

"$\mathbf{DailyRate_i}$" means for any RFR Banking Day "**i**" in the Observation Period, the Daily Rate for that RFR Banking Day "**i**";

"$\mathbf{n_i}$" means, for any RFR Banking Day "**i**", the number of calendar days from, and including, that RFR Banking Day "**i**" up to, but excluding, the following RFR Banking Day;

"**dcc**" means 360 or, in any case where market practice in the Relevant Market is to use a different number for quoting the number of days in a year, that number; and

"**d**" means the number of calendar days in that Observation Period.

Signatures

The Borrowers

Taburao Shipping Company Inc.)
)
By: Aikaterini Oikonomea) /s/ Aikaterini Oikonomea
c/o Unitized Ocean Transport Limited)
373 Syngrou Ave. & 2-4 Ymittou str.)
17564 Palaio Faliro, Athens, Greece)
Fax no.: +30 210 9470101)
Officer: Mr Andreas Michalopoulos)

Tarawa Shipping Company Inc.)
)
By: Aikaterini Oikonomea) /s/ Aikaterini Oikonomea
c/o Unitized Ocean Transport Limited)
373 Syngrou Ave. & 2-4 Ymittou str.)
17564 Palaio Faliro, Athens, Greece)
Fax no.: +30 210 9470101)
Officer: Mr Andreas Michalopoulos)

The Original Guarantor

Performance Shipping Inc.)
)
By: Aikaterini Oikonomea) /s/ Aikaterini Oikonomea
c/o Unitized Ocean Transport Limited)
373 Syngrou Ave. & 2-4 Ymittou str.)
17564 Palaio Faliro, Athens, Greece)
Fax no.: +30 210 9470101)
Officer: Mr Andreas Michalopoulos)

The Bookrunner

Nordea Bank Abp, filial i Norge)
)
By: Georgios Kalpakidis) /s/ Georgios Kalpakidis
Essendrops gate 7)
N-0368 Oslo)
Norway)
Fax no.: +47 22 48 66 68)
Officers: Henrik Trulsen)
and Dennis Skoglund)

The Agent

Nordea Bank Abp, filial i Norge)
)
By: Georgios Kalpakidis) /s/ Georgios Kalpakidis
Essendrops gate 7)
N-0368 Oslo)
Norway)
Fax no.: +47 22 48 66 68)
Officers: Henrik Trulsen)
and Dennis Skoglund)

The Security Agent

Nordea Bank Abp, filial i Norge)
)
By: Georgios Kalpakidis) /s/ Georgios Kalpakidis
Essendrops gate 7)
N-0368 Oslo)
Norway)
Fax no.: +47 22 48 66 68)
Officers: Henrik Trulsen)
and Dennis Skoglund)

The Original Lenders

Nordea Bank Abp, filial i Norge)
)
By: Georgios Kalpakidis) /s/ Georgios Kalpakidis
Essendrops gate 7)
N-0368 Oslo)
Norway)
Fax no.: +47 22 48 66 68)
Officers: Henrik Trulsen)
and Dennis Skoglund)

The Original Hedge Counterparties

Nordea Bank Abp)
)
By: Georgios Kalpakidis) /s/ Georgios Kalpakidis
PO Box 850, DK-0900 Copenhagen K)
Denmark)
Fax no.: +47 22 48 66 68)
Officers: Henrik Trulsen)
and Dennis Skoglund)

Exhibit 4.9

SHIPBUILDING CONTRACT

FOR

CONSTRUCTION OF ONE 114,000 DWT PRODUCT/ CRUDE OIL TANKER

(HULL NO. H1596)

BETWEEN

SRI LANKA SHIPPING COMPANY INC.

as BUYER

and

CHINA SHIPBUILDING TRADING COMPANY LIMITED

and

SHANGHAI WAIGAOQIAO SHIPBUILDING COMPANY LIMITED

Collectively as SELLER

CONTENTS

SHIPBUILDING CONTRACT

FOR

CONSTRUCTION OF ONE 114,000 DWT PRODUCT/ CRUDE OIL TANKER (HULL NO. H1596)

This CONTRACT, entered into this 18th day of December 2023 by and between SRI LANKA SHIPPING COMPANY INC., a corporation organized and existing under the Laws of the Republic of the Marshall Islands, having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands (hereinafter called the "BUYER") on one part; and CHINA SHIPBUILDING TRADING COMPANY LIMITED, a corporation organized and existing under the Laws of the People's Republic of China, having its registered office at 56(Yi) Zhongguancun Nan Da Jie, Beijing 100044, the People's Republic of China (hereinafter called "CSTC"), and SHANGHAI WAIGAOQIAO SHIPBUILDING COMPANY LIMITED, a corporation organized and existing under the Laws of the People's Republic of China, having its registered office at 3001 Zhouhai Road, Pudong New District, Shanghai 200137, the People's Republic of China (hereinafter called the "BUILDER") on the other part. CSTC and the BUILDER are hereinafter jointly called the "SELLER".

BUYER and SELLER altogether the “Parties” and each one the “Party”.

WITNESSETH

in consideration of the mutual covenants contained herein, the SELLER agrees to build, launch, equip and complete at BUILDER's Shipyard and to sell and deliver to the BUYER after completion and successful trial one (1) Diesel Driven 114,000 DWT PRODUCT/CRUDE OIL TANKER as more fully described in Article I hereof, to be registered under the flag of the Republic of the Marshall Islands and the BUYER agrees to purchase and take delivery of the aforesaid VESSEL from the SELLER and to pay for the same in accordance with the terms and conditions hereinafter set forth.

ARTICLE I DESCRIPTION AND CLASS

1. DESCRIPTION:

The VESSEL is a Steel-Hulled, Single Screw, Diesel Driven Product/Crude Oil Tanker of 114,000 metric tons deadweight, at scantling draft moulded of 15.0 meters (hereinafter called the "VESSEL") of the class described below. The VESSEL shall be on identical basis as the repeat vessel to the prototype vessel (BUILDER's Hull No. H1515, hereinafter called "H1515"), the VESSEL shall have the BUILDER's Hull No. H1596 and shall be constructed, equipped and completed in accordance with the provisions of this Contract and H1515's following "Specifications":

(1) Specification (Drawing No. 114TK –BS21202-CS-R1)
(2) General Arrangement (Drawing No. 114TK –BS21202-GA-R1)
(3) Midship Section (Drawing No. 114TK –BS21202-MS-R1)
(4) Makers list (Drawing No. 114TK –BS21202-ML-R1)
(5) Technical Memorandum on the 114,000DWT Product/Crude Oil Tanker Specifications dated 7th March, 2023

attached hereto and signed by each of the parties to this Contract (hereinafter collectively called the "Specifications"), making an integral part hereof.

2. CLASS AND RULES

The VESSEL, including her machinery and equipment, shall be constructed in accordance with the rules and regulations issued and having become effective up to and on the date of signing this Contract of Lloyd's Register (LR) (hereinafter called the "Classification Society") without any reservation of any kind and classified and registered to the symbol of: +100A1, Double Hull Oil Tanker, CSR, ESP, ShipRight (ACS(B, C), CM), *IWS, LI, DSPM4, ECO(BWT, IHM, P, VECS-L, EEDI-3), EGCS(OPEN), +LMC, IGS, UMS, With descriptive notes "ShipRight (BWMP(S,T), SCM, SERS), ETA, GR(NG, A)", and shall also comply with the rules and regulations as fully described in the Specifications.

The requirements of the authorities as fully described in the Specifications including that of the Classification Society are to include additional rules or circulars thereof issued and become effective up to and on the date of signing this Contract.

The SELLER shall arrange with the Classification Society to assign a representative or representatives (hereinafter called the "Classification Surveyor") to the BUILDER's Shipyard for supervision of the construction of the VESSEL.

All fees and charges incidental to Classification and compliance with the rules, regulations and requirements of this Contract as described in the Specifications issued and effective up to the date of signing this Contract as well as royalties, if any, payable on account of the construction of the VESSEL shall be for the account of the SELLER, except as otherwise provided and agreed herein. The key plans, materials and workmanship entering into the construction of the VESSEL shall at all times be subject to inspections and tests in accordance with the rules and regulations of the Classification Society.

Decisions of the Classification Society as to compliance or noncompliance with Classification rules and regulations shall be final and binding for the Parties.

3. PRINCIPAL PARTICULARS AND DIMENSIONS OF THE VESSEL

(a) Hull:

Length overall	abt. 249.95m
Length between perpendiculars	243.95m
Breadth moulded	44.00m
Depth moulded	21.20m
Design Draft moulded	13.50m
Scantling Draft moulded	15.00m

(b) Propelling Machinery:

The VESSEL shall be equipped, in accordance with the Specifications, with (1) set of MAN B&W 6G60ME – C10.5 Tier III HPSCR type Main Engine, developing a nominal maximum continuous rating of 17,040 kW at 103.0 RPM and a continuous service rating of 9,180 kW at 80.1 RPM.

The extend of delivery of main engine shall be in line with H1515 as far as possible. However, the subcontractor of components of main engine shall be as per HHM or CSE's practice.

4. GUARANTEED SPEED

The SELLER guarantees that the service speed at design draught 13.50 on even keel and NCR of main engine with 15% sea margin shall not be less than 14.5 nautical miles per hour.

The service speed shall be verified by corrected trial speed under calm weather (no wind, no wave and no current in accordance with ISO 15016:2015) and deep sea condition. The correction method of the speed shall be as specified in the Specifications.

5. GUARANTEED FUEL CONSUMPTION

The SELLER guarantees that the specific fuel oil consumption of the Main Engine as determined by shop trial as specified in the Specifications, at NCR is not to exceed 154.8 grams/Kilowatt/hour (not including the permitted tolerance of +6%) based on fuel oil having a lower calorific value of 10,200 kilocalories per kilogram at ISO standard reference condition i.e. blower inlet air temperature of 25 deg C, scavenge air cooling water temperature of 25 deg C and blower inlet air pressure of 100 kpa. If the fuel oil used in shop trial would have different lower calorific value from 10,200 kilocalories per kilogram, and/or the surrounding shop trial condition would be different from the above ISO condition, then the specific fuel oil consumption shall be adjusted accordingly based on the conversion formula issued by MAN. The specific fuel oil consumption shall be subject to a tolerance of 6%.

6. GUARANTEED DEADWEIGHT

The SELLER guarantees that the VESSEL is to have a deadweight of not less than 114,000 metric tons at the scantling draft moulded of 15.00 meters in sea water of 1.025 specific gravity.

The term, "Deadweight", as used in this Contract, shall be as defined in the Specifications.

The actual deadweight of the VESSEL expressed in metric tons shall be based on calculations made by the BUILDER and checked by the BUYER, and all measurements necessary for such calculations shall be performed in the presence of the BUYER's supervisor(s) and the Classification Surveyor or the party authorized by the BUYER.

Should there be any dispute between the BUILDER and the BUYER in such calculations and/or measurements, the decision of the Classification Society shall be final.

7. SUBCONTRACTING:

The SELLER may, at its sole discretion and responsibility, subcontract any portion of the construction work of the VESSEL to experienced subcontractors, but delivery and final assembly into the VESSEL of any such work subcontracted shall be at the BUILDER's Shipyard. The SELLER shall remain fully responsible for such subcontracted work and subcontractors' liabilities.

The performance of the works by SHANGHAI WAIGAOQIAO SHIPBUILDING AND OFFSHORE COMPANY LIMITED (subsidiary of the BUILDER), SWS-SUNHEL ENGINEERING EQUIPMENT (NAN TONG) CO., LTD does not constitute subcontracting for the purposes of this clause. The BUILDER shall be fully liable for the actions of omissions of its aforementioned subsidiary and Branch.

8. REGISTRATION:

The vessel shall be registered by the BUYER at its own cost and expenses in the Marshall Islands Registry at the time of delivery and acceptance thereof.

ARTICLE II CONTRACT PRICE & TERMS OF PAYMENT

1. CONTRACT PRICE:

The purchase price of the VESSEL is United States Dollars Sixty-Four Million Eight Hundred and Forty Five Thousand only (US$ 64,845,000), net receivable by the SELLER (hereinafter called the "Contract Price"), which is exclusive of the cost for the BUYER's Supplies as provided in Article V hereof, and shall be subject to upward or downward adjustment, if any, as hereinafter set forth in this Contract.

2. CURRENCY:

Any and all payments by the BUYER to the SELLER under this Contract shall be made in United States Dollars.

3. TERMS OF PAYMENT:

The Contract Price shall be paid by the BUYER to the SELLER in instalments as follows:

(a) 1st Instalment:

The sum of United States Dollars Nine Million Seven Hundred and Twenty-Six Thousand Seven Hundred and Fifty only (US$ 9,726,750) representing Fifteen percent (15%) of the Contract Price, shall become due and payable and be paid by the BUYER within five (5) Banking Days from the date of BUYER's receipt of the Refund Guarantee as described in paragraph 7 of this Article.

(b) 2nd Instalment:

The sum of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), representing Ten percent (10%) of the Contract Price, shall become due and payable and be paid within five (5) Banking Days after the cutting of the first steel plate of the VESSEL. The SELLER shall notify the BUYER by e-mail stating and confirming that the 1st steel plate has been cut in its workshop, providing also a progress statement evidenced by the Classification Society. The SELLER shall then send to the BUYER an e-mail demand for payment of this instalment along with a PDF proforma invoice.

(c) 3rd Instalment:

The sum of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), representing Ten percent (10%) of the Contract Price, shall become due and payable and be paid within five (5) Banking Days after keel-laying of the first section of the VESSEL. The SELLER shall notify the BUYER by e-mail stating and confirming that the said keel-laying has been carried out, providing also a progress statement evidenced by the Classification Society. The SELLER shall then send to the BUYER an e-mail demand for payment of this instalment, along with a PDF proforma invoice.

(d) 4th Instalment:

The sum of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), representing Ten percent (10%) of the Contract Price, shall become due and payable and be paid within five (5) Banking Days after launching of the VESSEL. The SELLER shall notify the BUYER by e-mail stating and confirming that the launching of the VESSEL has been carried out. The SELLER shall then send to the BUYER an e-mail demand for payment of this in-stallment, along with a PDF proforma invoice.

(e) 5th Installment (Payment upon Delivery of the VESSEL):

The sum of United States Dollars Thirty-Five Million Six Hundred and Sixty-Four Thousand Seven Hundred and Fifty only (US$ 35,664,750), representing Fifty-Five percent (55%) of the Contract Price, plus any increase or minus any decrease due to modifications and/or adjustments of the Contract Price in accordance with provisions of the relevant Articles hereof, shall become due and payable and be paid by the BUYER to the SELLER concurrently with delivery by the SELLER and acceptance by the BUYER of the VESSEL. The SELLER shall send to the BUYER an e-mail demanding payment of this installment ten (10) days prior to the scheduled date of delivery of the VESSEL stating the expected delivery of the VESSEL to the BUYER.

4. METHOD OF PAYMENT:

(a) 1st Instalment:

The BUYER shall remit the amount of this installment in accordance with Article II, Paragraph 3 (a) by telegraphic transfer to China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China (SWIFT Code: CIBKCNBJ100) (hereinafter called the "SELLER's Bank") as receiving bank nominated by the SELLER for A/C Beneficiary: China Shipbuilding Trading Company Limited, or through other receiving bank to be nominated by the SELLER from time to time and such nomination shall be notified to the BUYER at least ten (10) days prior to the due date for payment.

(b) 2nd Instalment:

The BUYER shall remit the amount of this installment in accordance with Article II, Paragraph 3(b) by telegraphic transfer to SELLER's Bank as receiving bank nominated by the SELLER for A/C Beneficiary: China Shipbuilding Trading Company Limited, or through other receiving bank to be nominated by the SELLER from time to time and such nomination shall be notified to the BUYER at least ten (10) days prior to the due date for payment.

(c) 3rd Installment:

The BUYER shall remit the amount of this installment in accordance with Article II, Paragraph 3(c) by telegraphic transfer to SELLER's Bank as receiving bank nominated by the SELLER for A/C Beneficiary: China Shipbuilding Trading Company Limited, or through other receiving bank to be nominated by the SELLER from time to time and such nomination shall be notified to the BUYER at least ten (10) days prior to the due date for payment.

(d) 4th Installment:

The BUYER shall remit the amount of this installment in accordance with Article II, Paragraph 3(d) by telegraphic transfer to SELLER's Bank as receiving bank nominated by the SELLER for A/C Beneficiary: China Shipbuilding Trading Company Limited, or through other receiving bank to be nominated by the SELLER from time to time and such nomination shall be notified to the BUYER at least ten (10) days prior to the due date for payment.

(e) 5th Installment (Payable upon delivery of the VESSEL):

The BUYER shall, at least three (3) Banking Days prior to the scheduled date of delivery of the VESSEL, make an irrevocable cash deposit by swift message MT103 accompanied by swift message MT199 with conditions of payment to the SELLER's Bank, namely China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China, Account Number: , or other bank to be nominated by the SELLER with at least ten (10) days' notice to the BUYER prior to the scheduled date of delivery of the VESSEL, and such amount to be held in trust in the name of the BUYER (and / or in the name of the financing bank as the case may be which shall be BUYER's agents for purposes of this Contract) for a period of fifteen (15) Banking Days, covering the amount of this installment (as adjusted in accordance with the provisions of this Contract), with an irrevocable instruction that the said amount (or any other amount mutually agreed by the Parties) shall be released to the SELLER against presentation by the SELLER to the said China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China , or other bank nominated by the SELLER as above, of (i) a copy of the Protocol of Delivery and Acceptance signed by both the BUYER's and the SELLER's authorised representatives and (ii) a copy of release letter setting out the exact amount to be released to the SELLER. Interest, if any, accrued from such deposit, shall be for the benefit of the BUYER.

If the delivery of the VESSEL is not effected on or before the expiry of the aforesaid fifteen (15) Banking Days from the day of the cash deposit payment, the BUYER shall have the right to withdraw the said deposit plus accrued interest upon the expiry date. However, when a newly scheduled delivery date is notified to the BUYER by the SELLER, and the BUYER accepts same, the BUYER shall make the cash deposit in accordance with the same terms and conditions as set out above.

5. PREPAYMENT:

The BUYER shall have the right to make prepayment of any and all instalments before delivery of the VESSEL, by giving to the SELLER at least thirty (30) calendar days prior written notice, without any price adjustment of the VESSEL for such prepayment.

6. SECURITY FOR PAYMENT OF INSTALMENTS BEFORE DELIVERY:

The BUYER shall, within five (5) Banking Days upon receipt of the Refund Guarantee, deliver to the SELLER an irrevocable and unconditional Letter of Guarantee (hereinafter called the "Payment Guarantee") in the form annexed hereto as Exhibit "B" in favour of the SELLER issued by Performance Shipping Inc. (hereinafter called the "Payment Guarantor") acceptable to SELLER's bank and the SELLER. This guarantee shall secure the BUYER's obligation for the payment of the 2nd, 3rd and 4th installments of the Contract Price.

7. REFUNDS

All payments made by the BUYER prior to delivery of the VESSEL shall be in the nature of advance to the SELLER, and in the event this Contract is rescinded or cancelled by the BUYER, all in accordance with the specific terms of this Contract permitting such rescission or cancellation, the SELLER shall refund to the BUYER in United States Dollars the full amount of all sums already paid by the BUYER to the SELLER under this Contract, together with any interest (at the rate set out in respective provision thereof) from the date of receipt by the SELLER of the respective installment(s) to the date of remittance by telegraphic transfer of such refund by the SELLER to the account specified by the BUYER.

As security to the BUYER, the SELLER shall deliver to the BUYER, within sixty (60) calendar days after signing of the Contract, a Refund Guarantee to be issued by China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China, or any other Chinese Bank, securing the SELLER’s obligation for refunding to the BUYER the 1st, 2nd, 3rd and 4th instalments received by the SELLER through SELLER’s bank in the form as per Exhibit "A" annexed hereto. If the Refund Guarantee is issued by any other Chinese Bank, it should be a bank that is acceptable to the BUYER. The Refund Guarantee shall be issued by SWIFT.

However, in the event of any dispute between the SELLER and the BUYER with regard to the SELLER's obligation to repay the installment or installments paid by the BUYER and to the BUYER's right to demand payment from the SELLER’s bank, under its guarantee, and such dispute is submitted either by the SELLER or by the BUYER for arbitration in accordance with Article XIII hereof, the SELLER’s bank shall withhold and defer payment until the arbitration award between the SELLER and the BUYER is notified to SELLER’s bank. The SELLER’s bank shall not be obligated to make any payment unless the arbitration award orders the SELLER to make repayment. If the SELLER fails to honour the award, then the SELLER’s bank shall refund to the extent the final arbitration award orders.

ARTICLE III ADJUSTMENT OF THE CONTRACT PRICE

The Contract Price of the VESSEL shall be subject to adjustments as hereinafter set forth. It is hereby understood by both parties that any reduction of the Contract Price is by way of liquidated damages and not by way of penalty.

1. DELIVERY

(a) No adjustment shall be made, and the Contract Price shall remain unchanged for Thirty (30) calendar days of delay in delivery of the VESSEL beyond the Delivery Date as defined in Article VII hereof ending as of twelve o'clock midnight of the Thirtieth (30th) day of delay.

(b) If the delivery of the VESSEL is delayed more than Thirty (30) calendar days after the date as defined in Article VII hereof, then, in such event, beginning at twelve o'clock midnight of the Thirtieth (30th) day after the Delivery Date, the Contract Price of the VESSEL shall be reduced by deducting therefrom the sum of United States Dollars Fifteen Thousand only (US$ 15,000) per day.

Unless the parties hereto agree otherwise, the total reduction in the Contract Price shall be deducted from the fifth instalment of the Contract Price and in any event (including the event that the BUYER consents to take the VESSEL at the later delivery date after the expiration of Two Hundred and Ten (210) calendar days delay of delivery as described in Paragraph 1(c) of this Article or after the expiration days delay of delivery as described in Paragraph 3 of Article VIII) shall not be more than One Hundred and Eighty (180) calendar days at the above specified rate of reduction after the Thirty (30) calendar days allowance, that is United States Dollars Two Million Seven Hundred Thousand (US$ 2,700,000) being the maximum.

(c) If the delay in the delivery of the VESSEL continues for a period of Two Hundred and Ten (210) calendar days after the Delivery Date as defined in Article VII, then in such event, the BUYER may, at its option, rescind or cancel this Contract in accordance with the provisions of Article X of this Contract. The SELLER may at any time after the expiration of the aforementioned Two Hundred and Ten (210) calendar days, if the BUYER has not served notice of cancellation pursuant to Article X, notify the BUYER of the date upon which the SELLER estimates the VESSEL will be ready for delivery and demand in writing that the BUYER make an election, in which case the BUYER shall, within thirty (30) calendar days after such demand is received by the BUYER, either notify the SELLER of its decision to cancel this Contract, or consent to take delivery of the VESSEL at an agreed future date, it being understood and agreed by the parties hereto that, if the VESSEL is not delivered by such future date, the BUYER shall have the same right of cancellation upon the same terms, as hereinabove provided.

(d) For the purpose of this Article, the delivery of the VESSEL shall not be deemed delayed and the Contract Price shall not be reduced when and if the Delivery Date of the VESSEL is extended by reason of causes and provisions of Articles V, VI, XI, XII and XIII hereof. The Contract Price shall not be adjusted or reduced if the delivery of the VESSEL is delayed by reason of permissible delays as defined in Article VIII hereof.

(e) The Seller shall notify the BUYER by e-mail if the delivery of the VESSEL shall be made earlier than the specified Delivery Date as defined in Article VII of the Contract and such notification shall be given not less than Two (2) months prior to the newly planned delivery date.

(f) In the event that the SELLER is unable to deliver the VESSEL on the newly planned delivery date as declared, the VESSEL can, nevertheless, be delivered by the SELLER at a date after such declared newly planned date.

In such circumstances, and for the purpose of determining the liquidated damages to the BUYER (according to the provisions of Paragraph 1(b) of this Article) and the BUYER's right to cancel or rescind this Contract (according to the provisions of Paragraph 1(c) of this Article), the newly planned delivery date declared by the SELLER shall not be in any way treated or taken as having substituted the original Delivery Date as defined in Article VII. The BUYER's aforesaid right for liquidated damages and to cancel or rescind this Contract shall be accrued, operated or exercised only to the extent as described in Paragraph 1(a), 1(b) and/or 1(c) of Article III. In whatever circumstances, the Delivery Date as defined in Article VII (not the newly planned delivery date as declared by the SELLER) shall be used to regulate, as so described in Paragraph 1 (a), 1(b) and/or 1(c) of Article III, the BUYER's right for liquidated damages and to rescind this Contract and the SELLER's liability to pay the aforesaid liquidated damages resulting from the delay in delivery of the VESSEL.

2. INSUFFICIENT SPEED

(a) The Contract Price of the VESSEL shall not be affected nor changed by reason of the actual speed (as determined by the Trial Run after correction according to the Specifications) being less than three tenths (3/10) of one knot below the guaranteed speed as specified in Paragraph 4 of Article I of this Contract.

(b) However, commencing with and including a deficiency of three tenths (3/10) of one knot in actual speed (as determined by the Trial Run after correction according to the Specifications) below the guaranteed speed as specified in Paragraph 4, Article I of this Contract, the Contract Price shall be reduced as follows:

In case of deficiency
at or above 0.30 but below 0.40 knot US$ 50,000.00
at or above 0.40 but below 0.50 knot US$ 100,000.00
at or above 0.50 but below 0.60 knot US$ 150,000.00
at or above 0.60 but below 0.70 knot US$ 200,000.00
at or above 0.70 but below 0.80 knot US$ 250,000.00
at or above 0.80 but below 0.90 knot US$ 300,000.00
at or above 0.90 but below 1.00 knot US$ 350,000.00

(c) If the deficiency in actual speed (as determined by the Trial Run after correction according to the Specifications) of the VESSEL upon the Trial Run, is more than 1.00 knot below the guaranteed speed of 14.5 knots, then the BUYER may at its option reject the VESSEL and rescind this Contract in accordance with provisions of Article X of this Contract, or may accept the VESSEL at a reduction in the Contract Price as above provided, by United States Dollars Three Hundred and Five Thousand only (US$350,000) being the maximum.

3. EXCESSIVE FUEL CONSUMPTION

(a) The Contract Price of the VESSEL shall not be affected nor changed if the actual fuel consumption of the Main Engine, as determined by shop trial in manufacturer's works, as per the Specifications, is greater than the guaranteed fuel consumption as specified and required under the provisions of this Contract and the Specifications if such actual excess is equal to or less than six percent (6%).

(b) However, if the actual fuel consumption as determined by shop trial is greater than six percent (6%) above the guaranteed fuel consumption then, the Contract Price shall be reduced by the sum of United States Dollars Sixty Thousand Only (US$60,000) for each full one percent (1%) increase in fuel consumption in excess of the above said six percent (6%) (fractions of one percent to be prorated).

(c) If as determined by shop trial such actual fuel consumption of the Main Engine is more than ten percent (10%) in excess of the guaranteed fuel consumption, i.e. the fuel consumption exceeds 170.28gram/KW/hour, the BUYER may, subject to the BUILDER's right to effect replacement of a substitute engine or alterations of corrections as specified in the following sub-paragraph of Article III 3 (c) hereof, at its option, rescind this Contract, in accordance with the provisions of Article X of this Contract or may accept the VESSEL at a reduction in the Contract Price by United States Dollars Two Hundred and Forty Thousand (US$240,000) being the maximum.

If as determined by shop trial such actual fuel consumption of the Main Engine is more than ten percent (10%) in excess of the guaranteed fuel consumption, i.e. the fuel consumption exceeds 170.28gram/KW/hour, the BUILDER may investigate the cause of the non-conformity and the proper steps may promptly be taken to remedy the same and to make whatever corrections and alterations and/or re-shop trial test or tests as may be necessary to correct such non-conformity without extra cost to the BUYER. Upon completion of such alterations or corrections of such nonconformity, the BUILDER shall promptly perform such further shop trials or any other tests, as may be deemed necessary to prove the fuel consumption of the Main Engine's conformity with the requirement of this Contract and the Specifications and if found to be satisfactory, give the BUYER notice by e-mail of such correction and as appropriate, successful completion accompanied by copies of such results, and the BUYER shall, within six (6) Banking Days after receipt of such notice, notify the BUILDER by e-mail of its acceptance or reject the re-shop trial together with the reasons therefor. If the BUYER fails to notify the BUILDER by e-mail of its acceptance or rejection of the re-shop trial together with the reasons therefor within six (6) Banking Days period as provided herein, the BUYER shall be deemed to have accepted the shop trial.

4. DEADWEIGHT

(a) In the event that there is a deficiency in the actual deadweight of the VESSEL determined as provided in the Specifications, the Contract Price shall not be decreased if such deficiency is One Thousand Two Hundred (1200) metric tons or less below the guaranteed deadweight of 114,000 metric tons at assigned scantling draft moulded.

(b) However, the Contract Price shall be decreased by the sum of United States Dollars Seven Hundred (US$700) for each full metric ton of such deficiency being more than One Thousand Two Hundred (1,200) metric tons.

(c) In the event that there should be a deficiency in the VESSEL's actual deadweight which exceeds Three Thousand (3,000) metric tons below the guaranteed deadweight, the BUYER may, at its option, reject the VESSEL and rescind this Contract in accordance with the provisions of Article X of this Contract, or may accept the VESSEL with reduction in the Contract Price in the maximum amount of United States Dollars One Million Two Hundred Sixty Thousand only (US$1,260,000).

5. EFFECT OF RESCISSION

It is expressly understood and agreed by the parties hereto that in any case as stated herein, if the BUYER rescinds this Contract pursuant to any provision under this Article, the BUYER, save its rights and remedy set out in Article X hereof, shall not be entitled to any liquidated damage or compensation whether described above or otherwise.

ARTICLE IV SUPERVISION AND INSPECTION

1. APPOINTMENT OF THE BUYER'S SUPERVISOR

The BUYER shall send in good time to and maintain at the BUILDER's Shipyard, at the BUYER's own cost and expense, one or more representative(s) who shall be duly accredited in writing by the BUYER (such representative(s) being hereinafter collectively and individually called the "Supervisor") to supervise and survey the construction by the BUILDER of the VESSEL, her engines and accessories. Subject to the SELLER not being hindered to apply for the invitation letter e.g. due to COVID-19 related restrictions or government's regulations, the SELLER agrees to apply for the necessary invitation letter(s) for the Supervisor to enter China on demand and without delay, provided that the Supervisor meets with the rules, regulations and laws of the People's Republic of China. The BUYER undertakes to give the SELLER adequate notice for the application of invitation letter.

2. COMMENTS TO PLANS AND DRAWINGS

The parties hereto shall, within Thirty (30) calendar days after signing of this Contract, mutually agree a list of all the plans and drawings, which are to be sent to the BUYER (hereinbelow called "the LIST"). Before arrival of the Supervisor at the BUILDER's Shipyard, the plans and drawings specified in the LIST shall be sent to the BUYER, and the BUYER shall, within Fourteen (14) calendar days after receipt thereof, return such plans and drawings submitted by the SELLER with comments, if any. Notwithstanding the above, the BUYER shall nevertheless waive its right to comment on the plans and drawings if such plans and drawings have been previously applied to build other vessels with the same specification as that of the VESSEL.

Concurrently with the arrival of the Supervisor at the BUILDER's Shipyard, the BUYER shall notify the BUILDER in writing, stating the authority which the said Supervisor shall have, with regard to the Supervisor can, on behalf of the BUYER, give comments, as the case may be, which of the plans and drawings specified in the LIST but not yet been sent to the BUYER, nevertheless in line with the Supervisor's authority. The Supervisor shall, within five (5) calendar days after receipt thereof, return those plans and drawings with comments, if any.

Unless notification is given to the BUILDER by the Supervisor or the BUYER of the comments to any plans and drawings within the above designated period of time for each case, the said plans and drawings shall be implemented for construction by the BUILDER.

3. SUPERVISION AND INSPECTION BY THE SUPERVISOR

The necessary inspection of the VESSEL, its machinery, equipment and outfittings shall be carried out by the Classification Society, and inspection team of the BUILDER throughout the entire period of construction in order to ensure that the construction of the VESSEL is duly performed in accordance with the Contract and Specifications.

The Supervisor shall have, at all times until delivery of the VESSEL, the right to attend tests according to the mutually agreed test list, review respective reports and inspect the VESSEL, her engines, accessories and materials at the BUILDER's Shipyard, its subcontractors or any other place where work is done or materials stored in connection with the VESSEL. In the event that the Supervisor discovers any construction or material or workmanship which does not or will not conform with the requirements of this Contract and the Specifications, the Supervisor shall promptly give the BUILDER a notice in writing as to such nonconformity, upon receipt of which the BUILDER shall correct such nonconformity if the BUILDER agrees with the BUYER. In any circumstances, the SELLER shall be entitled to proceed with the construction of the VESSEL even if there exists discrepancy in the opinion between the BUYER and the SELLER, without however prejudice to the BUYER's right for submitting the issue for determination by the Classification Society or arbitration in accordance with the provisions hereof. If in such case the Classification Society or the arbitrator decides in favor of the BUYER, then the SELLER is obliged to correct the discrepancy at SELLER's risk, time and expense. However, the BUYER undertakes and assures the SELLER that the Supervisor shall carry out his inspections in accordance with the agreed inspection procedure and schedule and usual shipbuilding practice and in a way as to minimize any increase in building costs and delays in the construction of the VESSEL. Once an inspection and/or a test has been witnessed and approved by the BUYER`s Representatives and/or the Classification Society, the same inspection and/or test should not have to be repeated, provided it has been carried out in compliance with the requirements of the classification society and Specifications.

The BUILDER agrees to furnish free of charge the Supervisor with office space, and other reasonable facilities according to BUILDER's practice at, or in the immediate vicinity of the BUILDER's Shipyard. But the fees for the communication like telephone, telefax, international internet communication and telex, etc. shall be borne by the BUYER. At all times, during the construction of the VESSEL until delivery thereof, the Supervisor shall be given free and ready access to the VESSEL, her engines and accessories, and to any other place where the work is being done, or the materials are being processed or stored, in connection with the construction of the VESSEL, including the yards, workshops, stores of the BUILDER, and the premises of subcontractors of the BUILDER, who are doing work, or storing materials in connection with the VESSEL's construction. The travel expenses for the said access to SELLER's subcontractors outside of Shanghai shall be at BUYER's account. The transportation, of any nature whatsoever, shall be provided to the Supervisor by the BUYER. The transportation within Shanghai shall be provided to the Supervisor by the SELLER.

Should the Supervisor fail to conduct any inspection or attend any test (after notice by the BUILDER of the same) due to whatever reason, the BUILDER shall be entitled to carry out the construction and/or test without inspection and/or attendance of Supervisor and such work so carried out shall be treated as approved by the Supervisor.

4. LIABILITY OF THE SELLER

The Supervisor engaged by the BUYER under this Contract shall at all times be deemed to be in the employ of the BUYER. The SELLER shall be under no liability whatsoever to the BUYER, or to the Supervisor or the BUYER's employees or agents for personal injuries, including death, during the time when they, or any of them, are on the VESSEL, or within the premises of either the SELLER or its subcontractors, or are otherwise engaged in and about the construction of the VESSEL, unless, however, such personal injuries, including death, were caused by gross negligence of the SELLER, or of any of the SELLER's employees or agents or subcontractors of the SELLER. Nor shall the SELLER be under any liability whatsoever to the BUYER for damage to, or loss or destruction of property in China of the BUYER or of the Supervisor, or of the BUYER's employees or agents, unless such damage, loss or destruction was caused by gross negligence of the SELLER, or of any of the employees, or agents or subcontractors of the SELLER.

5. SALARIES AND EXPENSES

All salaries and expenses of the Supervisor, or any other employees employed by the BUYER under this Article, shall be for the BUYER's account.

6. REPLACEMENT OF SUPERVISOR

The SELLER has the right to request the BUYER in writing to replace any of the Supervisor who is deemed unsuitable and unsatisfactory for the proper progress of the VESSEL's construction together with reasons. The BUYER shall investigate the situation by sending its representative to the BUILDER's Shipyard, if necessary, and if the BUYER considers that such SELLER's request is justified, the BUYER shall effect the replacement as soon as conveniently arrangeable.

ARTICLE V MODIFICATION, CHANGES AND EXTRAS

1. HOW EFFECTED

The Specifications and Plans in accordance with which the VESSEL is constructed, may be modified and/or changed at any time hereafter by written agreement of the parties hereto, provided that such modifications and/or changes or an accumulation thereof will not, in the BUILDER's reasonable judgment, adversely affect the BUILDER's other commitments and provided further that the BUYER shall agree to adjustment of the Contract Price, time of delivery of the VESSEL and other terms of this Contract, if any, as hereinafter provided. Subject to the above, the SELLER hereby agree to exert their best efforts to accommodate such reasonable requests by the BUYER so that the said changes and/or modifications may be made at a reasonable cost and within the shortest period of time which is reasonable and possible. Any such agreement for modifications and/or changes shall include an agreement as to the increase or decrease, if any, in the Contract Price of the VESSEL together with an agreement as to any extension or reduction in the time of delivery, providing to the SELLER additional securities satisfactory to the SELLER, or any other alterations in this Contract, or the Specifications occasioned by such modifications and/or changes. The aforementioned agreement to modify and/or to change the Specifications may be effected by an exchange of letters or e-mail, manifesting such agreement. The letters or e-mails exchanged by the parties hereto pursuant to the foregoing shall constitute an amendment of the Specifications under which the VESSEL shall be built, and such letters or e-mails shall be deemed to be incorporated into this Contract and the Specifications by reference and made a part hereof. Upon consummation of the agreement to modify and/or to change the Specifications, the SELLER shall alter the construction of the VESSEL in accordance therewith, including any additions to, or deductions from, the work to be performed in connection with such construction. If due to whatever reasons, the parties hereto fail to agree on the adjustment of the Contract Price or extension of time of delivery or providing additional security to the SELLER or modification of any terms of this Contract which are necessitated by such modifications and/or changes, then the SELLER shall have no obligation to comply with the BUYER's request for any modification and/or changes.

The BUILDER may make minor changes to the Specifications, if found necessary for introduction of improved production and construction methods or otherwise, provided that the BUILDER shall first obtain the BUYER’s approval which shall not be unreasonably withheld.

2. CHANGES IN RULES AND REGULATIONS, ETC.

(1) If, after the date of signing of this Contract, any requirements as to the rules and regulations as specified in this Contract and the Specifications to which the construction of the VESSEL is required to conform, are altered or changed by the Classification Society or the other regulatory bodies authorized to make such alterations or changes, the SELLER and/or the BUYER, upon receipt of the notice thereof, shall exchange such information in full with each other in writing, whereupon within twenty-one (21) calendar days after receipt of the said notice by the BUYER from the SELLER or vice versa, the BUYER shall instruct the SELLER in writing as to the alterations or changes, if any, to be made in the VESSEL which the BUYER, in its sole discretion, shall decide. The SELLER shall promptly comply with such alterations or changes, if any in the construction of the VESSEL, provided that the BUYER shall first agree:

(a) As to any increase or decrease in the Contract Price of the VESSEL that is occasioned by the cost for such compliance; and/or

(b) As to any extension in the time for delivery of the VESSEL that is necessary due to such compliance; and/or

(c) As to any increase or decrease in the guaranteed deadweight, fuel consumption and speed of the VESSEL, if such compliance results in increased or reduced deadweight, fuel consumption and speed; and/or

(d) As to any other alterations in the terms of this Contract or of Specifications or both, if such compliance makes such alterations of the terms necessary.

(e) If the price is to be increased, then, in addition, as to providing to the SELLER additional securities satisfactory to the SELLER.

Agreement as to such alterations or changes under this Paragraph shall be made in the same manner as provided above for modifications and/or changes of the Specifications and/or Plans.

(2) If, due to whatever reasons, the parties fail to agree on the adjustment of the Contract Price or extension of the time for delivery or increase or decrease of the guaranteed speed, fuel consumption and deadweight or providing additional security to the SELLER or any alternation of the terms of this Contract, if any, then, provided that the alterations or changes are not compulsory, the SELLER shall be entitled to proceed with the construction of the VESSEL in accordance with, and the BUYER shall continue to be bound by, the terms of this Contract and Specifications without making any such alterations or changes.

If the alterations or changes are compulsorily required to be made by Class or IMO rules, then, notwithstanding any dispute between the Parties relating to the adjustment of the Contract Price or extension of the time for delivery or decrease of the guaranteed speed and deadweight or increase fuel oil consumption or any other respect, the SELLER may, at its sole judgment, comply with such alterations or changes. The BUYER shall, in any event, bear the costs and expenses for such alterations or changes (with, in the absence of mutual agreement, the amount thereof and/or any other discrepancy such as but not limited to the extension of Delivery Date, etc. to be determined by arbitration in accordance with Article XIII of this Contract).

3. SUBSTITUTION OF MATERIALS AND/OR EQUIPMENT

In the event that any of the materials and/or equipment required by the Specifications or otherwise under this Contract for the construction of the VESSEL cannot be procured in time to effect delivery of the VESSEL, the SELLER may, provided the SELLER shall provide adequate evidence and the BUYER so agrees in writing, supply other materials and/or equipment of the equivalent quality, capable of meeting the requirements of the Classification Society and of the rules, regulations, requirements and recommendations with which the construction of the VESSEL must comply.

4. BUYER'S SUPPLIED ITEMS

The BUYER shall deliver to the SELLER at its shipyard the items as specified in the Specifications which the BUYER shall supply on BUYER’s account (hereinafter called the “BUYER's Supplied Items”) by the time designated by the SELLER.

Should the BUYER fail to deliver to the BUILDER such BUYER's Supplied Items within the time specified, the delivery of the VESSEL shall automatically be extended for a period of such delay, provided such delay in delivery of the BUYER's Supplied Items shall affect the delivery of the VESSEL. In such event, the BUYER shall pay to the SELLER all losses and damages sustained by the SELLER due to such delay in the delivery of the BUYER's Supplied Items and such payment shall be made upon delivery of the VESSEL.

Furthermore, if the delay in delivery of the BUYER's Supplied Items should exceed fifteen (15) calendar days, the SELLER shall be entitled to proceed with construction of the VESSEL without installation of such items in or onto the VESSEL, without prejudice to the SELLER's right hereinabove provided, and the BUYER shall accept the VESSEL so completed.

The BUILDER shall be responsible for storing and handling of the BUYER's Supplied Items as specified in the Specifications after delivery to the BUILDER at no cost and shall install them on board the VESSEL at the BUILDER's expenses. In order to facilitate installation by the BUILDER of the BUYER's Supplied Items in or on the VESSEL, the BUYER shall furnish the BUILDER with the necessary specifications, plans, drawings, instruction books, manuals, test reports and certificates required by the rules and regulations of the Specifications. If so requested by the BUILDER, the BUYER shall, without any charge to the BUILDER, cause the representatives of the manufacturers of the BUYER's Supplied Items to assist the BUILDER in installation thereof in or on the VESSEL and/or to carry out installation thereof by themselves or to make necessary adjustments at the Shipyard.

Any and all of BUYER's Supplied Items shall be subject to the BUILDER's reasonable right of rejection, as and if they are found to be unsuitable or in improper condition for installation.

Upon arrival of such shipment of the BUYER's Supplied Items, both parties shall undertake a joint unpacking inspection. If any damages are found to be not suitable for installation, the BUILDER shall be entitled to refuse to accept the BUYER's Supplied Items.

ARTICLE VI TRIALS

1. NOTICE

The BUYER and the Supervisor shall receive from the SELLER at least fifteen (15) calendar days notice in advance and seven (7) calendar days definite notice in advance in writing or by e-mail of the time and place of the VESSEL's sea trial as described in the Specifications (hereinafter referred to as "the Trial Run") and the BUYER and the Supervisor shall promptly acknowledge receipt of such notice. The BUYER's representatives and/or the Supervisor shall be on board the VESSEL to witness such Trial Run, and to check upon the performance of the VESSEL during the same. Failure of the BUYER's representatives to be present at the Trial Run of the VESSEL, after due notice to the BUYER and the Supervisor as provided above, shall have the effect to extend the date for delivery of the VESSEL by the period of delay caused by such failure. However, if the Trial Run is delayed more than seven (7) calendar days by reason of the failure of the BUYER's representatives to be present after receipt of due notice as provided above, then in such event, the BUYER shall be deemed to have waived its right to have its representatives on board the VESSEL during the Trial Run, and the BUILDER may conduct such Trial Run without the BUYER's representatives being present, and in such case the BUYER shall be obliged to accept the VESSEL on the basis of a certificate jointly signed by the BUILDER and the Classification Society certifying that the VESSEL, after Trial Run subject to minor alterations and corrections as provided in this Article, if any, is found to conform to the Contract and Specifications. Subject to the SELLER not being hindered to apply for invitation letter e.g. due to COVID-19 related restrictions or government’s regulations, the SELLER agrees to apply for the necessary invitation letter(s) for the BUYER’S REPRESENTATIVES and/or crew officers to enter China will be issued in order on demand and without delay otherwise the Trial Run shall be postponed until after the BUYER's representatives have arrived at the BUILDER's Shipyard and any delays as a result thereof shall not count as a permissible delay under Article VIII thereof. However, should the nationalities and other personal particulars of the BUYER's representatives be not acceptable to the SELLER in accordance with its best understanding of the relevant rules, regulations and/or Laws of the People's Republic of China then prevailing, then the BUYER shall, on the SELLER's e-mail demand, effect replacement of all or any of them immediately. Otherwise the Delivery Date as stipulated in Article VII hereof shall be extended by the delays so caused by the BUYER. In the event of unfavorable weather on the date specified for the Trial Run, the same shall take place on the first available day thereafter that the weather conditions permit. The parties hereto recognize that the weather conditions in Chinese waters in which the Trial Run is to take place are such that great changes in weather may arise momentarily and without warning and, therefore, it is agreed that if during the Trial Run of the VESSEL, the weather should suddenly become unfavorable, as would have precluded the continuance of the Trial Run, the Trial Run of the VESSEL shall be discontinued and postponed until the first favorable day next following, unless the BUYER shall assent by e-mail of its acceptance of the VESSEL on the basis of the Trial Run made prior to such sudden change in weather conditions. In the event that the Trial Run is postponed because of unfavorable weather conditions, such delay shall be regarded as a permissible delay, as specified in Article VIII hereof.

2. HOW CONDUCTED

(a) All expenses in connection with Trial Run of the VESSEL are to be for the account of the BUILDER, who, during the Trial Run and when subjecting the VESSEL to Trial Run, is to provide, at its own expense, the necessary crew to comply with conditions of safe navigation. The Trial Run shall be conducted in the manner prescribed in the Specifications and shall prove fulfillment of the performance required for the Trial Run as set forth in the Specifications.

The course of Trial Run shall be determined by the BUILDER and shall be conducted within the trial basin equipped with speed measuring facilities.

(b) The BUILDER shall provide the VESSEL with and pay for the required quantities of water and fuel oil with exception of lubrication oil, greases and hydraulic oil which shall be supplied by the BUYER for the conduct of the Trial Run or Trial Runs as prescribed in the Specifications. The fuel oil supplied by the SELLER, and lubricating oil , greases and hydraulic oil supplied by the BUYER shall be in accordance with the applicable engine specifications, and the cost of the quantities of water, fuel oil, lubricating oil, hydraulic oil and greases consumed during the Trial Run or Trial Runs shall be for the account of the SELLER.

3. TRIAL LOAD DRAFT

In addition to the supplies provided by the BUYER in accordance with sub-paragraph (b) of the preceding Paragraph 2 hereof, the BUILDER shall provide the VESSEL with the required quantity of fresh water and other stores necessary for the conduct of the Trial Run. The necessary ballast (fresh and sea water and such other ballast as may be required) to bring the VESSEL to the trial load draft as specified in the Specifications, shall be for the BUILDER's account.

4. METHOD OF ACCEPTANCE OR REJECTION

(a) Upon notification of the BUILDER of the completion of the Trial Run of the VESSEL, the BUYER or the BUYER's Supervisor shall within six (6) calendar days thereafter, notify the BUILDER by e-mail of its acceptance of the VESSEL or of its rejection of the VESSEL together with the reasons therefor.

(b) However, should the result of the Trial Run indicate that the VESSEL or any part thereof including its equipment does not conform to the requirements of this Contract and Specifications, then the BUILDER shall investigate with the Supervisor the cause of failure and the proper steps shall be taken to remedy the same and shall make whatever corrections and alterations and/or re-Trial Run or Runs as may be necessary without any extra cost to the BUYER, and upon notification by the BUILDER of completion of such alterations or corrections and/or re-trial or re-trials, the BUYER shall, within six (6) calendar days thereafter, notify the SELLER by e-mail of its acceptance of its VESSEL or of the rejection of the VESSEL together with the reason therefor on the basis of the alterations and corrections and/or re-trial or re-trials by the BUILDER.

(c) In the event that the BUYER fails to notify the SELLER by e-mail of its acceptance or rejection of the VESSEL together with the reason therefor within six (6) days period as provided for in the above sub- paragraphs (a) and (b), the BUYER shall be deemed to have accepted the VESSEL.

(d) Any dispute arising among the parties hereto as to the result of any Trial Run or further tests or trials, as the case may be, of the VESSEL shall be solved by reference to arbitration as provided in Article XIII hereof.

(e) Nothing herein shall preclude the BUYER from accepting the VESSEL with its qualifications and/or remarks following the Trial Run and/or further tests or trials as aforesaid and the SELLER shall be obliged to comply with and/or remove such qualifications and/or remarks (if such qualifications and/or remarks are acceptable to the SELLER) at the time before effecting delivery of the VESSEL to the BUYER under this Contract.

5. DISPOSITION OF SURPLUS CONSUMABLE STORES

Should any amount of fuel oil, fresh water, or other unbroached consumable stores furnished by the BUILDER for the Trial Run or Trial Runs remain on board the VESSEL at the time of acceptance thereof by the BUYER, the BUYER agrees to buy the same from the SELLER at the actual price invoiced to the SELLER by the respective supplier evidenced by the corresponding purchase invoices, and payment by the BUYER shall be effected as provided in Article II 3 (e) and 4 (e) of this Contract.

The BUYER shall supply lubricating oil, greases and hydraulic oil for the purpose of Trial Runs at its own expenses and the SELLER will reimburse the BUYER for the amount of lubricating oil and hydraulic oil actually consumed for the said Trial Run or Trial Runs at the original price incurred by the BUYER evidenced by the corresponding purchase invoices and payment by the SELLER shall be deducted from the 5th installment of the Contract Price as provided in Article II 3(e) and 4(e) of this Contract.

6. EFFECT OF ACCEPTANCE

The BUYER's acceptance of the VESSEL by letter or e-mail notification sent to the SELLER, in accordance with the provisions set out above, shall be final and binding so far as conformity of the VESSEL to this Contract and the Specifications is concerned, and shall preclude the BUYER from refusing formal delivery by the SELLER of the VESSEL, as hereinafter provided, if the SELLER complies with all other procedural requirements for delivery as hereinafter set forth.

If, at the time of delivery of the VESSEL, there are deficiencies in the VESSEL, such deficiencies should be resolved in such way that if the deficiencies are of minor importance, and do not in any way affect the safety or the operation of the VESSEL, its crew, passengers or cargo the SELLER shall be nevertheless entitled to tender the VESSEL for delivery and the BUYER shall be nevertheless obliged to take delivery of the VESSEL, provided that:

i) the SELLER shall for its own account remedy the deficiency and fulfil the requirements as soon as possible, or

ii) if elimination of such deficiencies will affect timely delivery of the VESSEL, then the SELLER shall indemnify the BUYER for any direct cost reimbursement in association with remedying these minor non-conformities elsewhere from China as a consequence thereof, excluding, however, loss of time and/or loss of profit.)

ARTICLE VII DELIVERY

1. TIME AND PLACE

The VESSEL shall be delivered safely afloat by the SELLER to the BUYER at the BUILDER's Shipyard, in accordance with the Specifications and with all Classification and Statutory Certificates and after completion of Trial Run (or, as the case may be, re-Trial or re-Trials) and acceptance by the BUYER in accordance with the provisions of Article VI hereof on or before January 31, 2026 provided that, in the event of delays in the construction of the VESSEL or any performance required under this Contract due to causes which under the terms of the Contract permit extension or postponement of the time for delivery, the aforementioned time for delivery of the VESSEL shall be extended accordingly.

The aforementioned date or such later date to which delivery is extended pursuant to the terms of this Contract is hereinafter called the "Delivery Date".

2. WHEN AND HOW EFFECTED

Provided that the BUYER and the SELLER shall each have fulfilled all of their respective obligations as stipulated in this Contract, delivery of the VESSEL shall be effected forthwith by the concurrent delivery by each of the parties hereto, one to the other, of the Protocol of Delivery and Acceptance, acknowledging delivery of the VESSEL by the SELLER and acceptance thereof by the BUYER, which Protocol shall be prepared in triplicate and executed by each of the parties hereto.

3. DOCUMENTS TO BE DELIVERED TO THE BUYER

Upon acceptance of the VESSEL by the BUYER, the SELLER shall deliver to the BUYER the following documents (subject to the provision contained in Article VII hereof) which shall accompany the aforementioned Protocol of Delivery and Acceptance:

(a) PROTOCOL OF TRIALS of the VESSEL made by the BUILDER pursuant to the Specifications.

(b) PROTOCOL OF INVENTORY of the equipment of the VESSEL including spare part and the like, all as specified in the Specifications, made by the BUILDER.

(c) PROTOCOL OF STORES OF CONSUMABLE NATURE made by the BUILDER referred to under Paragraph 5 of Article VI hereof.

(d) FINISHED DRAWINGS AND PLANS pertaining to the VESSEL as stipulated in the Specifications, made by the BUILDER.

(e) PROTOCOL OF DEADWEIGHT AND INCLINING EXPERIMENT, made by the BUILDER

(f) ALL CERTIFICATES required to be furnished upon delivery of the VESSEL pursuant to the Specifications each free of conditions, recommendations, restrictions and qualifications whatsoever (except for the conditions, recommendations, restrictions and qualifications which are due to reasons attributable to the BUYER).

Certificates shall be issued by relevant Authorities or classification Society. The VESSEL shall comply with the above rules and regulations which are in force at the time of signing this Contract. All the certificates shall be delivered in one (1) original to the VESSEL and two (2) copies to the BUYER.

If the full term certificate or certificates are unable to be issued at the time of delivery by the Classification Society or any third party other than the BUILDER, then the provisional certificate or certificates as issued by The Classification Society or the third party other than the BUILDER with the full term certificates to be furnished by the BUILDER after delivery of the VESSEL and in any event before the expiry of the provisional certificates shall be acceptable to the BUYER.

(g) DECLARATION OF WARRANTY issued by the SELLER that the VESSEL is delivered to the BUYER free and clear of any liens, charges, claims, mortgages, or other encumbrances upon the BUYER's title thereto, and in particular, that the VESSEL is absolutely free of all burdens in the nature of imposts, taxes or charges imposed by the province or country of the port of delivery, as well as of all liabilities of the SELLER to its sub-contractors, employees and crews and/or all liabilities arising from the operation of the VESSEL in Trial Run or Trial Runs, or otherwise, prior to delivery.

(h) COMMERCIAL INVOICE made by the SELLER.

(i) BILL OF SALE made by the SELLER.

(j) BUILDER's Certificate made by the BUILDER.

(k) Non-Registration Certificate made by the SELLER.

4. TITLE AND RISK

Title to and risk of the VESSEL shall pass to the BUYER only upon delivery thereof. As stated above, it being expressly understood that, until such delivery is effected, title to the VESSEL, and her equipment, shall remain at all times with the SELLER and are at the entire risk of the SELLER.

5. REMOVAL OF VESSEL

The BUYER shall take possession of the VESSEL immediately upon delivery and acceptance thereof, and shall remove the VESSEL from the premises of the BUILDER within seven (7) calendar days after delivery and acceptance thereof is effected. If the BUYER shall not remove the VESSEL from the premises of the BUILDER within the aforesaid seven (7) calendar days, then, in such event, without prejudice to the SELLER's right to require the BUYER to remove the VESSEL immediately at any time thereafter, the BUYER shall pay to the SELLER the reasonable mooring charge of the VESSEL.

6. TENDER OF THE VESSEL

If the BUYER fails to take delivery of the VESSEL after completion thereof according to this Contract and the Specifications without justified reason, the SELLER shall have the right to tender the VESSEL for delivery after compliance with all procedural requirements as above provided.

ARTICLE VIII DELAYS & EXTENSION OF TIME FOR DELIVERY

1. CAUSE OF DELAY

If, at any time before actual delivery, either the construction of the VESSEL, or any performance required hereunder as a prerequisite of delivery of the VESSEL, is delayed due to war, blockade, revolution, insurrection, mobilization, civil commotions, riots, strikes, sabotage, lockouts, local temperature higher than 35 degree centigrade, Acts of God or the public enemy, terrorism, plague or other epidemics, quarantines, prolonged failure or restriction of electric current from an outside source, freight embargoes, if any, earthquakes, tidal waves, typhoons, hurricanes, storms or other causes beyond the control of the BUILDER or of its sub-contractors or its key equipment suppliers (i.e. main engine, propeller, gearbox etc), as the case may be, or by force majeure of any description, whether of the nature indicated by the forgoing or not, or by destruction of the BUILDER or works of the BUILDER or its sub-contractors or its key equipment suppliers (i.e. main engine, propeller, gearbox etc), or of the VESSEL or any part thereof, by fire, flood, or other causes beyond the control of the SELLER or its sub-contractors or its key equipment suppliers (i.e. main engine, propeller, gearbox etc) as the case may be, or due to the bankruptcy of the equipment and/or material supplier or suppliers (i.e. main engine, propeller, gearbox etc), or due to the delay caused by acts of God in the supply of parts essential to the construction of the VESSEL, then, in the event of delay due to the happening of any of the aforementioned contingencies, the SELLER shall not be liable for such delay and the time for delivery of the VESSEL under this Contract shall be extended without any reduction in the Contract Price for a period of time which shall not exceed the total accumulated time of all such delays, subject nevertheless to the BUYER's right of cancellation under Paragraph 3 of this Article and subject however to all relevant provisions of this Contract which authorize and permit extension of the time of delivery of the VESSEL.

2. NOTICE OF DELAY

Within seven (7) calendar days from the date of commencement of any delay on account of which the SELLER claims that it is entitled under this Contract to an extension of the time for delivery of the VESSEL, the SELLER shall advise the BUYER by e-mail, of the date such delay commenced, and the reasons therefor.

Likewise within seven (7) calendar days after such delay ends, the SELLER shall advise the BUYER in writing or by letter or e-mail, of the date such delay ended, and also shall specify the maximum period of the time by which the date for delivery of the VESSEL is extended by reason of such delay. Failure of the BUYER to acknowledge the SELLER's notification of any claim for extension of the Delivery Date within seven (7) calendar days after receipt by the BUYER of such notification, shall be deemed to be a waiver by the BUYER of its right to object to such extension. Such acknowledgement shall not constitute BUYER's acceptance to the extension claimed by the SELLER under this clause.

3. RIGHT TO CANCEL FOR EXCESSIVE DELAY

If the total accumulated time of all delays on account of the causes specified in Paragraph 1 of the Article aggregate to Two Hundred and Ten (210) calendar days or more, or if the total accumulated time of all delays on account of the causes specified in Paragraph 1 of the Article and non-permissible delays as described in Paragraph 1 of Article III aggregate to Two Hundred and Forty (240) calendar days or more, in any circumstances, excluding delays due to arbitration as provided for in Article XIII hereof or due to default in performance by the BUYER, or due to delays in delivery of the BUYER's Supplied Items, and excluding delays due to causes which, under Article V, VI, XI and XII hereof, permit extension or postponement of the time for delivery of the VESSEL, then in such event, the BUYER at any time thereafter in accordance with the provisions set out herein rescind or cancel this Contract by serving upon the SELLER notice of cancellation or rescission by letter or email and the provisions of Article X of this Contract shall apply. The SELLER may, at any time, after the accumulated time of the aforementioned delays justifying cancellation by the BUYER as above provided for, demand in writing that the BUYER shall make an election, in which case the BUYER shall, within thirty (30) calendar days after such demand is received by the BUYER either notify the SELLER of its intention to cancel, or consent to an extension of the time for delivery to an agreed future date, it being understood and agreed by the parties hereto that, if any further delay occurs on account of causes justifying cancellation as specified in this Contract, the BUYER shall have the same right of cancellation upon the same terms as hereinabove provided.

4. DEFINITION OF PERMISSIBLE DELAY

Delays on account of such causes as provided for in Paragraph 1 of this Article excluding any other extensions of a nature which under the terms of this Contract permit postponement of the Delivery Date, shall be understood to be (and are herein referred to as) permissible delays, and are to be distinguished from non-permissible delays on account of which the Contract Price of the VESSEL is subject to adjustment as provided for in Article III hereof.

ARTICLE IX WARRANTY OF QUALITY

1. 1. GUARANTEE OF MATERIAL AND WORKMANSHIP

Subject to the provisions hereinafter set forth, the SELLER undertake to remedy, free of charge to the Buyer, any defects in the VESSEL which are due to defective materials including major and minor equipment and/or poor workmanship on the part of the SELLER provided that (a) defects are discovered within a period of twelve (12) months after the date of delivery of the VESSEL and a notice thereof is duly given to the Seller as provided under Paragraph 2 of this Article; and (b) such defects have not been caused by perils of the sea, rivers or navigation, or by ordinary wear and tear, overload, improper loading or stowage, corrosion of the materials if caused by the BUYER's, fire, accident, incompetence, mismanagement, negligence or willful neglect or by alteration or addition by the BUYER not previously approved by the SELLER.

For the purpose of this Article, the VESSEL shall include her hull, machinery, equipment and gear, but excludes any parts of the VESSEL which have been supplied by or on behalf of the BUYER.

2. NOTICE OF DEFECTS

The BUYER shall notify the SELLER by telefax or e-mail of any defects for which a claim is made under this guarantee as promptly as possible after discovery thereof. The BUYER's written notice shall describe the nature and the extent of the defect. The SELLER shall have no obligation for any defects discovered prior to the expiry date of the said twelve (12) months period, unless notice of such defects is received by the SELLER no later than five (5) Banking Days after such expiry date. An email containing brief details of the nature of such defect sent by the BUYER to the SELLER within five (5) Banking Days after such expiry date will be sufficient compliance with the requirements as to time.

3. REMEDY OF DEFECTS

(a) The SELLER shall remedy, at its expense, any defects, against which the VESSEL is guaranteed under this Contract, by making all necessary repairs and/or replacements at the Shipyard or elsewhere as provided for in 3(b) below. In either case whether all necessary repairs or replacements are performed by the SELLER at its shipyard or elsewhere as provided for in 3(b) below, the SELLER shall not be responsible for towage, dockage, wharfage, port charges and anything else incurred for the Buyer's getting and keeping the VESSEL ready for such repairing and replacing.

Any parts or material so repaired or replaced by the SELLER according to this Article shall be guaranteed for a further six (6) months period starting from completion of relevant repair or replacement provided that the maximum period of guarantee shall in any event not exceed eighteen (18) months from the date of delivery of the VESSEL.

(b) However, if it is impractical to make the repair by the SELLER, the BUYER shall cause without undue delay the necessary repairs or replacements to be made elsewhere which is deemed suitable for the purpose after mutual agreement between the Parties, provided that, in such event, the SELLER may forward or supply replacement parts or materials to the VESSEL, unless forwarding or supplying thereof to the VESSEL would impair or delay the operation or working schedule of the VESSEL, in the event that the BUYER proposes to cause the necessary repairs or replacements to be made to the VESSEL elsewhere, the BUYER shall first, but in all events as soon as possible, give the SELLER notice in writing of the time and place such repairs will be made, and if the VESSEL is not thereby delayed, or her operation or working schedule is not thereby impaired, the SELLER shall have the right to verify by its own representative(s) or representative(s) of Classification Society the nature and extent of the defects complained of. THE SELLER shall, in such cases, promptly advise the BUYER in writing, after such examination has been completed, of its acceptance or rejection of the defects as ones that are covered by the guarantee herein provided. Upon the SELLER's acceptance of the defects as justifying remedy under this Article, the SELLER shall immediately pay by telegraphic transfer to the BUYER for such repairs or replacements a sum equal to the lower figure of (i) the actual cost for such repairs or replacements including forwarding charges; and (ii) the average quotes for making similar repairs or replacements including forwarding charges as quoted by three leading shipyards at or in the vicinity of the port of the repairs or replacements.

(c) In any case, the BUYER shall, at its cost and responsibility, bring the VESSEL to the place elected for repairs and replacements, and cause the VESSEL to be ready in all respects for such repairs and replacements.

(d) Any dispute under this Article shall be referred to arbitration in accordance with the provisions of Article XIII hereof.

4. Extent of SELLER's Responsibility:

(a) The SELLER shall have no responsibility or liability for any other defects whatsoever in the VESSEL other than the defects specified in paragraph 1 of this Article. The SELLER shall neither be responsible or liable for any consequential or special losses, damages or expenses, nor be responsible for any losses, damages or expenses including but not limited to any loss of time, loss of use, loss of profit, loss of earnings or demurrage, damage to the VESSEL caused by the defects specified in paragraph 1 of this Article, regardless of whether the aforesaid losses, damages or expenses are directly or indirectly occasioned to the BUYER by reason of the defects specified in paragraph 1 of this Article or due to repairs or other works done the VESSEL to remedy such defects.

(b) The SELLER shall not be responsible for any defects in any part of the VESSEL which subsequent to delivery of the VESSEL have been replaced or in any way repaired by any other contractor not appointed by the SELLER, or for any defects which have been caused or aggravated by mismanagement, accident, negligence, omission, willful neglect or improper use and maintenance of the VESSEL on the part of the BUYER, its servants or agents or by perils of sea or river, or navigation, or fire or accidents at sea or elsewhere or by ordinary wear and tear or by any other circumstances whatsoever beyond the control of the SELLER.

(c)The SELLER’s liability provided for in this Article shall be limited to the repairs and replacements as provided for in 3(a) above. The guarantee contained as hereinabove in this Article replaces and excludes any other liability, guarantee, warranty and/or condition imposed or implied by the law, customary, statutory or otherwise, by reason of the construction and sale of the VESSEL by the SELLER for and to the BUYER. The guarantee contained in this Article shall not be extended, altered or varied except by a written instrument signed by the duly authorized representatives of the SELLER and the BUYER.

(d)Upon delivery of the VESSEL to the BUYER, the SELLER shall thereby and thereupon be released from any and all liability whatsoever and howsoever arising out of the Contract and/or the law, customary, statutory or otherwise, by reason of the construction and sale of the VESSEL by the SELLER for and to the BUYER (save for the SELLER's obligations to remedy defects in accordance with this Article).

ARTICLE X CANCELLATION, REJECTION AND RESCISSION BY THE BUYER

1. All payments made by the BUYER prior to the delivery of the VESSEL shall be in the nature of advance to the SELLER. In the event the BUYER shall exercise its right of cancellation and/or rescission of this Contract under and pursuant to any of the provisions of this Contract specifically permitting the BUYER to do so, then the BUYER shall notify the SELLER in writing or by e-mail, and such cancellation and/or rescission shall be effective as of the date the notice thereof is received by the SELLER.

2. Thereupon the SELLER shall refund in United States dollars within thirty (30) business days immediately after cancellation and/or rescission of the Contract to the BUYER the full amount of all installments and sums already paid by the BUYER to the SELLER on account of the VESSEL, unless the SELLER disputes the BUYER's cancellation and/or rescission by commencing arbitration procedures in accordance with Article XIII. If the BUYER's cancellation or rescission of this Contract is disputed by the SELLER by instituting arbitration as aforesaid, then no refund shall be made by the SELLER, and the BUYER shall not be entitled to demand repayment from SELLER’s Bank under its guarantee, until the arbitration award between the BUYER and the SELLER or, in case of appeal or appeals by the SELLER on the arbitration award or any court orders, by the final court order, which shall be in favour of the BUYER, declaring the BUYER's cancellation and/or rescission justified, is made and delivered to the SELLER by the arbitration tribunal. In the event of the SELLER is obligated to make refund, the SELLER shall pay the BUYER interest in United States Dollars at the rate of Five percent (5%), if the cancellation or rescission of the Contract is exercised by the BUYER in accordance with the provision of Article III 1(c), 2(c), 3(c) or 4(c) hereof, on the amount required herein to be refunded to the BUYER computed from the respective dates when such sums were received by SELLER’s bank pursuant to Article II 4(b), 4(c) or 4(d) from the BUYER to the date of remittance by telegraphic transfer of such refund to the BUYER by the SELLER, provided, however, that if the said rescission by the BUYER is made under the provisions of Paragraph 3 of Article VIII or Paragraph 2 (b) of Article XII, then in such event the SELLER shall not be required to pay any interest.

   In case of BUYER’s cancellation and/or rescission of this contract and pursuant to any of the provisions of this Contract specifically permitting the BUYER to do so, the SELLER shall also return all Buyers' Supplies to the BUYER, or if they cannot be returned, the SELLER shall pay to the BUYER an amount equal to the BUYER's costs for such equipment.

3. Upon such refund by the SELLER to the BUYER, all obligations, duties and liabilities of each of the parties hereto to the other under this Contract shall be forthwith completely discharged.

ARTICLE XI BUYER'S DEFAULT

1. DEFINITION OF DEFAULT

The BUYER shall be deemed in default of its obligation under the Contract if any of the following events occurs:

(a) The BUYER fails to pay the First, Second, Third or Fourth installment to the SELLER when any such installment becomes due and payable under the provisions of this Contract and of Article II hereof and provided the BUYER shall have received the SELLER's demand for payment in accordance with Article II hereof; or

(b) The BUYER fails to deliver to the SELLER an irrevocable and unconditional Letter of Guarantee to be issued by the Payment Guarantor within the time specified in accordance with Paragraph 6 of Article II hereof; or

(c) The BUYER fails to pay the fifth installment to the SELLER in accordance with the terms and conditions of this Contract and of Paragraph 3(e) and 4(e) of Article II hereof provided the BUYER shall have received the SELLER's demand for payment in accordance with Article II hereof; or

(d) The BUYER fails to take delivery of the VESSEL, when the VESSEL is ready and tendered for delivery according to the terms of this Contract for delivery by the SELLER under the provisions of this Contract and of Article VII hereof.

2. NOTICE OF DEFAULT

If the BUYER is in default of payment or in performance of its obligations as provided hereinabove, the SELLER shall notify the BUYER to that effect by letter or e-mail after the date of occurrence of the default as per Paragraph 1 of this Article and the BUYER shall forthwith acknowledge by letter or e-mail to the SELLER that such notification has been received. In case the BUYER does not give the aforesaid letter or e-mail acknowledgment to the SELLER within three (3) calendar days it shall be deemed that such notification has been duly received by the BUYER.

3. INTEREST AND CHARGE

(a) If the BUYER is in default of payment as to any installment as provided in Paragraph 1 (a) and/or 1 (c) of this Article, the BUYER shall pay interest on such installment at the rate of Five percent (5%) per annum until the date of the payment of the full amount, including all aforesaid interest. In case the BUYER shall fail to take delivery of the VESSEL when required to as provided in Paragraph 1 (d) of this Article, the BUYER shall be deemed in default of payment of the fifth installment and shall pay interest thereon at the same rate as aforesaid from and including the day on which the VESSEL is tendered for delivery by the SELLER, as provided in Article VII Paragraph 7 hereof.

(b) In any event of default by the BUYER under 1 (a) or 1 (b) or 1 (c) or 1 (d) above, the BUYER shall also pay all reasonable direct costs, charges and expenses incurred by the SELLER in consequence of such default, but excluding any indirect or consequential losses, damages or expenses.

4. DEFAULT BEFORE DELIVERY OF THE VESSEL

(a) If any default by the BUYER occurs as defined in Paragraph 1 (a) or 1 (b) or 1 (c) or 1 (d) of this Article, the Delivery Date shall, at the SELLER's option, be postponed for a period of continuance of such default by the BUYER.

(b) If any such default as defined in Paragraph 1 (a) or 1 (b) or 1 (c) or 1 (d) of this Article committed by the BUYER continues for a period of fifteen (15) calendar days, then, the SELLER shall have all following rights and remedies:

(i) The SELLER may, at its option, cancel or rescind this Contract, provided the SELLER has notified the BUYER of such default pursuant to Paragraph 2 of this Article, by giving notice of such effect to the BUYER by e-mail. Upon receipt by the BUYER of such e-mail notice of cancellation or rescission, all of the BUYER's Supplies shall forthwith become the sole property of the SELLER, and the VESSEL and all its equipment and machinery shall be at the sole disposal of the SELLER for sale or otherwise; and

(ii) In the event of such cancellation or rescission of this Contract, the SELLER shall be entitled to retain any instalment or instalments of the Contract Price paid by the BUYER to the SELLER on account of this Contract; and

(iii) (Applicable to any BUYER's default defined in 1(a) of this Article) The SELLER shall, without prejudice to the SELLER's right to recover from the BUYER the 5th instalment, interest, costs and/or expenses by applying the proceeds to be obtained by sale of the VESSEL in accordance with the provisions set out in this Contract, have the right to declare all unpaid 1st, 2nd, 3rd and 4th instalments to be forthwith due and payable, and upon such declaration, the SELLER shall have the right to immediately demand the payment of the aggregate amount of all unpaid but due 1st, 2nd, 3rd and 4th instalments, as the case may be, from the Payment Guarantor in accordance with the terms and conditions of this Contract and of the Payment Guarantee issued by the Payment Guarantor.

5. SALE OF THE VESSEL

(a) In the event of cancellation or rescission of this Contract as above provided, the SELLER shall have full right and power either to complete or not to complete the VESSEL as it deems fit, and to sell the VESSEL at a public or private sale on such terms and conditions as the SELLER thinks fit without being answerable for any loss or damage occasioned to the BUYER thereby.

In the case of sale of the VESSEL, the SELLER shall give e-mail or written notice to the BUYER.

(b) In the event of the sale of the VESSEL in its completed state, the proceeds of sale received by the SELLER shall be applied firstly to payment of all expenses attending such sale and otherwise incurred by the SELLER as a result of the BUYER's default, and then to payment of all unpaid installments and/or unpaid balance of the Contract Price and interest on such installment at the interest rate as specified in the relevant provisions set out above from the respective due dates thereof to the date of application.

(c) In the event of the sale of the VESSEL in its incomplete state, the proceeds of sale received by the SELLER shall be applied firstly to all expenses attending such sale and otherwise incurred by the SELLER as a result of the BUYER's default, and then to payment of all costs of construction of the VESSEL (such costs of construction, as herein mentioned, shall include but are not limited to all costs of labour and/or prices paid or to be paid by CSTC and/or the BUILDER for the equipment and/or technical design and/or materials purchased or to be purchased, installed and/or to be installed on the VESSEL) and/or any fees, charges, expenses and/or royalties incurred and/or to be incurred for the VESSEL less the installments so retained by the SELLER, and compensation to the SELLER for a reasonable sum of loss of profit due to the cancellation or rescission of this Contract.

(d) In either of the above events of sale, if the proceed of sale exceeds the total of the amounts to which such proceeds are to be applied as aforesaid, the SELLER shall promptly pay the excesses to the BUYER without interest, provided, however that the amount of each payment to the BUYER shall in no event exceed the total amount of installments already paid by the BUYER and the cost of the BUYER's Supplied Items, if any.

(e) If the proceed of sale are insufficient to pay such total amounts payable as aforesaid, the BUYER shall promptly pay the deficiency to the SELLER upon request.

ARTICLE XII INSURANCE

1. EXTENT OF INSURANCE COVERAGE

From the time of keel-laying of the first section of the VESSEL until the same is completed, delivered to and accepted by the BUYER, the SELLER shall, at its own cost and expense, keep the VESSEL and all machinery, materials, equipment, appurtenances and outfit, delivered to the BUILDER for the VESSEL or built into, or installed in or upon the VESSEL, including the BUYER's Supplied Items, fully insured with Chinese insurance companies for BUILDER's RISK and at BUILDER's expense.

The amount of such insurance coverage shall, up to the date of delivery of the VESSEL, be in an amount at least equal to, but not limited to, the aggregate of the payments made by the BUYER to the SELLER including the value of maximum amount of US$ 400, 000.00 of the BUYER's Supplied Items. The policy referred to hereinabove shall be taken out in the name of the SELLER and all losses under such policy shall be payable to the SELLER.

2. APPLICATION OF RECOVERED AMOUNT

(a) Partial Loss:

In the event the VESSEL shall be damaged by any insured cause whatsoever prior to acceptance and delivery thereof by the BUYER and in the further event that such damage shall not constitute an actual or a constructive total loss of the VESSEL, the SELLER shall apply the amount recovered under the insurance policy referred to in Paragraph 1 of this Article to the repair of such damage satisfactory to the Classification Society and other institutions or authorities as described in the Specifications without additional expenses to the BUYER, and the BUYER shall accept the VESSEL under this Contract if completed in accordance with this Contract and Specifications and not make any claim for any consequential loss or depreciation.

(b) Total Loss:

However, in the event that the VESSEL is determined to be an actual or constructive total loss, the SELLER shall either:

(i) By the mutual agreement between the parties hereto, proceed in accordance with terms of this Contract, in which case the amount recovered under said insurance policy shall be applied to the reconstruction and/or repair of the VESSEL's damages and/or reinstallation of BUYER's Supplied Items , provided the parties hereto shall have first agreed in writing as to such reasonable extension of the Delivery Date and adjustment of other terms of this Contract including the Contract Price as may be necessary for the completion of such reconstruction; or

(ii) If due to whatever reasons the parties fail to agree on the above, then refund immediately to the BUYER the amount of all installments paid to the SELLER under this Contract without interest, whereupon this Contract shall be deemed to be canceled and all rights, duties, liabilities and obligations of each of the parties to the other shall terminate forthwith.

Within thirty (30) calendar days after receiving e-mail notice of any damage to the VESSEL constituting an actual or a constructive total loss, the BUYER shall notify the SELLER by e-mail of its agreement or disagreement under this sub-paragraph. In the event the BUYER fails to so notify the SELLER, then such failure shall be construed as a disagreement on the part of the BUYER. This Contract shall be deemed as rescinded and canceled and the Paragraph 2 (b) (ii) of this Article shall apply.

3. TERMINATION OF THE SELLER'S OBLIGATION TO INSURE

The SELLER's obligation to insure the VESSEL hereunder shall cease and terminate forthwith upon delivery thereof to and acceptance by the BUYER.

ARTICLE XIII DISPUTES AND ARBITRATION

1. PROCEEDINGS

In the event of any dispute between the parties hereto as to any matter arising out of or relating to this Contract or any stipulation herein or with respect thereto which cannot be settled by the parties themselves, such dispute shall be resolved by arbitration in London Maritime Arbitrators Association (“LMAA”) in London, England in accordance with English laws, the Arbitration Act 1996 of United Kingdom or any re-enactment or statutory modification thereof for the time being in force, and LMAA’s then prevailing arbitration rules. Either party may demand arbitration of any such disputes by giving written notice to the other party. Any demand for arbitration by either party hereto shall state the name of the arbitrator appointed by such party and shall also state specifically the question or questions as to which such party is demanding arbitration. Within twenty (20) days after receipt of notice of such demand for arbitration, the other party shall in turn appoint a second arbitrator. The two arbitrators thus appointed shall thereupon select a third arbitrator, and the three arbitrators so named shall constitute the board of arbitration (hereinafter called the "Arbitration Board") for the settlement of such dispute.

In the event however, that said other party should fail to appoint a second arbitrator as aforesaid within twenty (20) days following receipt of notice of demand of arbitration, it is agreed that such party shall thereby be deemed to have accepted and appointed as its own arbitrator the one already appointed by the party demanding arbitration, and the arbitration shall proceed forthwith before this sole arbitrator, who alone, in such event, shall constitute the Arbitration Board. And in the further event that the two arbitrators appointed respectively by the parties hereto as aforesaid should be unable to reach agreement on the appointment of the third arbitrator within twenty (20) days from the date on which the second arbitrator is appointed, either party of the said two arbitrators may apply to the President for the time being of the LMAA to appoint the third arbitrator. The award of the arbitration, made by the sole arbitrator or by the majority of the three arbitrators as the case may be, shall be final, conclusive and binding upon the parties hereto.

2. ALTERNATIVE ARBITRATION BY AGREEMENT

Notwithstanding the preceding provisions of this Article, it is recognized that in the event of any dispute or difference of opinion arising in regard to the construction of the VESSEL, her machinery and equipment, or concerning the quality of materials or workmanship thereof or thereon, such dispute may be referred to the Classification Society upon mutual written agreement of the parties hereto. In such case, the opinion of the Classification Society shall be final and binding on the parties hereto.

3. NOTICE OF AWARD

Notice of any award shall immediately be given in writing or by e-mail to the SELLER and the BUYER.

4. EXPENSES

The arbitrator(s) shall determine which party shall bear the expenses of the arbitration or the proportion of such expenses which each party shall bear.

5. AWARD OF ARBITRATION

Award of arbitration, shall be final and binding upon the parties concerned. Any right of appeal available under the English Laws is hereby expressly precluded and excluded by the Parties hereto.

6. ENTRY IN COURT

Judgment on the recognition of the enforceability of any arbitration award in a foreign country may be entered in any court of competent jurisdiction, where the award is to be enforced.

7. ALTERATION OF DELIVERY DATE

In the event of reference to arbitration of any dispute arising out of matters occurring prior to delivery of the VESSEL, the SELLER shall not be entitled to extend the Delivery Date as defined in Article VII hereof and the BUYER shall not be entitled to postpone its acceptance of the VESSEL on the Delivery Date or on such newly planned time of delivery of the VESSEL as declared by the SELLER. However, if the construction of the VESSEL is affected by any arbitration, the SELLER shall then be permitted to extend the Delivery Date as defined in Article VII and the decision or the award shall include a finding as to what extent the SELLER shall be permitted to extend the Delivery Date.

ARTICLE XIV RIGHT OF ASSIGNMENT

Neither of the parties hereto shall assign this Contract to any other individual, firm, company or corporation unless prior written consent of the other party is given, with such written consent not to be unreasonably withheld.

ARTICLE XV TAXES AND DUTIES

1. TAXES

All costs for taxes including stamp duties, if any, incurred in connection with this Contract in the People's Republic of China shall be borne by the SELLER. Any taxes and/or duties imposed upon those items or services procured by the SELLER in the People's Republic of China or elsewhere for the construction of the VESSEL shall be borne by the SELLER.

The SELLER shall not be responsible for the personal income tax for BUYER's Representative or other BUYER’s staff, agent and representatives who work at BUILDER’s Shipyard and premise.

2. DUTIES

The BUYER shall bear and pay all taxes, duties, stamps and fees incurred outside China in connection with execution and/or performance of this Contract by the BUYER, except for taxes, duties, stamps, dues, levies and fees imposed upon those items which are to be procured by the SELLER for the construction of the VESSEL in accordance with the terms of this Contract and the Specifications.

Any tax or duty other than those described hereinabove, if any, shall be borne by the BUYER.

ARTICLE XVI PATENTS, TRADEMARKS AND COPYRIGHTS

The machinery and equipment of the VESSEL may bear the patent number, trademarks or trade names of the manufacturers. The SELLER shall defend and hold harmless the BUYER from patent liability or claims of patent infringement of any nature or kind, including costs and expenses for, or on account of any patented or patentable invention made or used in the performance of this Contract and also including cost and expense of litigation, if any.

Nothing contained herein shall be construed as transferring any patent or trademark rights or copyright in equipment covered by this Contract, and all such rights are hereby expressly reserved to the true and lawful owners thereof. Notwithstanding any provisions contained herein to the contrary, the SELLER's obligation under this Article should not be terminated by the passage of any specified period of time.

The SELLER's liability hereunder does not extend to equipment or parts supplied by the BUYER to the BUILDER if any.

ARTICLE XVII NOTICE

Any and all notices and communications in connection with this Contract shall be addressed as follows:

To the BUYER : SRI LANKA SHIPPING COMPANY INC.

Address : c/o Unitized Ocean Transport Limited
373 Syngrou Ave. & 2-4 Ymittou str., 17564, Palaio Faliro,
Athens, Greece

Technical contact information:
Telephone:
Email:

Commercial Contact information:
Telephone:
Email:

To the SELLER:

CSTC : China Shipbuilding Trading Company Limited

Contacts:
Address : Marine Tower,
No.1 Pudong Dadao,
Shanghai 200120
the People's Republic of China

Telephone:
E-mail :

BUILDER : Shanghai Waigaoqiao Shipbuilding Company Limited

Contacts:
Address: 3001 Zhouhai Road, Pudong New District,
Shanghai 200137, P.R. China

Telephone:
E-mail :

Any notices and communications sent by CSTC or the BUILDER alone to the BUYER shall be deemed as having being sent by both CSTC and the BUILDER.

Any change of address shall be communicated in writing by registered mail or by e-mail by the party making such change to the other party and in the event of failure to give such notice of change, communications addressed to the party at their last known address shall be deemed sufficient.

Notwithstanding any provisions in this Contract stipulating that all the notices shall be sent by email, the SELLER shall be entitled to not only send by email but also send by courier for the important notices under or in connection with this Contract and such notice sent by courier shall become effective and deemed delivered in accordance with below paragraph of this Article.

Any and all notices, requests, demands, instructions, advice and communications in connection with this Contract shall be deemed to be given at, and shall become effective from, the time when the same is delivered to the address of the party to be served, provided, however, that, any express courier service shall be deemed to be delivered upon confirmation of delivery or recipients refusal recorded by the courier company, and e-mail acknowledged by the answerbacks shall be deemed to be delivered upon dispatch (unless there is a 'bounce-back' message). E-mail transmissions shall be deemed as delivered upon the subject email having been removed to the "Sent" box on the sending computer.

Any and all notices, communications, Specifications and drawings in connection with this Contract shall be written in the English language and each party hereto shall have no obligation to translate them into any other language.

An email message shall be deemed to be a notice "in writing" for the purposes of this Contract.

ARTICLE XVIII EFFECTIVE DATE OF CONTRACT

This Contract shall become effective upon being signed by both parties.
Upon signing of this Contract, both parties hereto shall do the follows:

a) The SELLER to provide the Refund Guarantee to the BUYER to cover BUYER’s first, second, third and fourth instalments in accordance with the terms of Article II paragraph 7 of this Contract;

b) The BUYER to effect the payment of the first instalment in accordance with the terms of Article II, paragraph 3 (a) and 4 (a) of the Contract;

c) The BUYER to provide Letter of Guarantees, within five (5)Banking Days from the date of BUYER's receipt of the Refund Guarantee, to the SELLER covering BUYER’s obligation to pay the 2nd, 3rd and 4th instalments as stipulated in Article II, paragraph 6 of this Contract.

ARTICLE XIX INTERPRETATION

1. LAW APPLICABLE

The parties hereto agree that the validity and interpretation of this Contract and of each Article and part hereof be governed by and interpreted in accordance with the English Laws.

2. DISCREPANCIES

All general language or requirements embodied in the Specifications are intended to amplify, explain and implement the requirements of this Contract. However, in the event that any language or requirements so embodied in the Specifications permit an interpretation inconsistent with any provision of this Contract, then in each and every such event the applicable provisions of this Contract shall prevail. The Specifications and plans are also intended to explain each other, and anything shown on the plans and not stipulated in the Specifications or stipulated in the Specifications and not shown on the plans, shall be deemed and considered as if embodied in both. In the event of conflict between the Specifications and plans, the Specifications shall govern.

However, with regard to such inconsistency or contradiction between this Contract and the Specifications as may later occur by any change or changes in the Specifications agreed upon by and among the parties hereto after execution of this Contract, then such change or changes shall prevail.

3. DEFINITION

"Banking Days" are days on which banks are open in New York, Piraeus, Greece, and Shanghai, China, United Kingdom. Saturdays, Sundays are always excluded.

In absence of stipulation of “working day(s)”, "banking day(s)" or "business day(s)", the "day" or "days" shall be taken as "calendar day" or "calendar days".

4. ENTIRE AGREEMENT

This Contract sets forth the entire understanding of the Parties with respect to the subject matter discussed herein. It supersedes all prior discussions, negotiations and agreements, (including but not limited to the Letter of Intent) whether oral or written, expressed or implied.

ARTICLE XX SANCTIONS

(a) Each of the SELLER and the BUYER hereby ensure that at the date of entering into this Contract and continuing until the BUYER has taken delivery of the VESSEL, neither the BUYER nor the SELLER, are designated pursuant to the sanction lists maintained by the Chinese government and/or sanction lists maintained by United Nations and/or EU financial sanctions maintained by the European Commission of European Union and / or the Consolidated List of Financial Sanctions Targets in the UK maintained by UK HM Treasury and/or OFAC's SDN List maintained by U.S. Government so that this CONTRACT, as a result of the aforesaid sanction, becomes frustrated ("Sanctions").

(b) Either party shall notify the other party immediately upon the occurrence of a Sanctions event (the "Sanctions Notice").

(c) The Parties shall, from the date of the Sanctions Notice, work together in good faith within 60 days or any longer period as mutually agreed by the Parties to find a mutually acceptable solution (the "Standstill Period"). During the Standstill Period, Each Party shall not be entitled to cancel/rescind this Contract by reason of the Sanctions giving rise to such Standstill Period, unless there is an explicit order or instruction of the official governmental authorities that orders the Parties to do so.

(d) If the Parties have reached a mutually acceptable solution during the Standstill Period and the Parties confirm to reactivate this Contract, the Delivery Date of the VESSEL shall be automatically extended for a period equal to the period the Contract has been suspended for the reason stated in this Article XX.

(e) If, on the last day of the Standstill Period, the Parties fail to reach a mutually acceptable solution despite their best endeavours, then:

i) if the Sanctions event was caused by the SELLER, the BUYER shall have the right to terminate this Contract.

ii) if the Sanctions event was caused by the BUYER, the SELLER shall have the right to terminate this Contract.

iii) In the event the BUYER terminates the Contract pursuant to this clause, the SELLER shall refund in United States dollars to the BUYER the full amount of all instalment or instalments paid by the BUYER to the SELLER on account of the VESSEL.

In the event the SELLER terminates the Contract pursuant to this clause, the SELLER shall be entitled to retain all instalment or instalments of the Contract Price paid by the BUYER to the SELLER on account of this Contract, which shall therefore become the property of the SELLER and the Vessel shall be at the sole disposal of the SELLER.

Notwithstanding any provisions of this CONTRACT, upon the SELLER's aforesaid refund of the instalment or instalments paid by the BUYER in case of BUYER's termination or the SELLER's retention of BUYER's paid instalment or instalments in case of the SELLER's termination pursuant to this Paragraph e), all obligations, duties and liabilities of the one Party towards the other Party and all rights, benefits and claims against one Party by/of the other Party under or in connection with this CONTRACT and/or any applicable laws shall be forthwith completely discharged and waived.

In WITNESS WHEREOF, the parties hereto have caused this Contract to be duly executed on the day and year first above written.

THE BUYER : SRI LANKA SHIPPING COMPANY INC.

By : /s/ Andreas Nikolaos Michalopoulos

Name : Andreas Nikolaos Michalopoulos

Title : Attorney-in-fact

Witness : /s/ Aliki Paliou

THE SELLER:

CSTC : China Shipbuilding Trading Company Limited

By : /s/ Huang Chongyang

Name : Huang Chongyang

Title : Attorney in fact

Witness : /s/ Song Chao

THE BUILDER: Shanghai Waigaoqiao Shipbuilding Company Limited

By : /s/ Li Hui

Name : Li Hui

Title : Attorney in fact

Witness : /s/ Wang Nan

Exhibit "A" : IRREVOCABLE LETTER OF GUARANTEE NO.

To: SRI LANKA SHIPPING COMPANY INC.

Date:
Dear Sirs,
Irrevocable Letter of Guarantee No.

At the request of China Shipbuilding Trading Company Limited, address at 56(Yi), Zhongguancun Nandajie, Beijing 100044, China, and in consideration of your agreeing to pay China Shipbuilding Trading Company Limited and Shanghai Waigaoqiao Shipbuilding Company Limited, address at 3001 Zhouhai Road, Pudong New District, Shanghai 200137, China (hereinafter collectively called the "SELLER") the instalments before delivery of the VESSEL under the Shipbuilding Contract concluded by and amongst you and the SELLER dated December 18th, 2023 (hereinafter called the “Contract”) for the construction of one (1) 114,000 DWT Product/Crude Oil Tanker to be designated as Hull No. H1596 (hereinafter called the "VESSEL"), we, China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China, do hereby irrevocably guarantee repayment to you by the SELLER of an amount up to but not exceeding a total amount of United States Dollars Twenty-Nine Million One Hundred and Eighty Thousand Two Hundred and Fifty Only (USD 29,180,250) representing the first instalment of the Contract Price of the VESSEL of United States Dollars Nine Million Seven Hundred and Twenty-Six Thousand Seven Hundred and Fifty only (US$ 9,726,750), plus the second instalment of the Contract Price of the VESSEL, of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), plus the third instalment of the Contract Price of the VESSEL, of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), plus the fourth instalment of the Contract Price of the VESSEL, of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), as you may have paid to the SELLER under the Contract prior to the delivery of the VESSEL, if and when the same or any part thereof becomes repayable to you from the SELLER in accordance with the terms (Article X or Article XII 2(b)) of the Contract.

Should the SELLER fail to make such repayment upon demand, we shall pay you the amount the SELLER ought to pay with no interest if cancellation of the Contract is exercised by you for the delay caused by permissible delays or total loss in accordance with the provisions of Article XII 2(b), or together with an interest at the rate of Five percent (5%) per annum if the cancellation of the Contract is exercised by you in accordance with the provisions of Article III 1(c), 2(c), 3(c) or 4(c) of the Contract within thirty (30) Beijing banking days after our receipt of the relevant written demand from you for repayment.

However, in the event of any dispute between you and the SELLER in relation to:

(1) whether the SELLER is liable to repay the instalment or instalments paid by you and

(2) consequently whether you shall have the right to demand payment from us,

and such dispute is submitted either by the SELLER or by you for arbitration in accordance with Article XIII of the Contract, we shall be entitled to withhold and defer payment until the arbitration award is published. We shall not be obligated to make any payment to you unless the arbitration award orders the SELLER to make repayment. If the SELLER fails to honour the arbitration award upon demand then we shall refund you to the extent the arbitration award orders but not exceeding the aggregate amount of this guarantee plus the interest described above.

The said repayment shall be made by us in United States Dollars. This Letter of Guarantee shall become effective from the time of the actual receipt of the first instalment by the SELLER from you to the SELLER's a/c No. held by China Shipbuilding Trading Company Limited with China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China and the amounts effective under this Letter of Guarantee shall correspond to the total payment actually received by the SELLER to his a/c stated above from time to time under the Contract prior to the delivery of the VESSEL. However, the available amount under this Letter of Guarantee shall in no event exceed above mentioned amount actually paid to the SELLER, together with interest calculated, as described above at Zero percent (0%) or, Five percent (5%) per annum, as the case may be for the period commencing with the date of receipt by the SELLER of the respective instalment to the date of repayments thereof.

Any claim, demand or notice in connection with this Letter of Guarantee shall be validly delivered to us by you through your or Performance Shipping Inc. bank (DNB Bank ASA, London Brach) by authenticated SWIFT to our swift address (SWIFT CODE: CIBKCNBJ100).

This Letter of Guarantee shall remain in force until the VESSEL has been delivered to and accepted by you as evidence by the SELLER's presentation to us of copy of the Protocol of Delivery and Acceptance of the VESSEL under the Contract or refund has been made by the SELLER or ourselves, or until November 27th, 2026, whichever occurs the earliest. After which, this guarantee shall be null and void whether or not it is returned to us for cancellation.

This Letter of Guarantee is governed by the Laws of England.

For and on behalf of China CITIC Bank Corporation Limited

Exhibit "B" IRREVOCABLE LETTER OF GUARANTEE

FOR THE 2ND, 3RD AND 4TH INSTALLMENTS

From: Performance Shipping Inc.

To: China Shipbuilding Trading Company Limited
56(Yi) Zhongguancun Nan Da Jie, Beijing 100044, China
And
Shanghai Waigaoqiao Shipbuilding Company Limited
3001 Zhouhai Road, Pudong New District, Shanghai 200137, China

Dear Sirs,

(1) In consideration of your entering into a Shipbuilding Contract dated 18th December, 2023 ("the Shipbuilding Contract") with SRI LANKA SHIPPING COMPANY INC., address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands, as the buyer (hereinafter called "the BUYER") for the construction of one (1) 114,000 DWT Product/Crude Oil Tanker known as Shanghai Waigaoqiao Shipbuilding Company Limited's Hull No. H1596 (hereinafter called "the VESSEL"), we, Performance Shipping Inc., address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH 96960, hereby IRREVOCABLY, ABSOLUTELY and UNCONDITIONALLY guarantee, as the primary obligor and not merely as surety, the due and punctual payment by the BUYER of the 2nd, 3rd and 4th installments of the Contract Price amounting to a total sum of United States Dollars Nineteen Million Four Hundred and Fifty Three Thousand Five Hundred only (USD 19,453,500) as specified in (2) below.

(2) The Instalments guaranteed hereunder, pursuant to the terms of the Shipbuilding Contract, comprise the 2nd installment in the amount of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500) payable by the BUYER within five (5) Banking Days after cutting of the first steel plate in your BUILDER's Shipyard workshop and the third installment in the amount of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500) payable by the BUYER within five (5) Banking Days after keel-laying of the first section of the VESSEL and the fourth installment in the amount of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500) payable by the BUYER within five (5) Banking Days after launching of the VESSEL .

(3) We also IRREVOCABLY, ABSOLUTELY and UNCONDITIONALLY guarantee, as primary obligor and not merely as surety, the due and punctual payment by the BUYER of interest on each Instalment guaranteed hereunder at the rate of Five percent (5%) per annum from and including the first day after the date of instalment in default until the date of full payment by us of such amount guaranteed hereunder.

(4) In the event that the BUYER fails to punctually pay any of the 2nd, 3rd and 4th Instalments guaranteed hereunder or the BUYER fails to pay any interest thereon, and any such default continues for a period of fifteen (15) Banking Days, then, upon receipt by us of your first written demand, we shall immediately pay to you or your assignee only the unpaid installment of the 2nd, 3rd and 4th instalments, together with the interest as specified in paragraph (3) hereof, without requesting you to take any or further action, procedure or step against the BUYER or with respect to any other security which you may hold.

(5) We hereby agree that at your option this Guarantee and the undertaking hereunder shall be on an exceptional basis assignable to your financing bank only and if so assigned shall inure to the benefit of your bank as your assignee as if your bank were originally named herein.

(6) Any payment by us under this Guarantee shall be made in Unites States Dollars by telegraphic transfer to China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China (SWIFT Code: CIBKCNBJ100) as receiving bank nominated by you for A/C Beneficiary: China Shipbuilding Trading Company Limited or through other receiving bank to be nominated by you from time to time, in favour of you or your assignee bank.

(7) Our obligations under this guarantee shall not be affected or prejudiced by any dispute between you as the SELLER and the BUYER under the Shipbuilding Contract or by the BUILDER's delay in the construction and/or delivery of the VESSEL due to whatever causes or by any variation or extension of their terms thereof or by any security or other indemnity now or hereafter held by you in respect thereof, or by any time or indulgence granted by you or any other person in connection therewith, or by any invalidity or unenforceability of the terms thereof, or by any act, omission, fact or circumstances whatsoever, which could or might, but for the foregoing, diminish in any way our obligations under this Guarantee.

(8) Any claim or demand shall be in writing signed by one of your authorized officers and may be served on us either by hand or by post and if sent by post to c/o Unitized Ocean Transport Limited, 373 Syngrou Ave. & 2-4 Ymittou str, 17564, Palaio Faliro, Athens, Greece (or such other address as we may notify to you in writing), or by email (E-mail Address: legal@unitizedocean.com), with confirmation in writing.

(9) This Letter of Guarantee shall come into full force and effect upon delivery to you of this Guarantee and shall continue in force and effect until the VESSEL is delivered to and accepted by the BUYER and the BUYER shall have performed all its obligations for taking delivery thereof or until the full payment of the 2nd, 3rd and 4th Instalment together with the aforesaid interests by the BUYER or us, whichever first occurs.

(10) The maximum amount, however, that we are obliged to pay to you under this Guarantee shall not exceed the aggregate amount of U.S. Dollars Nineteen Million Six Hundred and Thirteen Thousand Three Hundred and Ninety-Two only (US$ 19,613,392) being an amount equal to the sum of:-

(a) The 2nd, 3rd and 4th instalment guaranteed hereunder in the total amount of United States Dollars Nineteen Million Four Hundred and Fifty Three Thousand Five Hundred only (USD 19,453,500); and

(b) Interest, if applicable, at the rate of Five percent (5%) per annum on the Instalment for a period of sixty (60) days in the amount of United States Dollars One Hundred and Fifty-Nine Thousand Eight Hundred and Ninety-Two only (US$ 159,892).

(11) All payments by us under this Guarantee shall be made without any set-off or counterclaim and without deduction or withholding for or on account of any taxes, duties, or charges whatsoever unless we are compelled by law or the Contract to deduct or withhold the same. In the latter event we shall make the minimum deduction or withholding permitted and will pay such additional amounts as may be necessary in order that the net amount received by you after such deductions or withholdings shall equal the amount which would have been received had no such deduction or withholding been required to be made.

(12) This Letter of Guarantee shall be construed in accordance with and governed by the Laws of England. We hereby submit to the exclusive jurisdiction of the English courts for the purposes of any legal action or proceedings in connection herewith in England.

(13) When our liabilities under this Letter of Guarantee have expired as aforesaid, you will return it to us without any request or demand from us.

IN WITNESS WHEREOF, we have caused this Letter of Guarantee to be executed and delivered by our duly authorized representative the day and year above written.

Very Truly Yours

By: _____

Exhibit 4.10

SHIPBUILDING CONTRACT

FOR

CONSTRUCTION OF ONE 114,000 DWT PRODUCT/ CRUDE OIL TANKER

(HULL NO. H1597)

BETWEEN

GUADELOUPE SHIPPING COMPANY INC.

as BUYER

and

CHINA SHIPBUILDING TRADING COMPANY LIMITED

and

SHANGHAI WAIGAOQIAO SHIPBUILDING COMPANY LIMITED

Collectively as SELLER

CONTENTS

SHIPBUILDING CONTRACT

FOR

CONSTRUCTION OF ONE 114,000 DWT PRODUCT/ CRUDE OIL TANKER (HULL NO. H1597)

This CONTRACT, entered into this 18th day of December 2023 by and between GUADELOUPE SHIPPING COMPANY INC., a corporation organized and existing under the Laws of the Republic of the Republic of the Marshall Islands, having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands (hereinafter called the "BUYER") on one part; and CHINA SHIPBUILDING TRADING COMPANY LIMITED, a corporation organized and existing under the Laws of the People's Republic of China, having its registered office at 56(Yi) Zhongguancun Nan Da Jie, Beijing 100044, the People's Republic of China (hereinafter called "CSTC"), and SHANGHAI WAIGAOQIAO SHIPBUILDING COMPANY LIMITED, a corporation organized and existing under the Laws of the People's Republic of China, having its registered office at 3001 Zhouhai Road, Pudong New District, Shanghai 200137, the People's Republic of China (hereinafter called the "BUILDER") on the other part. CSTC and the BUILDER are hereinafter jointly called the "SELLER".

BUYER and SELLER altogether the “Parties” and each one the “Party”.

WITNESSETH

in consideration of the mutual covenants contained herein, the SELLER agrees to build, launch, equip and complete at BUILDER's Shipyard and to sell and deliver to the BUYER after completion and successful trial one (1) Diesel Driven 114,000 DWT PRODUCT/CRUDE OIL TANKER as more fully described in Article I hereof, to be registered under the flag of the Republic of the Marshall Islands and the BUYER agrees to purchase and take delivery of the aforesaid VESSEL from the SELLER and to pay for the same in accordance with the terms and conditions hereinafter set forth.

ARTICLE I DESCRIPTION AND CLASS

1. DESCRIPTION:

The VESSEL is a Steel-Hulled, Single Screw, Diesel Driven Product/Crude Oil Tanker of 114,000 metric tons deadweight, at scantling draft moulded of 15.0 meters (hereinafter called the "VESSEL") of the class described below. The VESSEL shall be on identical basis as the repeat vessel to the prototype vessel (BUILDER's Hull No. H1515, hereinafter called "H1515"), the VESSEL shall have the BUILDER's Hull No. H1597 and shall be constructed, equipped and completed in accordance with the provisions of this Contract and H1515's following "Specifications":

(1) Specification (Drawing No. 114TK –BS21202-CS-R1)
(2) General Arrangement (Drawing No. 114TK –BS21202-GA-R1)
(3) Midship Section (Drawing No. 114TK –BS21202-MS-R1)
(4) Makers list (Drawing No. 114TK –BS21202-ML-R1)
(5) Technical Memorandum on the 114,000DWT Product/Crude Oil Tanker Specifications dated 7th March, 2023

attached hereto and signed by each of the parties to this Contract (hereinafter collectively called the "Specifications"), making an integral part hereof.

2. CLASS AND RULES

The VESSEL, including her machinery and equipment, shall be constructed in accordance with the rules and regulations issued and having become effective up to and on the date of signing this Contract of Lloyd's Register (LR) (hereinafter called the "Classification Society") without any reservation of any kind and classified and registered to the symbol of: +100A1, Double Hull Oil Tanker, CSR, ESP, ShipRight (ACS(B, C), CM), *IWS, LI, DSPM4, ECO(BWT, IHM, P, VECS-L, EEDI-3), EGCS(OPEN), +LMC, IGS, UMS, With descriptive notes "ShipRight (BWMP(S,T), SCM, SERS), ETA, GR(NG, A)", and shall also comply with the rules and regulations as fully described in the Specifications.

The requirements of the authorities as fully described in the Specifications including that of the Classification Society are to include additional rules or circulars thereof issued and become effective up to and on the date of signing this Contract.

The SELLER shall arrange with the Classification Society to assign a representative or representatives (hereinafter called the "Classification Surveyor") to the BUILDER's Shipyard for supervision of the construction of the VESSEL.

All fees and charges incidental to Classification and compliance with the rules, regulations and requirements of this Contract as described in the Specifications issued and effective up to the date of signing this Contract as well as royalties, if any, payable on account of the construction of the VESSEL shall be for the account of the SELLER, except as otherwise provided and agreed herein. The key plans, materials and workmanship entering into the construction of the VESSEL shall at all times be subject to inspections and tests in accordance with the rules and regulations of the Classification Society.

Decisions of the Classification Society as to compliance or noncompliance with Classification rules and regulations shall be final and binding for the Parties.

3. PRINCIPAL PARTICULARS AND DIMENSIONS OF THE VESSEL

(a) Hull:

Length overall	abt. 249.95m
Length between perpendiculars	243.95m
Breadth moulded	44.00m
Depth moulded	21.20m
Design Draft moulded	13.50m
Scantling Draft moulded	15.00m

(b) Propelling Machinery:

The VESSEL shall be equipped, in accordance with the Specifications, with (1) set of MAN B&W 6G60ME – C10.5 Tier III HPSCR type Main Engine, developing a nominal maximum continuous rating of 17,040 kW at 103.0 RPM and a continuous service rating of 9,180 kW at 80.1 RPM.

The extend of delivery of main engine shall be in line with H1515 as far as possible. However, the subcontractor of components of main engine shall be as per HHM or CSE's practice.

4. GUARANTEED SPEED

The SELLER guarantees that the service speed at design draught 13.50 on even keel and NCR of main engine with 15% sea margin shall not be less than 14.5 nautical miles per hour.

The service speed shall be verified by corrected trial speed under calm weather (no wind, no wave and no current in accordance with ISO 15016:2015) and deep sea condition. The correction method of the speed shall be as specified in the Specifications.

5. GUARANTEED FUEL CONSUMPTION

The SELLER guarantees that the specific fuel oil consumption of the Main Engine as determined by shop trial as specified in the Specifications, at NCR is not to exceed 154.8 grams/Kilowatt/hour (not including the permitted tolerance of +6%) based on fuel oil having a lower calorific value of 10,200 kilocalories per kilogram at ISO standard reference condition i.e. blower inlet air temperature of 25 deg C, scavenge air cooling water temperature of 25 deg C and blower inlet air pressure of 100 kpa. If the fuel oil used in shop trial would have different lower calorific value from 10,200 kilocalories per kilogram, and/or the surrounding shop trial condition would be different from the above ISO condition, then the specific fuel oil consumption shall be adjusted accordingly based on the conversion formula issued by MAN. The specific fuel oil consumption shall be subject to a tolerance of 6%.

6. GUARANTEED DEADWEIGHT

The SELLER guarantees that the VESSEL is to have a deadweight of not less than 114,000 metric tons at the scantling draft moulded of 15.00 meters in sea water of 1.025 specific gravity.

The term, "Deadweight", as used in this Contract, shall be as defined in the Specifications.

The actual deadweight of the VESSEL expressed in metric tons shall be based on calculations made by the BUILDER and checked by the BUYER, and all measurements necessary for such calculations shall be performed in the presence of the BUYER's supervisor(s) and the Classification Surveyor or the party authorized by the BUYER.

Should there be any dispute between the BUILDER and the BUYER in such calculations and/or measurements, the decision of the Classification Society shall be final.

7. SUBCONTRACTING:

The SELLER may, at its sole discretion and responsibility, subcontract any portion of the construction work of the VESSEL to experienced subcontractors, but delivery and final assembly into the VESSEL of any such work subcontracted shall be at the BUILDER's Shipyard. The SELLER shall remain fully responsible for such subcontracted work and subcontractors' liabilities.

The performance of the works by SHANGHAI WAIGAOQIAO SHIPBUILDING AND OFFSHORE COMPANY LIMITED (subsidiary of the BUILDER), SWS-SUNHEL ENGINEERING EQUIPMENT (NAN TONG) CO., LTD does not constitute subcontracting for the purposes of this clause. The BUILDER shall be fully liable for the actions of omissions of its aforementioned subsidiary and Branch.

8. REGISTRATION:

The vessel shall be registered by the BUYER at its own cost and expenses in the Marshall Islands Registry at the time of delivery and acceptance thereof.

ARTICLE II CONTRACT PRICE & TERMS OF PAYMENT

1. CONTRACT PRICE:

The purchase price of the VESSEL is United States Dollars Sixty-Four Million Eight Hundred and Forty Five Thousand only (US$ 64,845,000), net receivable by the SELLER (hereinafter called the "Contract Price"), which is exclusive of the cost for the BUYER's Supplies as provided in Article V hereof, and shall be subject to upward or downward adjustment, if any, as hereinafter set forth in this Contract.

2. CURRENCY:

Any and all payments by the BUYER to the SELLER under this Contract shall be made in United States Dollars.

3. TERMS OF PAYMENT:

The Contract Price shall be paid by the BUYER to the SELLER in instalments as follows:

(a) 1st Instalment:

The sum of United States Dollars Nine Million Seven Hundred and Twenty-Six Thousand Seven Hundred and Fifty only (US$ 9,726,750) representing Fifteen percent (15%) of the Contract Price, shall become due and payable and be paid by the BUYER within five (5) Banking Days from the date of BUYER's receipt of the Refund Guarantee as described in paragraph 7 of this Article.

(b) 2nd Instalment:

The sum of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), representing Ten percent (10%) of the Contract Price, shall become due and payable and be paid within five (5) Banking Days after the cutting of the first steel plate of the VESSEL. The SELLER shall notify the BUYER by e-mail stating and confirming that the 1st steel plate has been cut in its workshop, providing also a progress statement evidenced by the Classification Society. The SELLER shall then send to the BUYER an e-mail demand for payment of this instalment along with a PDF proforma invoice.

(c) 3rd Instalment:

The sum of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), representing Ten percent (10%) of the Contract Price, shall become due and payable and be paid within five (5) Banking Days after keel-laying of the first section of the VESSEL. The SELLER shall notify the BUYER by e-mail stating and confirming that the said keel-laying has been carried out, providing also a progress statement evidenced by the Classification Society. The SELLER shall then send to the BUYER an e-mail demand for payment of this instalment, along with a PDF proforma invoice.

(d) 4th Instalment:

The sum of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), representing Ten percent (10%) of the Contract Price, shall become due and payable and be paid within five (5) Banking Days after launching of the VESSEL. The SELLER shall notify the BUYER by e-mail stating and confirming that the launching of the VESSEL has been carried out. The SELLER shall then send to the BUYER an e-mail demand for payment of this in-stallment, along with a PDF proforma invoice.

(e) 5th Installment (Payment upon Delivery of the VESSEL):

The sum of United States Dollars Thirty-Five Million Six Hundred and Sixty-Four Thousand Seven Hundred and Fifty only (US$ 35,664,750), representing Fifty-Five percent (55%) of the Contract Price, plus any increase or minus any decrease due to modifications and/or adjustments of the Contract Price in accordance with provisions of the relevant Articles hereof, shall become due and payable and be paid by the BUYER to the SELLER concurrently with delivery by the SELLER and acceptance by the BUYER of the VESSEL. The SELLER shall send to the BUYER an e-mail demanding payment of this installment ten (10) days prior to the scheduled date of delivery of the VESSEL stating the expected delivery of the VESSEL to the BUYER.

4. METHOD OF PAYMENT:

(a) 1st Instalment:

The BUYER shall remit the amount of this installment in accordance with Article II, Paragraph 3 (a) by telegraphic transfer to China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China (SWIFT Code: CIBKCNBJ100) (hereinafter called the "SELLER's Bank") as receiving bank nominated by the SELLER for A/C Beneficiary: China Shipbuilding Trading Company Limited, or through other receiving bank to be nominated by the SELLER from time to time and such nomination shall be notified to the BUYER at least ten (10) days prior to the due date for payment.

(b) 2nd Instalment:

The BUYER shall remit the amount of this installment in accordance with Article II, Paragraph 3(b) by telegraphic transfer to SELLER's Bank as receiving bank nominated by the SELLER for A/C Beneficiary: China Shipbuilding Trading Company Limited, or through other receiving bank to be nominated by the SELLER from time to time and such nomination shall be notified to the BUYER at least ten (10) days prior to the due date for payment.

(c) 3rd Installment:

The BUYER shall remit the amount of this installment in accordance with Article II, Paragraph 3(c) by telegraphic transfer to SELLER's Bank as receiving bank nominated by the SELLER for A/C Beneficiary: China Shipbuilding Trading Company Limited, or through other receiving bank to be nominated by the SELLER from time to time and such nomination shall be notified to the BUYER at least ten (10) days prior to the due date for payment.

(d) 4th Installment:

The BUYER shall remit the amount of this installment in accordance with Article II, Paragraph 3(d) by telegraphic transfer to SELLER's Bank as receiving bank nominated by the SELLER for A/C Beneficiary: China Shipbuilding Trading Company Limited, or through other receiving bank to be nominated by the SELLER from time to time and such nomination shall be notified to the BUYER at least ten (10) days prior to the due date for payment.

(e) 5th Installment (Payable upon delivery of the VESSEL):

The BUYER shall, at least three (3) Banking Days prior to the scheduled date of delivery of the VESSEL, make an irrevocable cash deposit by swift message MT103 accompanied by swift message MT199 with conditions of payment to the SELLER's Bank, namely China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China, Account Number: , or other bank to be nominated by the SELLER with at least ten (10) days' notice to the BUYER prior to the scheduled date of delivery of the VESSEL, and such amount to be held in trust in the name of the BUYER (and / or in the name of the financing bank as the case may be which shall be BUYER's agents for purposes of this Contract) for a period of fifteen (15) Banking Days, covering the amount of this installment (as adjusted in accordance with the provisions of this Contract), with an irrevocable instruction that the said amount (or any other amount mutually agreed by the Parties) shall be released to the SELLER against presentation by the SELLER to the said China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China , or other bank nominated by the SELLER as above, of (i) a copy of the Protocol of Delivery and Acceptance signed by both the BUYER's and the SELLER's authorised representatives and (ii) a copy of release letter setting out the exact amount to be released to the SELLER. Interest, if any, accrued from such deposit, shall be for the benefit of the BUYER.

If the delivery of the VESSEL is not effected on or before the expiry of the aforesaid fifteen (15) Banking Days from the day of the cash deposit payment, the BUYER shall have the right to withdraw the said deposit plus accrued interest upon the expiry date. However, when a newly scheduled delivery date is notified to the BUYER by the SELLER, and the BUYER accepts same, the BUYER shall make the cash deposit in accordance with the same terms and conditions as set out above.

5. PREPAYMENT:

The BUYER shall have the right to make prepayment of any and all instalments before delivery of the VESSEL, by giving to the SELLER at least thirty (30) calendar days prior written notice, without any price adjustment of the VESSEL for such prepayment.

6. SECURITY FOR PAYMENT OF INSTALMENTS BEFORE DELIVERY:

The BUYER shall, within five (5) Banking Days upon receipt of the Refund Guarantee, deliver to the SELLER an irrevocable and unconditional Letter of Guarantee (hereinafter called the "Payment Guarantee") in the form annexed hereto as Exhibit "B" in favour of the SELLER issued by Performance Shipping Inc. (hereinafter called the "Payment Guarantor") acceptable to SELLER's bank and the SELLER. This guarantee shall secure the BUYER's obligation for the payment of the 2nd, 3rd and 4th installments of the Contract Price.

7. REFUNDS

All payments made by the BUYER prior to delivery of the VESSEL shall be in the nature of advance to the SELLER, and in the event this Contract is rescinded or cancelled by the BUYER, all in accordance with the specific terms of this Contract permitting such rescission or cancellation, the SELLER shall refund to the BUYER in United States Dollars the full amount of all sums already paid by the BUYER to the SELLER under this Contract, together with any interest (at the rate set out in respective provision thereof) from the date of receipt by the SELLER of the respective installment(s) to the date of remittance by telegraphic transfer of such refund by the SELLER to the account specified by the BUYER.

As security to the BUYER, the SELLER shall deliver to the BUYER, within sixty (60) calendar days after signing of the Contract, a Refund Guarantee to be issued by China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China, or any other Chinese Bank, securing the SELLER’s obligation for refunding to the BUYER the 1st, 2nd, 3rd and 4th instalments received by the SELLER through SELLER’s bank in the form as per Exhibit "A" annexed hereto. If the Refund Guarantee is issued by any other Chinese Bank, it should be a bank that is acceptable to the BUYER. The Refund Guarantee shall be issued by SWIFT.

However, in the event of any dispute between the SELLER and the BUYER with regard to the SELLER's obligation to repay the installment or installments paid by the BUYER and to the BUYER's right to demand payment from the SELLER’s bank, under its guarantee, and such dispute is submitted either by the SELLER or by the BUYER for arbitration in accordance with Article XIII hereof, the SELLER’s bank shall withhold and defer payment until the arbitration award between the SELLER and the BUYER is notified to SELLER’s bank. The SELLER’s bank shall not be obligated to make any payment unless the arbitration award orders the SELLER to make repayment. If the SELLER fails to honour the award, then the SELLER’s bank shall refund to the extent the final arbitration award orders.

ARTICLE III ADJUSTMENT OF THE CONTRACT PRICE

The Contract Price of the VESSEL shall be subject to adjustments as hereinafter set forth. It is hereby understood by both parties that any reduction of the Contract Price is by way of liquidated damages and not by way of penalty.

1. DELIVERY

(a) No adjustment shall be made, and the Contract Price shall remain unchanged for Thirty (30) calendar days of delay in delivery of the VESSEL beyond the Delivery Date as defined in Article VII hereof ending as of twelve o'clock midnight of the Thirtieth (30th) day of delay.

(b) If the delivery of the VESSEL is delayed more than Thirty (30) calendar days after the date as defined in Article VII hereof, then, in such event, beginning at twelve o'clock midnight of the Thirtieth (30th) day after the Delivery Date, the Contract Price of the VESSEL shall be reduced by deducting therefrom the sum of United States Dollars Fifteen Thousand only (US$ 15,000) per day.

Unless the parties hereto agree otherwise, the total reduction in the Contract Price shall be deducted from the fifth instalment of the Contract Price and in any event (including the event that the BUYER consents to take the VESSEL at the later delivery date after the expiration of Two Hundred and Ten (210) calendar days delay of delivery as described in Paragraph 1(c) of this Article or after the expiration days delay of delivery as described in Paragraph 3 of Article VIII) shall not be more than One Hundred and Eighty (180) calendar days at the above specified rate of reduction after the Thirty (30) calendar days allowance, that is United States Dollars Two Million Seven Hundred Thousand (US$ 2,700,000) being the maximum.

(c) If the delay in the delivery of the VESSEL continues for a period of Two Hundred and Ten (210) calendar days after the Delivery Date as defined in Article VII, then in such event, the BUYER may, at its option, rescind or cancel this Contract in accordance with the provisions of Article X of this Contract. The SELLER may at any time after the expiration of the aforementioned Two Hundred and Ten (210) calendar days, if the BUYER has not served notice of cancellation pursuant to Article X, notify the BUYER of the date upon which the SELLER estimates the VESSEL will be ready for delivery and demand in writing that the BUYER make an election, in which case the BUYER shall, within thirty (30) calendar days after such demand is received by the BUYER, either notify the SELLER of its decision to cancel this Contract, or consent to take delivery of the VESSEL at an agreed future date, it being understood and agreed by the parties hereto that, if the VESSEL is not delivered by such future date, the BUYER shall have the same right of cancellation upon the same terms, as hereinabove provided.

(d) For the purpose of this Article, the delivery of the VESSEL shall not be deemed delayed and the Contract Price shall not be reduced when and if the Delivery Date of the VESSEL is extended by reason of causes and provisions of Articles V, VI, XI, XII and XIII hereof. The Contract Price shall not be adjusted or reduced if the delivery of the VESSEL is delayed by reason of permissible delays as defined in Article VIII hereof.

(e) The Seller shall notify the BUYER by e-mail if the delivery of the VESSEL shall be made earlier than the specified Delivery Date as defined in Article VII of the Contract and such notification shall be given not less than Two (2) months prior to the newly planned delivery date.

(f) In the event that the SELLER is unable to deliver the VESSEL on the newly planned delivery date as declared, the VESSEL can, nevertheless, be delivered by the SELLER at a date after such declared newly planned date.

In such circumstances, and for the purpose of determining the liquidated damages to the BUYER (according to the provisions of Paragraph 1(b) of this Article) and the BUYER's right to cancel or rescind this Contract (according to the provisions of Paragraph 1(c) of this Article), the newly planned delivery date declared by the SELLER shall not be in any way treated or taken as having substituted the original Delivery Date as defined in Article VII. The BUYER's aforesaid right for liquidated damages and to cancel or rescind this Contract shall be accrued, operated or exercised only to the extent as described in Paragraph 1(a), 1(b) and/or 1(c) of Article III. In whatever circumstances, the Delivery Date as defined in Article VII (not the newly planned delivery date as declared by the SELLER) shall be used to regulate, as so described in Paragraph 1 (a), 1(b) and/or 1(c) of Article III, the BUYER's right for liquidated damages and to rescind this Contract and the SELLER's liability to pay the aforesaid liquidated damages resulting from the delay in delivery of the VESSEL.

2. INSUFFICIENT SPEED

(a) The Contract Price of the VESSEL shall not be affected nor changed by reason of the actual speed (as determined by the Trial Run after correction according to the Specifications) being less than three tenths (3/10) of one knot below the guaranteed speed as specified in Paragraph 4 of Article I of this Contract.

(b) However, commencing with and including a deficiency of three tenths (3/10) of one knot in actual speed (as determined by the Trial Run after correction according to the Specifications) below the guaranteed speed as specified in Paragraph 4, Article I of this Contract, the Contract Price shall be reduced as follows:

In case of deficiency
at or above 0.30 but below 0.40 knot US$ 50,000.00
at or above 0.40 but below 0.50 knot US$ 100,000.00
at or above 0.50 but below 0.60 knot US$ 150,000.00
at or above 0.60 but below 0.70 knot US$ 200,000.00
at or above 0.70 but below 0.80 knot US$ 250,000.00
at or above 0.80 but below 0.90 knot US$ 300,000.00
at or above 0.90 but below 1.00 knot US$ 350,000.00

(c) If the deficiency in actual speed (as determined by the Trial Run after correction according to the Specifications) of the VESSEL upon the Trial Run, is more than 1.00 knot below the guaranteed speed of 14.5 knots, then the BUYER may at its option reject the VESSEL and rescind this Contract in accordance with provisions of Article X of this Contract, or may accept the VESSEL at a reduction in the Contract Price as above provided, by United States Dollars Three Hundred and Five Thousand only (US$350,000) being the maximum.

3. EXCESSIVE FUEL CONSUMPTION

(a) The Contract Price of the VESSEL shall not be affected nor changed if the actual fuel consumption of the Main Engine, as determined by shop trial in manufacturer's works, as per the Specifications, is greater than the guaranteed fuel consumption as specified and required under the provisions of this Contract and the Specifications if such actual excess is equal to or less than six percent (6%).

(b) However, if the actual fuel consumption as determined by shop trial is greater than six percent (6%) above the guaranteed fuel consumption then, the Contract Price shall be reduced by the sum of United States Dollars Sixty Thousand Only (US$60,000) for each full one percent (1%) increase in fuel consumption in excess of the above said six percent (6%) (fractions of one percent to be prorated).

(c) If as determined by shop trial such actual fuel consumption of the Main Engine is more than ten percent (10%) in excess of the guaranteed fuel consumption, i.e. the fuel consumption exceeds 170.28gram/KW/hour, the BUYER may, subject to the BUILDER's right to effect replacement of a substitute engine or alterations of corrections as specified in the following sub-paragraph of Article III 3 (c) hereof, at its option, rescind this Contract, in accordance with the provisions of Article X of this Contract or may accept the VESSEL at a reduction in the Contract Price by United States Dollars Two Hundred and Forty Thousand (US$240,000) being the maximum.

If as determined by shop trial such actual fuel consumption of the Main Engine is more than ten percent (10%) in excess of the guaranteed fuel consumption, i.e. the fuel consumption exceeds 170.28gram/KW/hour, the BUILDER may investigate the cause of the non-conformity and the proper steps may promptly be taken to remedy the same and to make whatever corrections and alterations and/or re-shop trial test or tests as may be necessary to correct such non-conformity without extra cost to the BUYER. Upon completion of such alterations or corrections of such nonconformity, the BUILDER shall promptly perform such further shop trials or any other tests, as may be deemed necessary to prove the fuel consumption of the Main Engine's conformity with the requirement of this Contract and the Specifications and if found to be satisfactory, give the BUYER notice by e-mail of such correction and as appropriate, successful completion accompanied by copies of such results, and the BUYER shall, within six (6) Banking Days after receipt of such notice, notify the BUILDER by e-mail of its acceptance or reject the re-shop trial together with the reasons therefor. If the BUYER fails to notify the BUILDER by e-mail of its acceptance or rejection of the re-shop trial together with the reasons therefor within six (6) Banking Days period as provided herein, the BUYER shall be deemed to have accepted the shop trial.

4. DEADWEIGHT

(a) In the event that there is a deficiency in the actual deadweight of the VESSEL determined as provided in the Specifications, the Contract Price shall not be decreased if such deficiency is One Thousand Two Hundred (1200) metric tons or less below the guaranteed deadweight of 114,000 metric tons at assigned scantling draft moulded.

(b) However, the Contract Price shall be decreased by the sum of United States Dollars Seven Hundred (US$700) for each full metric ton of such deficiency being more than One Thousand Two Hundred (1,200) metric tons.

(c) In the event that there should be a deficiency in the VESSEL's actual deadweight which exceeds Three Thousand (3,000) metric tons below the guaranteed deadweight, the BUYER may, at its option, reject the VESSEL and rescind this Contract in accordance with the provisions of Article X of this Contract, or may accept the VESSEL with reduction in the Contract Price in the maximum amount of United States Dollars One Million Two Hundred Sixty Thousand only (US$1,260,000).

5. EFFECT OF RESCISSION

It is expressly understood and agreed by the parties hereto that in any case as stated herein, if the BUYER rescinds this Contract pursuant to any provision under this Article, the BUYER, save its rights and remedy set out in Article X hereof, shall not be entitled to any liquidated damage or compensation whether described above or otherwise.

ARTICLE IV SUPERVISION AND INSPECTION

1. APPOINTMENT OF THE BUYER'S SUPERVISOR

The BUYER shall send in good time to and maintain at the BUILDER's Shipyard, at the BUYER's own cost and expense, one or more representative(s) who shall be duly accredited in writing by the BUYER (such representative(s) being hereinafter collectively and individually called the "Supervisor") to supervise and survey the construction by the BUILDER of the VESSEL, her engines and accessories. Subject to the SELLER not being hindered to apply for the invitation letter e.g. due to COVID-19 related restrictions or government's regulations, the SELLER agrees to apply for the necessary invitation letter(s) for the Supervisor to enter China on demand and without delay, provided that the Supervisor meets with the rules, regulations and laws of the People's Republic of China. The BUYER undertakes to give the SELLER adequate notice for the application of invitation letter.

2. COMMENTS TO PLANS AND DRAWINGS

The parties hereto shall, within Thirty (30) calendar days after signing of this Contract, mutually agree a list of all the plans and drawings, which are to be sent to the BUYER (hereinbelow called "the LIST"). Before arrival of the Supervisor at the BUILDER's Shipyard, the plans and drawings specified in the LIST shall be sent to the BUYER, and the BUYER shall, within Fourteen (14) calendar days after receipt thereof, return such plans and drawings submitted by the SELLER with comments, if any. Notwithstanding the above, the BUYER shall nevertheless waive its right to comment on the plans and drawings if such plans and drawings have been previously applied to build other vessels with the same specification as that of the VESSEL.

Concurrently with the arrival of the Supervisor at the BUILDER's Shipyard, the BUYER shall notify the BUILDER in writing, stating the authority which the said Supervisor shall have, with regard to the Supervisor can, on behalf of the BUYER, give comments, as the case may be, which of the plans and drawings specified in the LIST but not yet been sent to the BUYER, nevertheless in line with the Supervisor's authority. The Supervisor shall, within five (5) calendar days after receipt thereof, return those plans and drawings with comments, if any.

Unless notification is given to the BUILDER by the Supervisor or the BUYER of the comments to any plans and drawings within the above designated period of time for each case, the said plans and drawings shall be implemented for construction by the BUILDER.

3. SUPERVISION AND INSPECTION BY THE SUPERVISOR

The necessary inspection of the VESSEL, its machinery, equipment and outfittings shall be carried out by the Classification Society, and inspection team of the BUILDER throughout the entire period of construction in order to ensure that the construction of the VESSEL is duly performed in accordance with the Contract and Specifications.

The Supervisor shall have, at all times until delivery of the VESSEL, the right to attend tests according to the mutually agreed test list, review respective reports and inspect the VESSEL, her engines, accessories and materials at the BUILDER's Shipyard, its subcontractors or any other place where work is done or materials stored in connection with the VESSEL. In the event that the Supervisor discovers any construction or material or workmanship which does not or will not conform with the requirements of this Contract and the Specifications, the Supervisor shall promptly give the BUILDER a notice in writing as to such nonconformity, upon receipt of which the BUILDER shall correct such nonconformity if the BUILDER agrees with the BUYER. In any circumstances, the SELLER shall be entitled to proceed with the construction of the VESSEL even if there exists discrepancy in the opinion between the BUYER and the SELLER, without however prejudice to the BUYER’s right for submitting the issue for determination by the Classification Society or arbitration in accordance with the provisions hereof. If in such case the Classification Society or the arbitrator decides in favor of the BUYER, then the SELLER is obliged to correct the discrepancy at SELLER’s risk, time and expense. However, the BUYER undertakes and assures the SELLER that the Supervisor shall carry out his inspections in accordance with the agreed inspection procedure and schedule and usual shipbuilding practice and in a way as to minimize any increase in building costs and delays in the construction of the VESSEL. Once an inspection and/or a test has been witnessed and approved by the BUYER`s Representatives and/or the Classification Society, the same inspection and/or test should not have to be repeated, provided it has been carried out in compliance with the requirements of the classification society and Specifications.

The BUILDER agrees to furnish free of charge the Supervisor with office space, and other reasonable facilities according to BUILDER's practice at, or in the immediate vicinity of the BUILDER's Shipyard. But the fees for the communication like telephone, telefax, international internet communication and telex, etc. shall be borne by the BUYER. At all times, during the construction of the VESSEL until delivery thereof, the Supervisor shall be given free and ready access to the VESSEL, her engines and accessories, and to any other place where the work is being done, or the materials are being processed or stored, in connection with the construction of the VESSEL, including the yards, workshops, stores of the BUILDER, and the premises of subcontractors of the BUILDER, who are doing work, or storing materials in connection with the VESSEL's construction. The travel expenses for the said access to SELLER's subcontractors outside of Shanghai shall be at BUYER's account. The transportation, of any nature whatsoever, shall be provided to the Supervisor by the BUYER. The transportation within Shanghai shall be provided to the Supervisor by the SELLER.

Should the Supervisor fail to conduct any inspection or attend any test (after notice by the BUILDER of the same) due to whatever reason, the BUILDER shall be entitled to carry out the construction and/or test without inspection and/or attendance of Supervisor and such work so carried out shall be treated as approved by the Supervisor.

4. LIABILITY OF THE SELLER

The Supervisor engaged by the BUYER under this Contract shall at all times be deemed to be in the employ of the BUYER. The SELLER shall be under no liability whatsoever to the BUYER, or to the Supervisor or the BUYER's employees or agents for personal injuries, including death, during the time when they, or any of them, are on the VESSEL, or within the premises of either the SELLER or its subcontractors, or are otherwise engaged in and about the construction of the VESSEL, unless, however, such personal injuries, including death, were caused by gross negligence of the SELLER, or of any of the SELLER's employees or agents or subcontractors of the SELLER. Nor shall the SELLER be under any liability whatsoever to the BUYER for damage to, or loss or destruction of property in China of the BUYER or of the Supervisor, or of the BUYER's employees or agents, unless such damage, loss or destruction was caused by gross negligence of the SELLER, or of any of the employees, or agents or subcontractors of the SELLER.

5. SALARIES AND EXPENSES

All salaries and expenses of the Supervisor, or any other employees employed by the BUYER under this Article, shall be for the BUYER's account.

6. REPLACEMENT OF SUPERVISOR

The SELLER has the right to request the BUYER in writing to replace any of the Supervisor who is deemed unsuitable and unsatisfactory for the proper progress of the VESSEL's construction together with reasons. The BUYER shall investigate the situation by sending its representative to the BUILDER's Shipyard, if necessary, and if the BUYER considers that such SELLER's request is justified, the BUYER shall effect the replacement as soon as conveniently arrangeable.

ARTICLE V MODIFICATION, CHANGES AND EXTRAS

1. HOW EFFECTED

The Specifications and Plans in accordance with which the VESSEL is constructed, may be modified and/or changed at any time hereafter by written agreement of the parties hereto, provided that such modifications and/or changes or an accumulation thereof will not, in the BUILDER's reasonable judgment, adversely affect the BUILDER's other commitments and provided further that the BUYER shall agree to adjustment of the Contract Price, time of delivery of the VESSEL and other terms of this Contract, if any, as hereinafter provided. Subject to the above, the SELLER hereby agree to exert their best efforts to accommodate such reasonable requests by the BUYER so that the said changes and/or modifications may be made at a reasonable cost and within the shortest period of time which is reasonable and possible. Any such agreement for modifications and/or changes shall include an agreement as to the increase or decrease, if any, in the Contract Price of the VESSEL together with an agreement as to any extension or reduction in the time of delivery, providing to the SELLER additional securities satisfactory to the SELLER, or any other alterations in this Contract, or the Specifications occasioned by such modifications and/or changes. The aforementioned agreement to modify and/or to change the Specifications may be effected by an exchange of letters or e-mail, manifesting such agreement. The letters or e-mails exchanged by the parties hereto pursuant to the foregoing shall constitute an amendment of the Specifications under which the VESSEL shall be built, and such letters or e-mails shall be deemed to be incorporated into this Contract and the Specifications by reference and made a part hereof. Upon consummation of the agreement to modify and/or to change the Specifications, the SELLER shall alter the construction of the VESSEL in accordance therewith, including any additions to, or deductions from, the work to be performed in connection with such construction. If due to whatever reasons, the parties hereto fail to agree on the adjustment of the Contract Price or extension of time of delivery or providing additional security to the SELLER or modification of any terms of this Contract which are necessitated by such modifications and/or changes, then the SELLER shall have no obligation to comply with the BUYER's request for any modification and/or changes.

The BUILDER may make minor changes to the Specifications, if found necessary for introduction of improved production and construction methods or otherwise, provided that the BUILDER shall first obtain the BUYER’s approval which shall not be unreasonably withheld.

2. CHANGES IN RULES AND REGULATIONS, ETC.

(1) If, after the date of signing of this Contract, any requirements as to the rules and regulations as specified in this Contract and the Specifications to which the construction of the VESSEL is required to conform, are altered or changed by the Classification Society or the other regulatory bodies authorized to make such alterations or changes, the SELLER and/or the BUYER, upon receipt of the notice thereof, shall exchange such information in full with each other in writing, whereupon within twenty-one (21) calendar days after receipt of the said notice by the BUYER from the SELLER or vice versa, the BUYER shall instruct the SELLER in writing as to the alterations or changes, if any, to be made in the VESSEL which the BUYER, in its sole discretion, shall decide. The SELLER shall promptly comply with such alterations or changes, if any in the construction of the VESSEL, provided that the BUYER shall first agree:

(a) As to any increase or decrease in the Contract Price of the VESSEL that is occasioned by the cost for such compliance; and/or

(b) As to any extension in the time for delivery of the VESSEL that is necessary due to such compliance; and/or

(c) As to any increase or decrease in the guaranteed deadweight, fuel consumption and speed of the VESSEL, if such compliance results in increased or reduced deadweight, fuel consumption and speed; and/or

(d) As to any other alterations in the terms of this Contract or of Specifications or both, if such compliance makes such alterations of the terms necessary.

(e) If the price is to be increased, then, in addition, as to providing to the SELLER additional securities satisfactory to the SELLER.

Agreement as to such alterations or changes under this Paragraph shall be made in the same manner as provided above for modifications and/or changes of the Specifications and/or Plans.

(2) If, due to whatever reasons, the parties fail to agree on the adjustment of the Contract Price or extension of the time for delivery or increase or decrease of the guaranteed speed, fuel consumption and deadweight or providing additional security to the SELLER or any alternation of the terms of this Contract, if any, then, provided that the alterations or changes are not compulsory, the SELLER shall be entitled to proceed with the construction of the VESSEL in accordance with, and the BUYER shall continue to be bound by, the terms of this Contract and Specifications without making any such alterations or changes.

If the alterations or changes are compulsorily required to be made by Class or IMO rules, then, notwithstanding any dispute between the Parties relating to the adjustment of the Contract Price or extension of the time for delivery or decrease of the guaranteed speed and deadweight or increase fuel oil consumption or any other respect, the SELLER may, at its sole judgment, comply with such alterations or changes. The BUYER shall, in any event, bear the costs and expenses for such alterations or changes (with, in the absence of mutual agreement, the amount thereof and/or any other discrepancy such as but not limited to the extension of Delivery Date, etc. to be determined by arbitration in accordance with Article XIII of this Contract).

3. SUBSTITUTION OF MATERIALS AND/OR EQUIPMENT

In the event that any of the materials and/or equipment required by the Specifications or otherwise under this Contract for the construction of the VESSEL cannot be procured in time to effect delivery of the VESSEL, the SELLER may, provided the SELLER shall provide adequate evidence and the BUYER so agrees in writing, supply other materials and/or equipment of the equivalent quality, capable of meeting the requirements of the Classification Society and of the rules, regulations, requirements and recommendations with which the construction of the VESSEL must comply.

4. BUYER'S SUPPLIED ITEMS

The BUYER shall deliver to the SELLER at its shipyard the items as specified in the Specifications which the BUYER shall supply on BUYER’s account (hereinafter called the “BUYER's Supplied Items”) by the time designated by the SELLER.

Should the BUYER fail to deliver to the BUILDER such BUYER's Supplied Items within the time specified, the delivery of the VESSEL shall automatically be extended for a period of such delay, provided such delay in delivery of the BUYER's Supplied Items shall affect the delivery of the VESSEL. In such event, the BUYER shall pay to the SELLER all losses and damages sustained by the SELLER due to such delay in the delivery of the BUYER's Supplied Items and such payment shall be made upon delivery of the VESSEL.

Furthermore, if the delay in delivery of the BUYER's Supplied Items should exceed fifteen (15) calendar days, the SELLER shall be entitled to proceed with construction of the VESSEL without installation of such items in or onto the VESSEL, without prejudice to the SELLER's right hereinabove provided, and the BUYER shall accept the VESSEL so completed.

The BUILDER shall be responsible for storing and handling of the BUYER's Supplied Items as specified in the Specifications after delivery to the BUILDER at no cost and shall install them on board the VESSEL at the BUILDER's expenses. In order to facilitate installation by the BUILDER of the BUYER's Supplied Items in or on the VESSEL, the BUYER shall furnish the BUILDER with the necessary specifications, plans, drawings, instruction books, manuals, test reports and certificates required by the rules and regulations of the Specifications. If so requested by the BUILDER, the BUYER shall, without any charge to the BUILDER, cause the representatives of the manufacturers of the BUYER's Supplied Items to assist the BUILDER in installation thereof in or on the VESSEL and/or to carry out installation thereof by themselves or to make necessary adjustments at the Shipyard.

Any and all of BUYER's Supplied Items shall be subject to the BUILDER's reasonable right of rejection, as and if they are found to be unsuitable or in improper condition for installation.

Upon arrival of such shipment of the BUYER's Supplied Items, both parties shall undertake a joint unpacking inspection. If any damages are found to be not suitable for installation, the BUILDER shall be entitled to refuse to accept the BUYER's Supplied Items.

ARTICLE VI TRIALS

1. NOTICE

The BUYER and the Supervisor shall receive from the SELLER at least fifteen (15) calendar days notice in advance and seven (7) calendar days definite notice in advance in writing or by e-mail of the time and place of the VESSEL's sea trial as described in the Specifications (hereinafter referred to as "the Trial Run") and the BUYER and the Supervisor shall promptly acknowledge receipt of such notice. The BUYER's representatives and/or the Supervisor shall be on board the VESSEL to witness such Trial Run, and to check upon the performance of the VESSEL during the same. Failure of the BUYER's representatives to be present at the Trial Run of the VESSEL, after due notice to the BUYER and the Supervisor as provided above, shall have the effect to extend the date for delivery of the VESSEL by the period of delay caused by such failure. However, if the Trial Run is delayed more than seven (7) calendar days by reason of the failure of the BUYER's representatives to be present after receipt of due notice as provided above, then in such event, the BUYER shall be deemed to have waived its right to have its representatives on board the VESSEL during the Trial Run, and the BUILDER may conduct such Trial Run without the BUYER's representatives being present, and in such case the BUYER shall be obliged to accept the VESSEL on the basis of a certificate jointly signed by the BUILDER and the Classification Society certifying that the VESSEL, after Trial Run subject to minor alterations and corrections as provided in this Article, if any, is found to conform to the Contract and Specifications. Subject to the SELLER not being hindered to apply for invitation letter e.g. due to COVID-19 related restrictions or government’s regulations, the SELLER agrees to apply for the necessary invitation letter(s) for the BUYER’S REPRESENTATIVES and/or crew officers to enter China will be issued in order on demand and without delay otherwise the Trial Run shall be postponed until after the BUYER's representatives have arrived at the BUILDER's Shipyard and any delays as a result thereof shall not count as a permissible delay under Article VIII thereof. However, should the nationalities and other personal particulars of the BUYER's representatives be not acceptable to the SELLER in accordance with its best understanding of the relevant rules, regulations and/or Laws of the People's Republic of China then prevailing, then the BUYER shall, on the SELLER's e-mail demand, effect replacement of all or any of them immediately. Otherwise the Delivery Date as stipulated in Article VII hereof shall be extended by the delays so caused by the BUYER. In the event of unfavorable weather on the date specified for the Trial Run, the same shall take place on the first available day thereafter that the weather conditions permit. The parties hereto recognize that the weather conditions in Chinese waters in which the Trial Run is to take place are such that great changes in weather may arise momentarily and without warning and, therefore, it is agreed that if during the Trial Run of the VESSEL, the weather should suddenly become unfavorable, as would have precluded the continuance of the Trial Run, the Trial Run of the VESSEL shall be discontinued and postponed until the first favorable day next following, unless the BUYER shall assent by e-mail of its acceptance of the VESSEL on the basis of the Trial Run made prior to such sudden change in weather conditions. In the event that the Trial Run is postponed because of unfavorable weather conditions, such delay shall be regarded as a permissible delay, as specified in Article VIII hereof.

2. HOW CONDUCTED

(a) All expenses in connection with Trial Run of the VESSEL are to be for the account of the BUILDER, who, during the Trial Run and when subjecting the VESSEL to Trial Run, is to provide, at its own expense, the necessary crew to comply with conditions of safe navigation. The Trial Run shall be conducted in the manner prescribed in the Specifications and shall prove fulfillment of the performance required for the Trial Run as set forth in the Specifications.

The course of Trial Run shall be determined by the BUILDER and shall be conducted within the trial basin equipped with speed measuring facilities.

(b) The BUILDER shall provide the VESSEL with and pay for the required quantities of water and fuel oil with exception of lubrication oil, greases and hydraulic oil which shall be supplied by the BUYER for the conduct of the Trial Run or Trial Runs as prescribed in the Specifications. The fuel oil supplied by the SELLER, and lubricating oil , greases and hydraulic oil supplied by the BUYER shall be in accordance with the applicable engine specifications, and the cost of the quantities of water, fuel oil, lubricating oil, hydraulic oil and greases consumed during the Trial Run or Trial Runs shall be for the account of the SELLER.

3. TRIAL LOAD DRAFT

In addition to the supplies provided by the BUYER in accordance with sub-paragraph (b) of the preceding Paragraph 2 hereof, the BUILDER shall provide the VESSEL with the required quantity of fresh water and other stores necessary for the conduct of the Trial Run. The necessary ballast (fresh and sea water and such other ballast as may be required) to bring the VESSEL to the trial load draft as specified in the Specifications, shall be for the BUILDER's account.

4. METHOD OF ACCEPTANCE OR REJECTION

(a) Upon notification of the BUILDER of the completion of the Trial Run of the VESSEL, the BUYER or the BUYER's Supervisor shall within six (6) calendar days thereafter, notify the BUILDER by e-mail of its acceptance of the VESSEL or of its rejection of the VESSEL together with the reasons therefor.

(b) However, should the result of the Trial Run indicate that the VESSEL or any part thereof including its equipment does not conform to the requirements of this Contract and Specifications, then the BUILDER shall investigate with the Supervisor the cause of failure and the proper steps shall be taken to remedy the same and shall make whatever corrections and alterations and/or re-Trial Run or Runs as may be necessary without any extra cost to the BUYER, and upon notification by the BUILDER of completion of such alterations or corrections and/or re-trial or re-trials, the BUYER shall, within six (6) calendar days thereafter, notify the SELLER by e-mail of its acceptance of its VESSEL or of the rejection of the VESSEL together with the reason therefor on the basis of the alterations and corrections and/or re-trial or re-trials by the BUILDER.

(c) In the event that the BUYER fails to notify the SELLER by e-mail of its acceptance or rejection of the VESSEL together with the reason therefor within six (6) days period as provided for in the above sub- paragraphs (a) and (b), the BUYER shall be deemed to have accepted the VESSEL.

(d) Any dispute arising among the parties hereto as to the result of any Trial Run or further tests or trials, as the case may be, of the VESSEL shall be solved by reference to arbitration as provided in Article XIII hereof.

(e) Nothing herein shall preclude the BUYER from accepting the VESSEL with its qualifications and/or remarks following the Trial Run and/or further tests or trials as aforesaid and the SELLER shall be obliged to comply with and/or remove such qualifications and/or remarks (if such qualifications and/or remarks are acceptable to the SELLER) at the time before effecting delivery of the VESSEL to the BUYER under this Contract.

5. DISPOSITION OF SURPLUS CONSUMABLE STORES

Should any amount of fuel oil, fresh water, or other unbroached consumable stores furnished by the BUILDER for the Trial Run or Trial Runs remain on board the VESSEL at the time of acceptance thereof by the BUYER, the BUYER agrees to buy the same from the SELLER at the actual price invoiced to the SELLER by the respective supplier evidenced by the corresponding purchase invoices, and payment by the BUYER shall be effected as provided in Article II 3 (e) and 4 (e) of this Contract.

The BUYER shall supply lubricating oil, greases and hydraulic oil for the purpose of Trial Runs at its own expenses and the SELLER will reimburse the BUYER for the amount of lubricating oil and hydraulic oil actually consumed for the said Trial Run or Trial Runs at the original price incurred by the BUYER evidenced by the corresponding purchase invoices and payment by the SELLER shall be deducted from the 5th installment of the Contract Price as provided in Article II 3(e) and 4(e) of this Contract.

6. EFFECT OF ACCEPTANCE

The BUYER's acceptance of the VESSEL by letter or e-mail notification sent to the SELLER, in accordance with the provisions set out above, shall be final and binding so far as conformity of the VESSEL to this Contract and the Specifications is concerned, and shall preclude the BUYER from refusing formal delivery by the SELLER of the VESSEL, as hereinafter provided, if the SELLER complies with all other procedural requirements for delivery as hereinafter set forth.

If, at the time of delivery of the VESSEL, there are deficiencies in the VESSEL, such deficiencies should be resolved in such way that if the deficiencies are of minor importance, and do not in any way affect the safety or the operation of the VESSEL, its crew, passengers or cargo the SELLER shall be nevertheless entitled to tender the VESSEL for delivery and the BUYER shall be nevertheless obliged to take delivery of the VESSEL, provided that:

i) the SELLER shall for its own account remedy the deficiency and fulfil the requirements as soon as possible, or

ii) if elimination of such deficiencies will affect timely delivery of the VESSEL, then the SELLER shall indemnify the BUYER for any direct cost reimbursement in association with remedying these minor non-conformities elsewhere from China as a consequence thereof, excluding, however, loss of time and/or loss of profit.)

ARTICLE VII DELIVERY

1. TIME AND PLACE

The VESSEL shall be delivered safely afloat by the SELLER to the BUYER at the BUILDER's Shipyard, in accordance with the Specifications and with all Classification and Statutory Certificates and after completion of Trial Run (or, as the case may be, re-Trial or re-Trials) and acceptance by the BUYER in accordance with the provisions of Article VI hereof on or before April 30, 2026 provided that, in the event of delays in the construction of the VESSEL or any performance required under this Contract due to causes which under the terms of the Contract permit extension or postponement of the time for delivery, the aforementioned time for delivery of the VESSEL shall be extended accordingly.

The aforementioned date or such later date to which delivery is extended pursuant to the terms of this Contract is hereinafter called the "Delivery Date".

2. WHEN AND HOW EFFECTED

Provided that the BUYER and the SELLER shall each have fulfilled all of their respective obligations as stipulated in this Contract, delivery of the VESSEL shall be effected forthwith by the concurrent delivery by each of the parties hereto, one to the other, of the Protocol of Delivery and Acceptance, acknowledging delivery of the VESSEL by the SELLER and acceptance thereof by the BUYER, which Protocol shall be prepared in triplicate and executed by each of the parties hereto.

3. DOCUMENTS TO BE DELIVERED TO THE BUYER

Upon acceptance of the VESSEL by the BUYER, the SELLER shall deliver to the BUYER the following documents (subject to the provision contained in Article VII hereof) which shall accompany the aforementioned Protocol of Delivery and Acceptance:

(a) PROTOCOL OF TRIALS of the VESSEL made by the BUILDER pursuant to the Specifications.

(b) PROTOCOL OF INVENTORY of the equipment of the VESSEL including spare part and the like, all as specified in the Specifications, made by the BUILDER.

(c) PROTOCOL OF STORES OF CONSUMABLE NATURE made by the BUILDER referred to under Paragraph 5 of Article VI hereof.

(d) FINISHED DRAWINGS AND PLANS pertaining to the VESSEL as stipulated in the Specifications, made by the BUILDER.

(e) PROTOCOL OF DEADWEIGHT AND INCLINING EXPERIMENT, made by the BUILDER

(f) ALL CERTIFICATES required to be furnished upon delivery of the VESSEL pursuant to the Specifications each free of conditions, recommendations, restrictions and qualifications whatsoever (except for the conditions, recommendations, restrictions and qualifications which are due to reasons attributable to the BUYER).

Certificates shall be issued by relevant Authorities or classification Society. The VESSEL shall comply with the above rules and regulations which are in force at the time of signing this Contract. All the certificates shall be delivered in one (1) original to the VESSEL and two (2) copies to the BUYER.

If the full term certificate or certificates are unable to be issued at the time of delivery by the Classification Society or any third party other than the BUILDER, then the provisional certificate or certificates as issued by The Classification Society or the third party other than the BUILDER with the full term certificates to be furnished by the BUILDER after delivery of the VESSEL and in any event before the expiry of the provisional certificates shall be acceptable to the BUYER.

(g) DECLARATION OF WARRANTY issued by the SELLER that the VESSEL is delivered to the BUYER free and clear of any liens, charges, claims, mortgages, or other encumbrances upon the BUYER's title thereto, and in particular, that the VESSEL is absolutely free of all burdens in the nature of imposts, taxes or charges imposed by the province or country of the port of delivery, as well as of all liabilities of the SELLER to its sub-contractors, employees and crews and/or all liabilities arising from the operation of the VESSEL in Trial Run or Trial Runs, or otherwise, prior to delivery.

(h) COMMERCIAL INVOICE made by the SELLER.

(i) BILL OF SALE made by the SELLER.

(j) BUILDER's Certificate made by the BUILDER.

(k) Non-Registration Certificate made by the SELLER.

4. TITLE AND RISK

Title to and risk of the VESSEL shall pass to the BUYER only upon delivery thereof. As stated above, it being expressly understood that, until such delivery is effected, title to the VESSEL, and her equipment, shall remain at all times with the SELLER and are at the entire risk of the SELLER.

5. REMOVAL OF VESSEL

The BUYER shall take possession of the VESSEL immediately upon delivery and acceptance thereof, and shall remove the VESSEL from the premises of the BUILDER within seven (7) calendar days after delivery and acceptance thereof is effected. If the BUYER shall not remove the VESSEL from the premises of the BUILDER within the aforesaid seven (7) calendar days, then, in such event, without prejudice to the SELLER's right to require the BUYER to remove the VESSEL immediately at any time thereafter, the BUYER shall pay to the SELLER the reasonable mooring charge of the VESSEL.

6. TENDER OF THE VESSEL

If the BUYER fails to take delivery of the VESSEL after completion thereof according to this Contract and the Specifications without justified reason, the SELLER shall have the right to tender the VESSEL for delivery after compliance with all procedural requirements as above provided.

ARTICLE VIII DELAYS & EXTENSION OF TIME FOR DELIVERY

1. CAUSE OF DELAY

If, at any time before actual delivery, either the construction of the VESSEL, or any performance required hereunder as a prerequisite of delivery of the VESSEL, is delayed due to war, blockade, revolution, insurrection, mobilization, civil commotions, riots, strikes, sabotage, lockouts, local temperature higher than 35 degree centigrade, Acts of God or the public enemy, terrorism, plague or other epidemics, quarantines, prolonged failure or restriction of electric current from an outside source, freight embargoes, if any, earthquakes, tidal waves, typhoons, hurricanes, storms or other causes beyond the control of the BUILDER or of its sub-contractors or its key equipment suppliers (i.e. main engine, propeller, gearbox etc), as the case may be, or by force majeure of any description, whether of the nature indicated by the forgoing or not, or by destruction of the BUILDER or works of the BUILDER or its sub-contractors or its key equipment suppliers (i.e. main engine, propeller, gearbox etc), or of the VESSEL or any part thereof, by fire, flood, or other causes beyond the control of the SELLER or its sub-contractors or its key equipment suppliers (i.e. main engine, propeller, gearbox etc) as the case may be, or due to the bankruptcy of the equipment and/or material supplier or suppliers (i.e. main engine, propeller, gearbox etc), or due to the delay caused by acts of God in the supply of parts essential to the construction of the VESSEL, then, in the event of delay due to the happening of any of the aforementioned contingencies, the SELLER shall not be liable for such delay and the time for delivery of the VESSEL under this Contract shall be extended without any reduction in the Contract Price for a period of time which shall not exceed the total accumulated time of all such delays, subject nevertheless to the BUYER's right of cancellation under Paragraph 3 of this Article and subject however to all relevant provisions of this Contract which authorize and permit extension of the time of delivery of the VESSEL.

2. NOTICE OF DELAY

Within seven (7) calendar days from the date of commencement of any delay on account of which the SELLER claims that it is entitled under this Contract to an extension of the time for delivery of the VESSEL, the SELLER shall advise the BUYER by e-mail, of the date such delay commenced, and the reasons therefor.

Likewise within seven (7) calendar days after such delay ends, the SELLER shall advise the BUYER in writing or by letter or e-mail, of the date such delay ended, and also shall specify the maximum period of the time by which the date for delivery of the VESSEL is extended by reason of such delay. Failure of the BUYER to acknowledge the SELLER's notification of any claim for extension of the Delivery Date within seven (7) calendar days after receipt by the BUYER of such notification, shall be deemed to be a waiver by the BUYER of its right to object to such extension. Such acknowledgement shall not constitute BUYER's acceptance to the extension claimed by the SELLER under this clause.

3. RIGHT TO CANCEL FOR EXCESSIVE DELAY

If the total accumulated time of all delays on account of the causes specified in Paragraph 1 of the Article aggregate to Two Hundred and Ten (210) calendar days or more, or if the total accumulated time of all delays on account of the causes specified in Paragraph 1 of the Article and non-permissible delays as described in Paragraph 1 of Article III aggregate to Two Hundred and Forty (240) calendar days or more, in any circumstances, excluding delays due to arbitration as provided for in Article XIII hereof or due to default in performance by the BUYER, or due to delays in delivery of the BUYER's Supplied Items, and excluding delays due to causes which, under Article V, VI, XI and XII hereof, permit extension or postponement of the time for delivery of the VESSEL, then in such event, the BUYER at any time thereafter in accordance with the provisions set out herein rescind or cancel this Contract by serving upon the SELLER notice of cancellation or rescission by letter or email and the provisions of Article X of this Contract shall apply. The SELLER may, at any time, after the accumulated time of the aforementioned delays justifying cancellation by the BUYER as above provided for, demand in writing that the BUYER shall make an election, in which case the BUYER shall, within thirty (30) calendar days after such demand is received by the BUYER either notify the SELLER of its intention to cancel, or consent to an extension of the time for delivery to an agreed future date, it being understood and agreed by the parties hereto that, if any further delay occurs on account of causes justifying cancellation as specified in this Contract, the BUYER shall have the same right of cancellation upon the same terms as hereinabove provided.

4. DEFINITION OF PERMISSIBLE DELAY

Delays on account of such causes as provided for in Paragraph 1 of this Article excluding any other extensions of a nature which under the terms of this Contract permit postponement of the Delivery Date, shall be understood to be (and are herein referred to as) permissible delays, and are to be distinguished from non-permissible delays on account of which the Contract Price of the VESSEL is subject to adjustment as provided for in Article III hereof.

ARTICLE IX WARRANTY OF QUALITY

1. 1. GUARANTEE OF MATERIAL AND WORKMANSHIP

Subject to the provisions hereinafter set forth, the SELLER undertake to remedy, free of charge to the Buyer, any defects in the VESSEL which are due to defective materials including major and minor equipment and/or poor workmanship on the part of the SELLER provided that (a) defects are discovered within a period of twelve (12) months after the date of delivery of the VESSEL and a notice thereof is duly given to the Seller as provided under Paragraph 2 of this Article; and (b) such defects have not been caused by perils of the sea, rivers or navigation, or by ordinary wear and tear, overload, improper loading or stowage, corrosion of the materials if caused by the BUYER's, fire, accident, incompetence, mismanagement, negligence or willful neglect or by alteration or addition by the BUYER not previously approved by the SELLER.

For the purpose of this Article, the VESSEL shall include her hull, machinery, equipment and gear, but excludes any parts of the VESSEL which have been supplied by or on behalf of the BUYER.

2. NOTICE OF DEFECTS

The BUYER shall notify the SELLER by telefax or e-mail of any defects for which a claim is made under this guarantee as promptly as possible after discovery thereof. The BUYER's written notice shall describe the nature and the extent of the defect. The SELLER shall have no obligation for any defects discovered prior to the expiry date of the said twelve (12) months period, unless notice of such defects is received by the SELLER no later than five (5) Banking Days after such expiry date. An email containing brief details of the nature of such defect sent by the BUYER to the SELLER within five (5) Banking Days after such expiry date will be sufficient compliance with the requirements as to time.

3. REMEDY OF DEFECTS

(a) The SELLER shall remedy, at its expense, any defects, against which the VESSEL is guaranteed under this Contract, by making all necessary repairs and/or replacements at the Shipyard or elsewhere as provided for in 3(b) below. In either case whether all necessary repairs or replacements are performed by the SELLER at its shipyard or elsewhere as provided for in 3(b) below, the SELLER shall not be responsible for towage, dockage, wharfage, port charges and anything else incurred for the Buyer's getting and keeping the VESSEL ready for such repairing and replacing.

Any parts or material so repaired or replaced by the SELLER according to this Article shall be guaranteed for a further six (6) months period starting from completion of relevant repair or replacement provided that the maximum period of guarantee shall in any event not exceed eighteen (18) months from the date of delivery of the VESSEL.

(b) However, if it is impractical to make the repair by the SELLER, the BUYER shall cause without undue delay the necessary repairs or replacements to be made elsewhere which is deemed suitable for the purpose after mutual agreement between the Parties, provided that, in such event, the SELLER may forward or supply replacement parts or materials to the VESSEL, unless forwarding or supplying thereof to the VESSEL would impair or delay the operation or working schedule of the VESSEL, in the event that the BUYER proposes to cause the necessary repairs or replacements to be made to the VESSEL elsewhere, the BUYER shall first, but in all events as soon as possible, give the SELLER notice in writing of the time and place such repairs will be made, and if the VESSEL is not thereby delayed, or her operation or working schedule is not thereby impaired, the SELLER shall have the right to verify by its own representative(s) or representative(s) of Classification Society the nature and extent of the defects complained of. THE SELLER shall, in such cases, promptly advise the BUYER in writing, after such examination has been completed, of its acceptance or rejection of the defects as ones that are covered by the guarantee herein provided. Upon the SELLER's acceptance of the defects as justifying remedy under this Article, the SELLER shall immediately pay by telegraphic transfer to the BUYER for such repairs or replacements a sum equal to the lower figure of (i) the actual cost for such repairs or replacements including forwarding charges; and (ii) the average quotes for making similar repairs or replacements including forwarding charges as quoted by three leading shipyards at or in the vicinity of the port of the repairs or replacements.

(c) In any case, the BUYER shall, at its cost and responsibility, bring the VESSEL to the place elected for repairs and replacements, and cause the VESSEL to be ready in all respects for such repairs and replacements.

(d) Any dispute under this Article shall be referred to arbitration in accordance with the provisions of Article XIII hereof.

4. Extent of SELLER's Responsibility:

(a) The SELLER shall have no responsibility or liability for any other defects whatsoever in the VESSEL other than the defects specified in paragraph 1 of this Article. The SELLER shall neither be responsible or liable for any consequential or special losses, damages or expenses, nor be responsible for any losses, damages or expenses including but not limited to any loss of time, loss of use, loss of profit, loss of earnings or demurrage, damage to the VESSEL caused by the defects specified in paragraph 1 of this Article, regardless of whether the aforesaid losses, damages or expenses are directly or indirectly occasioned to the BUYER by reason of the defects specified in paragraph 1 of this Article or due to repairs or other works done the VESSEL to remedy such defects.

(b) The SELLER shall not be responsible for any defects in any part of the VESSEL which subsequent to delivery of the VESSEL have been replaced or in any way repaired by any other contractor not appointed by the SELLER, or for any defects which have been caused or aggravated by mismanagement, accident, negligence, omission, willful neglect or improper use and maintenance of the VESSEL on the part of the BUYER, its servants or agents or by perils of sea or river, or navigation, or fire or accidents at sea or elsewhere or by ordinary wear and tear or by any other circumstances whatsoever beyond the control of the SELLER.

(c)The SELLER’s liability provided for in this Article shall be limited to the repairs and replacements as provided for in 3(a) above. The guarantee contained as hereinabove in this Article replaces and excludes any other liability, guarantee, warranty and/or condition imposed or implied by the law, customary, statutory or otherwise, by reason of the construction and sale of the VESSEL by the SELLER for and to the BUYER. The guarantee contained in this Article shall not be extended, altered or varied except by a written instrument signed by the duly authorized representatives of the SELLER and the BUYER.

(d)Upon delivery of the VESSEL to the BUYER, the SELLER shall thereby and thereupon be released from any and all liability whatsoever and howsoever arising out of the Contract and/or the law, customary, statutory or otherwise, by reason of the construction and sale of the VESSEL by the SELLER for and to the BUYER (save for the SELLER's obligations to remedy defects in accordance with this Article).

ARTICLE X CANCELLATION, REJECTION AND RESCISSION BY THE BUYER

1. All payments made by the BUYER prior to the delivery of the VESSEL shall be in the nature of advance to the SELLER. In the event the BUYER shall exercise its right of cancellation and/or rescission of this Contract under and pursuant to any of the provisions of this Contract specifically permitting the BUYER to do so, then the BUYER shall notify the SELLER in writing or by e-mail, and such cancellation and/or rescission shall be effective as of the date the notice thereof is received by the SELLER.

2. Thereupon the SELLER shall refund in United States dollars within thirty (30) business days immediately after cancellation and/or rescission of the Contract to the BUYER the full amount of all installments and sums already paid by the BUYER to the SELLER on account of the VESSEL, unless the SELLER disputes the BUYER's cancellation and/or rescission by commencing arbitration procedures in accordance with Article XIII. If the BUYER's cancellation or rescission of this Contract is disputed by the SELLER by instituting arbitration as aforesaid, then no refund shall be made by the SELLER, and the BUYER shall not be entitled to demand repayment from SELLER’s Bank under its guarantee, until the arbitration award between the BUYER and the SELLER or, in case of appeal or appeals by the SELLER on the arbitration award or any court orders, by the final court order, which shall be in favour of the BUYER, declaring the BUYER's cancellation and/or rescission justified, is made and delivered to the SELLER by the arbitration tribunal. In the event of the SELLER is obligated to make refund, the SELLER shall pay the BUYER interest in United States Dollars at the rate of Five percent (5%), if the cancellation or rescission of the Contract is exercised by the BUYER in accordance with the provision of Article III 1(c), 2(c), 3(c) or 4(c) hereof, on the amount required herein to be refunded to the BUYER computed from the respective dates when such sums were received by SELLER’s bank pursuant to Article II 4(b), 4(c) or 4(d) from the BUYER to the date of remittance by telegraphic transfer of such refund to the BUYER by the SELLER, provided, however, that if the said rescission by the BUYER is made under the provisions of Paragraph 3 of Article VIII or Paragraph 2 (b) of Article XII, then in such event the SELLER shall not be required to pay any interest.

   In case of BUYER’s cancellation and/or rescission of this contract and pursuant to any of the provisions of this Contract specifically permitting the BUYER to do so, the SELLER shall also return all Buyers' Supplies to the BUYER, or if they cannot be returned, the SELLER shall pay to the BUYER an amount equal to the BUYER's costs for such equipment.

3. Upon such refund by the SELLER to the BUYER, all obligations, duties and liabilities of each of the parties hereto to the other under this Contract shall be forthwith completely discharged.

ARTICLE XI BUYER'S DEFAULT

1. DEFINITION OF DEFAULT

The BUYER shall be deemed in default of its obligation under the Contract if any of the following events occurs:

(a) The BUYER fails to pay the First, Second, Third or Fourth installment to the SELLER when any such installment becomes due and payable under the provisions of this Contract and of Article II hereof and provided the BUYER shall have received the SELLER's demand for payment in accordance with Article II hereof; or

(b) The BUYER fails to deliver to the SELLER an irrevocable and unconditional Letter of Guarantee to be issued by the Payment Guarantor within the time specified in accordance with Paragraph 6 of Article II hereof; or

(c) The BUYER fails to pay the fifth installment to the SELLER in accordance with the terms and conditions of this Contract and of Paragraph 3(e) and 4(e) of Article II hereof provided the BUYER shall have received the SELLER's demand for payment in accordance with Article II hereof; or

(d) The BUYER fails to take delivery of the VESSEL, when the VESSEL is ready and tendered for delivery according to the terms of this Contract for delivery by the SELLER under the provisions of this Contract and of Article VII hereof.

2. NOTICE OF DEFAULT

If the BUYER is in default of payment or in performance of its obligations as provided hereinabove, the SELLER shall notify the BUYER to that effect by letter or e-mail after the date of occurrence of the default as per Paragraph 1 of this Article and the BUYER shall forthwith acknowledge by letter or e-mail to the SELLER that such notification has been received. In case the BUYER does not give the aforesaid letter or e-mail acknowledgment to the SELLER within three (3) calendar days it shall be deemed that such notification has been duly received by the BUYER.

3. INTEREST AND CHARGE

(a) If the BUYER is in default of payment as to any installment as provided in Paragraph 1 (a) and/or 1 (c) of this Article, the BUYER shall pay interest on such installment at the rate of Five percent (5%) per annum until the date of the payment of the full amount, including all aforesaid interest. In case the BUYER shall fail to take delivery of the VESSEL when required to as provided in Paragraph 1 (d) of this Article, the BUYER shall be deemed in default of payment of the fifth installment and shall pay interest thereon at the same rate as aforesaid from and including the day on which the VESSEL is tendered for delivery by the SELLER, as provided in Article VII Paragraph 7 hereof.

(b) In any event of default by the BUYER under 1 (a) or 1 (b) or 1 (c) or 1 (d) above, the BUYER shall also pay all reasonable direct costs, charges and expenses incurred by the SELLER in consequence of such default, but excluding any indirect or consequential losses, damages or expenses.

4. DEFAULT BEFORE DELIVERY OF THE VESSEL

(a) If any default by the BUYER occurs as defined in Paragraph 1 (a) or 1 (b) or 1 (c) or 1 (d) of this Article, the Delivery Date shall, at the SELLER's option, be postponed for a period of continuance of such default by the BUYER.

(b) If any such default as defined in Paragraph 1 (a) or 1 (b) or 1 (c) or 1 (d) of this Article committed by the BUYER continues for a period of fifteen (15) calendar days, then, the SELLER shall have all following rights and remedies:

(i) The SELLER may, at its option, cancel or rescind this Contract, provided the SELLER has notified the BUYER of such default pursuant to Paragraph 2 of this Article, by giving notice of such effect to the BUYER by e-mail. Upon receipt by the BUYER of such e-mail notice of cancellation or rescission, all of the BUYER's Supplies shall forthwith become the sole property of the SELLER, and the VESSEL and all its equipment and machinery shall be at the sole disposal of the SELLER for sale or otherwise; and

(ii) In the event of such cancellation or rescission of this Contract, the SELLER shall be entitled to retain any instalment or instalments of the Contract Price paid by the BUYER to the SELLER on account of this Contract; and

(iii) (Applicable to any BUYER's default defined in 1(a) of this Article) The SELLER shall, without prejudice to the SELLER's right to recover from the BUYER the 5th instalment, interest, costs and/or expenses by applying the proceeds to be obtained by sale of the VESSEL in accordance with the provisions set out in this Contract, have the right to declare all unpaid 1st, 2nd, 3rd and 4th instalments to be forthwith due and payable, and upon such declaration, the SELLER shall have the right to immediately demand the payment of the aggregate amount of all unpaid but due 1st, 2nd, 3rd and 4th instalments, as the case may be, from the Payment Guarantor in accordance with the terms and conditions of this Contract and of the Payment Guarantee issued by the Payment Guarantor.

5. SALE OF THE VESSEL

(a) In the event of cancellation or rescission of this Contract as above provided, the SELLER shall have full right and power either to complete or not to complete the VESSEL as it deems fit, and to sell the VESSEL at a public or private sale on such terms and conditions as the SELLER thinks fit without being answerable for any loss or damage occasioned to the BUYER thereby.

In the case of sale of the VESSEL, the SELLER shall give e-mail or written notice to the BUYER.

(b) In the event of the sale of the VESSEL in its completed state, the proceeds of sale received by the SELLER shall be applied firstly to payment of all expenses attending such sale and otherwise incurred by the SELLER as a result of the BUYER's default, and then to payment of all unpaid installments and/or unpaid balance of the Contract Price and interest on such installment at the interest rate as specified in the relevant provisions set out above from the respective due dates thereof to the date of application.

(c) In the event of the sale of the VESSEL in its incomplete state, the proceeds of sale received by the SELLER shall be applied firstly to all expenses attending such sale and otherwise incurred by the SELLER as a result of the BUYER's default, and then to payment of all costs of construction of the VESSEL (such costs of construction, as herein mentioned, shall include but are not limited to all costs of labour and/or prices paid or to be paid by CSTC and/or the BUILDER for the equipment and/or technical design and/or materials purchased or to be purchased, installed and/or to be installed on the VESSEL) and/or any fees, charges, expenses and/or royalties incurred and/or to be incurred for the VESSEL less the installments so retained by the SELLER, and compensation to the SELLER for a reasonable sum of loss of profit due to the cancellation or rescission of this Contract.

(d) In either of the above events of sale, if the proceed of sale exceeds the total of the amounts to which such proceeds are to be applied as aforesaid, the SELLER shall promptly pay the excesses to the BUYER without interest, provided, however that the amount of each payment to the BUYER shall in no event exceed the total amount of installments already paid by the BUYER and the cost of the BUYER's Supplied Items, if any.

(e) If the proceed of sale are insufficient to pay such total amounts payable as aforesaid, the BUYER shall promptly pay the deficiency to the SELLER upon request.

ARTICLE XII INSURANCE

1. EXTENT OF INSURANCE COVERAGE

From the time of keel-laying of the first section of the VESSEL until the same is completed, delivered to and accepted by the BUYER, the SELLER shall, at its own cost and expense, keep the VESSEL and all machinery, materials, equipment, appurtenances and outfit, delivered to the BUILDER for the VESSEL or built into, or installed in or upon the VESSEL, including the BUYER's Supplied Items, fully insured with Chinese insurance companies for BUILDER's RISK and at BUILDER's expense.

The amount of such insurance coverage shall, up to the date of delivery of the VESSEL, be in an amount at least equal to, but not limited to, the aggregate of the payments made by the BUYER to the SELLER including the value of maximum amount of US$ 400, 000.00 of the BUYER's Supplied Items. The policy referred to hereinabove shall be taken out in the name of the SELLER and all losses under such policy shall be payable to the SELLER.

2. APPLICATION OF RECOVERED AMOUNT

(a) Partial Loss:

In the event the VESSEL shall be damaged by any insured cause whatsoever prior to acceptance and delivery thereof by the BUYER and in the further event that such damage shall not constitute an actual or a constructive total loss of the VESSEL, the SELLER shall apply the amount recovered under the insurance policy referred to in Paragraph 1 of this Article to the repair of such damage satisfactory to the Classification Society and other institutions or authorities as described in the Specifications without additional expenses to the BUYER, and the BUYER shall accept the VESSEL under this Contract if completed in accordance with this Contract and Specifications and not make any claim for any consequential loss or depreciation.

(b) Total Loss:

However, in the event that the VESSEL is determined to be an actual or constructive total loss, the SELLER shall either:

(i) By the mutual agreement between the parties hereto, proceed in accordance with terms of this Contract, in which case the amount recovered under said insurance policy shall be applied to the reconstruction and/or repair of the VESSEL's damages and/or reinstallation of BUYER's Supplied Items , provided the parties hereto shall have first agreed in writing as to such reasonable extension of the Delivery Date and adjustment of other terms of this Contract including the Contract Price as may be necessary for the completion of such reconstruction; or

(ii) If due to whatever reasons the parties fail to agree on the above, then refund immediately to the BUYER the amount of all installments paid to the SELLER under this Contract without interest, whereupon this Contract shall be deemed to be canceled and all rights, duties, liabilities and obligations of each of the parties to the other shall terminate forthwith.

Within thirty (30) calendar days after receiving e-mail notice of any damage to the VESSEL constituting an actual or a constructive total loss, the BUYER shall notify the SELLER by e-mail of its agreement or disagreement under this sub-paragraph. In the event the BUYER fails to so notify the SELLER, then such failure shall be construed as a disagreement on the part of the BUYER. This Contract shall be deemed as rescinded and canceled and the Paragraph 2 (b) (ii) of this Article shall apply.

3. TERMINATION OF THE SELLER'S OBLIGATION TO INSURE

The SELLER's obligation to insure the VESSEL hereunder shall cease and terminate forthwith upon delivery thereof to and acceptance by the BUYER.

ARTICLE XIII DISPUTES AND ARBITRATION

1. PROCEEDINGS

In the event of any dispute between the parties hereto as to any matter arising out of or relating to this Contract or any stipulation herein or with respect thereto which cannot be settled by the parties themselves, such dispute shall be resolved by arbitration in London Maritime Arbitrators Association (“LMAA”) in London, England in accordance with English laws, the Arbitration Act 1996 of United Kingdom or any re-enactment or statutory modification thereof for the time being in force, and LMAA’s then prevailing arbitration rules. Either party may demand arbitration of any such disputes by giving written notice to the other party. Any demand for arbitration by either party hereto shall state the name of the arbitrator appointed by such party and shall also state specifically the question or questions as to which such party is demanding arbitration. Within twenty (20) days after receipt of notice of such demand for arbitration, the other party shall in turn appoint a second arbitrator. The two arbitrators thus appointed shall thereupon select a third arbitrator, and the three arbitrators so named shall constitute the board of arbitration (hereinafter called the "Arbitration Board") for the settlement of such dispute.

In the event however, that said other party should fail to appoint a second arbitrator as aforesaid within twenty (20) days following receipt of notice of demand of arbitration, it is agreed that such party shall thereby be deemed to have accepted and appointed as its own arbitrator the one already appointed by the party demanding arbitration, and the arbitration shall proceed forthwith before this sole arbitrator, who alone, in such event, shall constitute the Arbitration Board. And in the further event that the two arbitrators appointed respectively by the parties hereto as aforesaid should be unable to reach agreement on the appointment of the third arbitrator within twenty (20) days from the date on which the second arbitrator is appointed, either party of the said two arbitrators may apply to the President for the time being of the LMAA to appoint the third arbitrator. The award of the arbitration, made by the sole arbitrator or by the majority of the three arbitrators as the case may be, shall be final, conclusive and binding upon the parties hereto.

2. ALTERNATIVE ARBITRATION BY AGREEMENT

Notwithstanding the preceding provisions of this Article, it is recognized that in the event of any dispute or difference of opinion arising in regard to the construction of the VESSEL, her machinery and equipment, or concerning the quality of materials or workmanship thereof or thereon, such dispute may be referred to the Classification Society upon mutual written agreement of the parties hereto. In such case, the opinion of the Classification Society shall be final and binding on the parties hereto.

3. NOTICE OF AWARD

Notice of any award shall immediately be given in writing or by e-mail to the SELLER and the BUYER.

4. EXPENSES

The arbitrator(s) shall determine which party shall bear the expenses of the arbitration or the proportion of such expenses which each party shall bear.

5. AWARD OF ARBITRATION

Award of arbitration, shall be final and binding upon the parties concerned. Any right of appeal available under the English Laws is hereby expressly precluded and excluded by the Parties hereto.

6. ENTRY IN COURT

Judgment on the recognition of the enforceability of any arbitration award in a foreign country may be entered in any court of competent jurisdiction, where the award is to be enforced.

7. ALTERATION OF DELIVERY DATE

In the event of reference to arbitration of any dispute arising out of matters occurring prior to delivery of the VESSEL, the SELLER shall not be entitled to extend the Delivery Date as defined in Article VII hereof and the BUYER shall not be entitled to postpone its acceptance of the VESSEL on the Delivery Date or on such newly planned time of delivery of the VESSEL as declared by the SELLER. However, if the construction of the VESSEL is affected by any arbitration, the SELLER shall then be permitted to extend the Delivery Date as defined in Article VII and the decision or the award shall include a finding as to what extent the SELLER shall be permitted to extend the Delivery Date.

ARTICLE XIV RIGHT OF ASSIGNMENT

Neither of the parties hereto shall assign this Contract to any other individual, firm, company or corporation unless prior written consent of the other party is given, with such written consent not to be unreasonably withheld.

ARTICLE XV TAXES AND DUTIES

1. TAXES

All costs for taxes including stamp duties, if any, incurred in connection with this Contract in the People's Republic of China shall be borne by the SELLER. Any taxes and/or duties imposed upon those items or services procured by the SELLER in the People's Republic of China or elsewhere for the construction of the VESSEL shall be borne by the SELLER.

The SELLER shall not be responsible for the personal income tax for BUYER's Representative or other BUYER’s staff, agent and representatives who work at BUILDER’s Shipyard and premise.

2. DUTIES

The BUYER shall bear and pay all taxes, duties, stamps and fees incurred outside China in connection with execution and/or performance of this Contract by the BUYER, except for taxes, duties, stamps, dues, levies and fees imposed upon those items which are to be procured by the SELLER for the construction of the VESSEL in accordance with the terms of this Contract and the Specifications.

Any tax or duty other than those described hereinabove, if any, shall be borne by the BUYER.

ARTICLE XVI PATENTS, TRADEMARKS AND COPYRIGHTS

The machinery and equipment of the VESSEL may bear the patent number, trademarks or trade names of the manufacturers. The SELLER shall defend and hold harmless the BUYER from patent liability or claims of patent infringement of any nature or kind, including costs and expenses for, or on account of any patented or patentable invention made or used in the performance of this Contract and also including cost and expense of litigation, if any.

Nothing contained herein shall be construed as transferring any patent or trademark rights or copyright in equipment covered by this Contract, and all such rights are hereby expressly reserved to the true and lawful owners thereof. Notwithstanding any provisions contained herein to the contrary, the SELLER's obligation under this Article should not be terminated by the passage of any specified period of time.

The SELLER's liability hereunder does not extend to equipment or parts supplied by the BUYER to the BUILDER if any.

ARTICLE XVII NOTICE

Any and all notices and communications in connection with this Contract shall be addressed as follows:

To the BUYER : GUADELOUPESHIPPING COMPANY INC.

Address : c/o Unitized Ocean Transport Limited
373 Syngrou Ave. & 2-4 Ymittou str., 17564, Palaio Faliro,
Athens, Greece

Technical contact information:
Telephone:
Email:

Commercial Contact information:
Telephone:
Email:

To the SELLER:

CSTC : China Shipbuilding Trading Company Limited

Contacts:
Address : Marine Tower,
No.1 Pudong Dadao,
Shanghai 200120
the People's Republic of China

Telephone:
E-mail :

BUILDER : Shanghai Waigaoqiao Shipbuilding Company Limited

Contacts:
Address: 3001 Zhouhai Road, Pudong New District,
Shanghai 200137, P.R. China

Telephone:
E-mail :

Any notices and communications sent by CSTC or the BUILDER alone to the BUYER shall be deemed as having being sent by both CSTC and the BUILDER.

Any change of address shall be communicated in writing by registered mail or by e-mail by the party making such change to the other party and in the event of failure to give such notice of change, communications addressed to the party at their last known address shall be deemed sufficient.

Notwithstanding any provisions in this Contract stipulating that all the notices shall be sent by email, the SELLER shall be entitled to not only send by email but also send by courier for the important notices under or in connection with this Contract and such notice sent by courier shall become effective and deemed delivered in accordance with below paragraph of this Article.

Any and all notices, requests, demands, instructions, advice and communications in connection with this Contract shall be deemed to be given at, and shall become effective from, the time when the same is delivered to the address of the party to be served, provided, however, that, any express courier service shall be deemed to be delivered upon confirmation of delivery or recipients refusal recorded by the courier company, and e-mail acknowledged by the answerbacks shall be deemed to be delivered upon dispatch (unless there is a 'bounce-back' message). E-mail transmissions shall be deemed as delivered upon the subject email having been removed to the "Sent" box on the sending computer.

Any and all notices, communications, Specifications and drawings in connection with this Contract shall be written in the English language and each party hereto shall have no obligation to translate them into any other language.

An email message shall be deemed to be a notice "in writing" for the purposes of this Contract.

ARTICLE XVIII EFFECTIVE DATE OF CONTRACT

This Contract shall become effective upon being signed by both parties.
Upon signing of this Contract, both parties hereto shall do the follows:

a) The SELLER to provide the Refund Guarantee to the BUYER to cover BUYER’s first, second, third and fourth instalments in accordance with the terms of Article II paragraph 7 of this Contract;

b) The BUYER to effect the payment of the first instalment in accordance with the terms of Article II, paragraph 3 (a) and 4 (a) of the Contract;

c) The BUYER to provide Letter of Guarantees, within five (5)Banking Days from the date of BUYER's receipt of the Refund Guarantee, to the SELLER covering BUYER’s obligation to pay the 2nd, 3rd and 4th instalments as stipulated in Article II, paragraph 6 of this Contract.

ARTICLE XIX INTERPRETATION

1. LAW APPLICABLE

The parties hereto agree that the validity and interpretation of this Contract and of each Article and part hereof be governed by and interpreted in accordance with the English Laws.

2. DISCREPANCIES

All general language or requirements embodied in the Specifications are intended to amplify, explain and implement the requirements of this Contract. However, in the event that any language or requirements so embodied in the Specifications permit an interpretation inconsistent with any provision of this Contract, then in each and every such event the applicable provisions of this Contract shall prevail. The Specifications and plans are also intended to explain each other, and anything shown on the plans and not stipulated in the Specifications or stipulated in the Specifications and not shown on the plans, shall be deemed and considered as if embodied in both. In the event of conflict between the Specifications and plans, the Specifications shall govern.

However, with regard to such inconsistency or contradiction between this Contract and the Specifications as may later occur by any change or changes in the Specifications agreed upon by and among the parties hereto after execution of this Contract, then such change or changes shall prevail.

3. DEFINITION

"Banking Days" are days on which banks are open in New York, Piraeus, Greece, and Shanghai, China, United Kingdom. Saturdays, Sundays are always excluded.

In absence of stipulation of “working day(s)”, "banking day(s)" or "business day(s)", the "day" or "days" shall be taken as "calendar day" or "calendar days".

4. ENTIRE AGREEMENT

This Contract sets forth the entire understanding of the Parties with respect to the subject matter discussed herein. It supersedes all prior discussions, negotiations and agreements, (including but not limited to the Letter of Intent) whether oral or written, expressed or implied.

ARTICLE XX SANCTIONS

(a) Each of the SELLER and the BUYER hereby ensure that at the date of entering into this Contract and continuing until the BUYER has taken delivery of the VESSEL, neither the BUYER nor the SELLER, are designated pursuant to the sanction lists maintained by the Chinese government and/or sanction lists maintained by United Nations and/or EU financial sanctions maintained by the European Commission of European Union and / or the Consolidated List of Financial Sanctions Targets in the UK maintained by UK HM Treasury and/or OFAC's SDN List maintained by U.S. Government so that this CONTRACT, as a result of the aforesaid sanction, becomes frustrated ("Sanctions").

(b) Either party shall notify the other party immediately upon the occurrence of a Sanctions event (the "Sanctions Notice").

(c) The Parties shall, from the date of the Sanctions Notice, work together in good faith within 60 days or any longer period as mutually agreed by the Parties to find a mutually acceptable solution (the "Standstill Period"). During the Standstill Period, Each Party shall not be entitled to cancel/rescind this Contract by reason of the Sanctions giving rise to such Standstill Period, unless there is an explicit order or instruction of the official governmental authorities that orders the Parties to do so.

(d) If the Parties have reached a mutually acceptable solution during the Standstill Period and the Parties confirm to reactivate this Contract, the Delivery Date of the VESSEL shall be automatically extended for a period equal to the period the Contract has been suspended for the reason stated in this Article XX.

(e) If, on the last day of the Standstill Period, the Parties fail to reach a mutually acceptable solution despite their best endeavours, then:

i) if the Sanctions event was caused by the SELLER, the BUYER shall have the right to terminate this Contract.

ii) if the Sanctions event was caused by the BUYER, the SELLER shall have the right to terminate this Contract.

iii) In the event the BUYER terminates the Contract pursuant to this clause, the SELLER shall refund in United States dollars to the BUYER the full amount of all instalment or instalments paid by the BUYER to the SELLER on account of the VESSEL.

In the event the SELLER terminates the Contract pursuant to this clause, the SELLER shall be entitled to retain all instalment or instalments of the Contract Price paid by the BUYER to the SELLER on account of this Contract, which shall therefore become the property of the SELLER and the Vessel shall be at the sole disposal of the SELLER.

Notwithstanding any provisions of this CONTRACT, upon the SELLER's aforesaid refund of the instalment or instalments paid by the BUYER in case of BUYER's termination or the SELLER's retention of BUYER's paid instalment or instalments in case of the SELLER's termination pursuant to this Paragraph e), all obligations, duties and liabilities of the one Party towards the other Party and all rights, benefits and claims against one Party by/of the other Party under or in connection with this CONTRACT and/or any applicable laws shall be forthwith completely discharged and waived.

In WITNESS WHEREOF, the parties hereto have caused this Contract to be duly executed on the day and year first above written.

THE BUYER : GUADELOUPE SHIPPING COMPANY INC.

By : /s/ Andreas Nikolaos Michalopoulos

Name : Andreas Nikolaos Michalopoulos

Title : Attorney-in-fact

Witness : /s/ Aliki Paliou

THE SELLER:

CSTC : China Shipbuilding Trading Company Limited

By : /s/ Huang Chongyang

Name : Huang Chongyang

Title : Attorney in fact

Witness : /s/ Song Chao

THE BUILDER: Shanghai Waigaoqiao Shipbuilding Company Limited

By : /s/ Li Hui

Name : Li Hui

Title : Attorney in fact

Witness : /s/ Wang Nan

Exhibit "A" : IRREVOCABLE LETTER OF GUARANTEE NO.

To: GUADELOUPE SHIPPING COMPANY INC.

Date:
Dear Sirs,
Irrevocable Letter of Guarantee No.

At the request of China Shipbuilding Trading Company Limited, address at 56(Yi), Zhongguancun Nandajie, Beijing 100044, China, and in consideration of your agreeing to pay China Shipbuilding Trading Company Limited and Shanghai Waigaoqiao Shipbuilding Company Limited, address at 3001 Zhouhai Road, Pudong New District, Shanghai 200137, China (hereinafter collectively called the "SELLER") the instalments before delivery of the VESSEL under the Shipbuilding Contract concluded by and amongst you and the SELLER dated December 18th, 2023 (hereinafter called the “Contract”) for the construction of one (1) 114,000 DWT Product/Crude Oil Tanker to be designated as Hull No. H1597 (hereinafter called the "VESSEL"), we, China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China, do hereby irrevocably guarantee repayment to you by the SELLER of an amount up to but not exceeding a total amount of United States Dollars Twenty-Nine Million One Hundred and Eighty Thousand Two Hundred and Fifty Only (USD 29,180,250) representing the first instalment of the Contract Price of the VESSEL of United States Dollars Nine Million Seven Hundred and Twenty-Six Thousand Seven Hundred and Fifty only (US$ 9,726,750), plus the second instalment of the Contract Price of the VESSEL, of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), plus the third instalment of the Contract Price of the VESSEL, of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), plus the fourth instalment of the Contract Price of the VESSEL, of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500), as you may have paid to the SELLER under the Contract prior to the delivery of the VESSEL, if and when the same or any part thereof becomes repayable to you from the SELLER in accordance with the terms (Article X or Article XII 2(b)) of the Contract.

Should the SELLER fail to make such repayment upon demand, we shall pay you the amount the SELLER ought to pay with no interest if cancellation of the Contract is exercised by you for the delay caused by permissible delays or total loss in accordance with the provisions of Article XII 2(b), or together with an interest at the rate of Five percent (5%) per annum if the cancellation of the Contract is exercised by you in accordance with the provisions of Article III 1(c), 2(c), 3(c) or 4(c) of the Contract within thirty (30) Beijing banking days after our receipt of the relevant written demand from you for repayment.

However, in the event of any dispute between you and the SELLER in relation to:

(1) whether the SELLER is liable to repay the instalment or instalments paid by you and

(2) consequently whether you shall have the right to demand payment from us,

and such dispute is submitted either by the SELLER or by you for arbitration in accordance with Article XIII of the Contract, we shall be entitled to withhold and defer payment until the arbitration award is published. We shall not be obligated to make any payment to you unless the arbitration award orders the SELLER to make repayment. If the SELLER fails to honour the arbitration award upon demand then we shall refund you to the extent the arbitration award orders but not exceeding the aggregate amount of this guarantee plus the interest described above.

The said repayment shall be made by us in United States Dollars. This Letter of Guarantee shall become effective from the time of the actual receipt of the first instalment by the SELLER from you to the SELLER's a/c No. held by China Shipbuilding Trading Company Limited with China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China and the amounts effective under this Letter of Guarantee shall correspond to the total payment actually received by the SELLER to his a/c stated above from time to time under the Contract prior to the delivery of the VESSEL. However, the available amount under this Letter of Guarantee shall in no event exceed above mentioned amount actually paid to the SELLER, together with interest calculated, as described above at Zero percent (0%) or, Five percent (5%) per annum, as the case may be for the period commencing with the date of receipt by the SELLER of the respective instalment to the date of repayments thereof.

Any claim, demand or notice in connection with this Letter of Guarantee shall be validly delivered to us by you through your or Performance Shipping Inc. bank (DNB Bank ASA, London Brach) by authenticated SWIFT to our swift address (SWIFT CODE: CIBKCNBJ100).

This Letter of Guarantee shall remain in force until the VESSEL has been delivered to and accepted by you as evidence by the SELLER's presentation to us of copy of the Protocol of Delivery and Acceptance of the VESSEL under the Contract or refund has been made by the SELLER or ourselves, or until February 24th, 2027, whichever occurs the earliest. After which, this guarantee shall be null and void whether or not it is returned to us for cancellation.

This Letter of Guarantee is governed by the Laws of England.

For and on behalf of China CITIC Bank Corporation Limited

Exhibit "B" IRREVOCABLE LETTER OF GUARANTEE

FOR THE 2ND, 3RD AND 4TH INSTALLMENTS

From: Performance Shipping Inc.

To: China Shipbuilding Trading Company Limited _____
56(Yi) Zhongguancun Nan Da Jie, Beijing 100044, China
And
Shanghai Waigaoqiao Shipbuilding Company Limited
3001 Zhouhai Road, Pudong New District, Shanghai 200137, China

Dear Sirs,

(1) In consideration of your entering into a Shipbuilding Contract dated 18th December, 2023 ("the Shipbuilding Contract") with GUADELOUPE SHIPPING COMPANY INC., address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands, as the buyer (hereinafter called "the BUYER") for the construction of one (1) 114,000 DWT Product/Crude Oil Tanker known as Shanghai Waigaoqiao Shipbuilding Company Limited's Hull No. H1597 (hereinafter called "the VESSEL"), we, Performance Shipping Inc., address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH 96960, hereby IRREVOCABLY, ABSOLUTELY and UNCONDITIONALLY guarantee, as the primary obligor and not merely as surety, the due and punctual payment by the BUYER of the 2nd, 3rd and 4th installments of the Contract Price amounting to a total sum of United States Dollars Nineteen Million Four Hundred and Fifty Three Thousand Five Hundred only (USD 19,453,500) as specified in (2) below.

(2) The Instalments guaranteed hereunder, pursuant to the terms of the Shipbuilding Contract, comprise the 2nd installment in the amount of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500) payable by the BUYER within five (5) Banking Days after cutting of the first steel plate in your BUILDER's Shipyard workshop and the third installment in the amount of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500) payable by the BUYER within five (5) Banking Days after keel-laying of the first section of the VESSEL and the fourth installment in the amount of United States Dollars Six Million Four Hundred and Eighty-Four Thousand Five Hundred only (US$ 6,484,500) payable by the BUYER within five (5) Banking Days after launching of the VESSEL .

(3) We also IRREVOCABLY, ABSOLUTELY and UNCONDITIONALLY guarantee, as primary obligor and not merely as surety, the due and punctual payment by the BUYER of interest on each Instalment guaranteed hereunder at the rate of Five percent (5%) per annum from and including the first day after the date of instalment in default until the date of full payment by us of such amount guaranteed hereunder.

(4) In the event that the BUYER fails to punctually pay any of the 2nd, 3rd and 4th Instalments guaranteed hereunder or the BUYER fails to pay any interest thereon, and any such default continues for a period of fifteen (15) Banking Days, then, upon receipt by us of your first written demand, we shall immediately pay to you or your assignee only the unpaid installment of the 2nd, 3rd and 4th instalments, together with the interest as specified in paragraph (3) hereof, without requesting you to take any or further action, procedure or step against the BUYER or with respect to any other security which you may hold.

(5) We hereby agree that at your option this Guarantee and the undertaking hereunder shall be on an exceptional basis assignable to your financing bank only and if so assigned shall inure to the benefit of your bank as your assignee as if your bank were originally named herein.

(6) Any payment by us under this Guarantee shall be made in Unites States Dollars by telegraphic transfer to China CITIC Bank Corporation Limited, Beijing Branch, address at Block C, Fuhua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, China (SWIFT Code: CIBKCNBJ100) as receiving bank nominated by you for A/C Beneficiary: China Shipbuilding Trading Company Limited or through other receiving bank to be nominated by you from time to time, in favour of you or your assignee bank.

(7) Our obligations under this guarantee shall not be affected or prejudiced by any dispute between you as the SELLER and the BUYER under the Shipbuilding Contract or by the BUILDER's delay in the construction and/or delivery of the VESSEL due to whatever causes or by any variation or extension of their terms thereof or by any security or other indemnity now or hereafter held by you in respect thereof, or by any time or indulgence granted by you or any other person in connection therewith, or by any invalidity or unenforceability of the terms thereof, or by any act, omission, fact or circumstances whatsoever, which could or might, but for the foregoing, diminish in any way our obligations under this Guarantee.

(8) Any claim or demand shall be in writing signed by one of your authorized officers and may be served on us either by hand or by post and if sent by post to c/o Unitized Ocean Transport Limited, 373 Syngrou Ave. & 2-4 Ymittou str, 17564, Palaio Faliro, Athens, Greece (or such other address as we may notify to you in writing), or by email (E-mail Address: legal@unitizedocean.com), with confirmation in writing.

(9) This Letter of Guarantee shall come into full force and effect upon delivery to you of this Guarantee and shall continue in force and effect until the VESSEL is delivered to and accepted by the BUYER and the BUYER shall have performed all its obligations for taking delivery thereof or until the full payment of the 2nd, 3rd and 4th Instalment together with the aforesaid interests by the BUYER or us, whichever first occurs.

(10) The maximum amount, however, that we are obliged to pay to you under this Guarantee shall not exceed the aggregate amount of U.S. Dollars Nineteen Million Six Hundred and Thirteen Thousand Three Hundred and Ninety-Two only (US$ 19,613,392) being an amount equal to the sum of:-

(a) The 2nd, 3rd and 4th instalment guaranteed hereunder in the total amount of United States Dollars Nineteen Million Four Hundred and Fifty Three Thousand Five Hundred only (USD 19,453,500); and

(b) Interest, if applicable, at the rate of Five percent (5%) per annum on the Instalment for a period of sixty (60) days in the amount of United States Dollars One Hundred and Fifty-Nine Thousand Eight Hundred and Ninety-Two only (US$ 159,892).

(11) All payments by us under this Guarantee shall be made without any set-off or counterclaim and without deduction or withholding for or on account of any taxes, duties, or charges whatsoever unless we are compelled by law or the Contract to deduct or withhold the same. In the latter event we shall make the minimum deduction or withholding permitted and will pay such additional amounts as may be necessary in order that the net amount received by you after such deductions or withholdings shall equal the amount which would have been received had no such deduction or withholding been required to be made.

(12) This Letter of Guarantee shall be construed in accordance with and governed by the Laws of England. We hereby submit to the exclusive jurisdiction of the English courts for the purposes of any legal action or proceedings in connection herewith in England.

(13) When our liabilities under this Letter of Guarantee have expired as aforesaid, you will return it to us without any request or demand from us.

IN WITNESS WHEREOF, we have caused this Letter of Guarantee to be executed and delivered by our duly authorized representative the day and year above written.

Very Truly Yours

By: _____

Exhibit 8.1

List of Subsidiaries as at December 31, 2023

Name of Subsidiary	**Place of Incorporation**
Unitized Ocean Transport Limited	Marshall Islands
Taburao Shipping Company Inc.	Marshall Islands
Tarawa Shipping Company Inc.	Marshall Islands
Toka Shipping Company Inc.	Marshall Islands
Arno Shipping Company Inc.	Marshall Islands
Maloelap Shipping Company Inc.	Marshall Islands
Garu Shipping Company Inc.	Marshall Islands
Bock Shipping Company Inc.	Marshall Islands
Arbar Shipping Company Inc.	Marshall Islands
Nakaza Shipping Company Inc.	Marshall Islands
Sri Lanka Shipping Company Inc.	Marshall Islands
Guadeloupe Shipping Company Inc.	Marshall Islands
Performance Shipping USA LLC	Delaware, USA

Exhibit 11.1

THIRD AMENDED AND RESTATED
POLICIES AND PROCEDURES TO DETECT AND
PREVENT INSIDER TRADING
REVISED AS OF FEBRUARY 22, 2023

GENERAL

The Securities Exchange Act of 1934 prohibits the misuse of material, non-public information. In order to avoid even the appearance of impropriety, the Board of Directors of Performance Shipping Inc. (the "Company") has adopted this policy (this "Policy") to prevent the misuse of non-public information.

Although "insider trading" is not defined in the securities laws, it is generally thought to be described as trading, either personally or on behalf of others, on the basis of material non-public information or communicating material non-public information to others in violation of the law.

This Policy will be administered and supervised by the Company's Financial Reporting and Accounting Director. Please pay special attention to the "Blackout" and "Trading Window" policies discussed below.

WHOM DOES THIS POLICY COVER?

This Policy covers all of the Company's officers, directors, and employees ("Covered Persons"), as well as any transactions in any securities participated in by family members, trusts or corporations directly or indirectly controlled by Covered Persons. In addition, this Policy applies to transactions engaged in by corporations in which the Covered Person is an officer, director, or 10% or greater stockholder, and a partnership of which the Covered Person is a partner, unless the Covered Person has no direct or indirect control over the partnership.

The Company forbids any Covered Person from trading, either for his or her personal account or on behalf of others, while in possession of material non-public information, or communicating material non-public information to others in violation of the law. This prohibited conduct is often referred to as "insider trading".

- This Policy extends to each Covered Person's activities within and outside his/her duties at the Company. Each Covered Person must read and retain this statement.
- Failure to comply with this Policy may cause a Covered Person to be subject to disciplinary action.

WHAT IS INSIDER TRADING?

The term "insider trading" generally is used to refer to trading while in possession of material non-public information (whether or not one is an "insider"), and/or to communications of material non-public information to others. The law in this area is generally understood to prohibit, among other things:

- trading by an insider while in possession of material non-public information;
- trading by a non-insider while in possession of material non-public information, where the information was disclosed to the non-insider in violation of an insider's duty to keep it confidential or the information was misappropriated;
- trading while in possession of material non-public information concerning a tender offer; and
- wrongfully communicating, or "tipping" material non-public information to others.

THE INSIDER CONCEPT

As a general guide for our directors, officers and employees, components of what amounts to "insider trading" are described below:

Who is an insider?

The concept of "insider" is broad. It includes officers, directors, trustees, and employees of a company. In addition, a person can be a "temporary insider" if he or she enters into a special confidential relationship in the conduct of a company's affairs and is given access to information solely for the company's purposes. A temporary insider can include, among others, a company's attorneys, accountants, consultants, bank lending officers, and the employees of those organizations.

What information is material?

Trading on information that is "material" is prohibited. Information generally is considered "material" if:

- there is a substantial likelihood that a reasonable investor would consider the information important in making an investment decision, or
- the information is reasonably certain to have a substantial effect on the price of a company's securities.

Information that should be considered material includes: dividend changes, earnings estimates not previously disseminated, material changes in previously-released earnings estimates, significant merger or acquisition proposals or agreements, major litigation, liquidity problems, and extraordinary management developments.

What information is non-public?

Information is non-public until it has been effectively communicated to the market place. For example, information found in a report filed with the SEC or appearing in Dow Jones, Reuters, The Wall Street Journal, on Bloomberg, or in other publications of general circulation ordinarily would be considered public. In addition, in certain circumstances, information disseminated to certain segments of the investment community may be deemed "public", for example, research communicated through institutional information dissemination services such as First Call. The fact that research has been disseminated through such a service does not automatically mean that it is public. It takes time for information to become public. The amount of time since the information was first disseminated ordinarily is a factor regarding whether the information is considered "public".

PENALTIES FOR INSIDER TRADING

Penalties for insider trading are severe both for the individuals involved as well as for their employers. A person can be subject to some or all of the penalties listed below, even if he or she does not personally benefit from the violation. Penalties may include:

- Jail sentences;
- Civil injunctions;
- Civil treble (3x) damages;
- Disgorgement of profits;
- Criminal fines of up to three times the profit gained, or loss avoided, whether or not the person actually benefited; and
- Fines for the employers or other controlling persons of up to the greater of $1 million or three times the amount of the profit gained or loss avoided.

Clearly, it is in the Company's and your best interests for the Company to put into place procedures to prevent improper trading by its insiders.

PROCEDURES TO PREVENT INSIDER TRADING

The following procedures have been established to aid in the prevention of insider trading. Every Covered Person must follow these procedures or risk sanctions, including dismissal, substantial personal liability, and criminal penalties.

Questions to Ask

Prior to trading in the Company's securities, and if you think you may have material non-public information, ask yourself the following questions:

- Is the information material? - Is this information that an investor would consider important in making an investment decision? Would you take it into account in deciding whether to buy or sell? Is this information that would affect the market price of the securities if generally disclosed?
- Is the information non-public - To whom has this information been provided? Has it been effectively communicated to the marketplace? Has enough time gone by?

Action Required

If you are at all uncertain as to whether any information you have is "inside information", you must:

- Immediately report the matter to the Financial Reporting and Accounting Director;
- Refrain from purchasing or selling the securities; and
- Not communicate the information inside or outside the Company.

After the employee and the Financial Reporting and Accounting Director have reviewed the issue and consulted with outside counsel to the extent appropriate, the Covered Person will be instructed as to whether he/she may trade and/or communicate that information.

Blackout Policy and Trading Window

To ensure compliance with this Policy and applicable securities laws, the Company requires that all Covered Persons refrain from conducting transactions involving the purchase or sale of the Company's securities other than during the period commencing at the open of trading on the second business day following the date of public disclosure of the Company's financial results for a particular fiscal quarter or year, and continuing until the close of trading on the fourteenth (14^{th}) day after the last day of the current fiscal quarter (the "Trading Window"). The Trading Window is subject to periodic adjustment in the sole discretion of the Financial Reporting and Accounting Director.

In addition, from time to time material non-public information regarding the Company may be pending. While such information is pending, the Company may impose a special "blackout" period during which the same prohibitions and recommendations shall apply.

Even during the Trading Window, any person possessing material non-public information concerning the Company should not engage in any transactions in the Company's securities until such information has been made public and absorbed by the market.

Pre-Clearance of Trades

All Covered Persons must refrain from trading in the Company's securities, even during the Trading Window, without first complying with the Company's "pre-clearance" process. Each such person should contact the Company's Financial Reporting and Accounting Director prior to commencing any trade. The Financial Reporting and Accounting Director will consult as necessary with senior management and/or counsel to the Company before clearing any proposed trade. The Financial Reporting and Accounting Director's personal trading activity will be reviewed by the Chief Financial Officer.

Coverage

This Policy applies not only to the Company's shares, but also any other securities issued by the Company.

QUESTIONS OR CONCERNS

Any questions or concerns regarding this Policy should be directed to the Financial Reporting and Accounting Director, or, if such questions or concerns involve the Financial Reporting and Accounting Director, to the Chief Financial Officer.

Exhibit 12.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Andreas Michalopoulos, certify that:

1. I have reviewed this annual report on Form 20-F of Performance Shipping Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 28, 2024

/s/ Andreas Michalopoulos
Andreas Michalopoulos
Chief Executive Officer, Director and Secretary (Principal Executive Officer)

Exhibit 12.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Anthony Argyropoulos, certify that:

1. I have reviewed this annual report on Form 20-F of Performance Shipping Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 28, 2024

/s/ Anthony Argyropoulos
Anthony Argyropoulos
Chief Financial Officer (Principal Financial Officer)

Exhibit 13.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of Performance Shipping Inc. (the "Company") on Form 20-F for the year ended December 31, 2023 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Andreas Michalopoulos, Chief Executive Officer, Director and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: March 28, 2024

/s/Andreas Michalopoulos
Andreas Michalopoulos
Chief Executive Officer, Director and Secretary (Principal Executive Officer)

Exhibit 13.2

PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of Performance Shipping Inc. (the "Company") on Form 20-F for the year ended December 31, 2023 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Anthony Argyropoulos, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: March 28, 2024

/s/ Anthony Argyropoulos
Anthony Argyropoulos
Chief Financial Officer (Principal Financial Officer)

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form F-3 No. 333-271398) of Performance Shipping Inc.,
(2) Registration Statement (Form F-3 No. 333-266946) of Performance Shipping Inc.,
(3) Registration Statement (Form F-3 No. 333-237637) of Performance Shipping Inc., and
(4) Registration Statement (Form F-3 No. 333-197740) of Performance Shipping Inc.;

of our report dated March 28, 2024, with respect to the consolidated financial statements of Performance Shipping Inc. included in this Annual Report (Form 20-F) of Performance Shipping Inc. for the year ended December 31, 2023.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.

Athens, Greece
March 28, 2024

Exhibit 15.2

CONSENT OF WATSON FARLEY & WILLIAMS LLP

Reference is made to the annual report on Form 20-F of Performance Shipping Inc. (the "Company") for the year ended December 31, 2023 (the "Annual Report") and the registration statements on Form F-3 (Registration No. 333-271398, Registration No. 333-266946, Registration No. 333-237637 and Registration No. 333-197740) of the Company, including the prospectuses contained therein (the "Registration Statements"). We hereby consent to (i) the filing of this letter as an exhibit to the Annual Report, which is incorporated by reference into the Registration Statements and (ii) each reference to us and the discussions of advice provided by us in the Annual Report under the section "Item 10. Additional Information-E. Taxation" and to the incorporation by reference of the same in the Registration Statements, in each case, without admitting we are "experts" within the meaning of the Securities Act of 1933, as amended, or the rules and regulations of the U.S. Securities and Exchange Commission promulgated thereunder with respect to any part of the Registration Statements.

/s/ Watson Farley & Williams LLP
Watson Farley & Williams LLP
New York, New York
March 28, 2024

Exhibit 97.1

PERFORMANCE SHIPPING INC.

Policy for the Recovery of Erroneously Awarded Incentive Compensation

Adopted Date: December 1, 2023

1. Introduction

The Board of Directors (the "**Board**") of Performance Shipping Inc. (the "**Company**") has adopted this policy (the "Policy"), which provides for recoupment, otherwise referred to as "clawback," of certain Erroneously Awarded Incentive Compensation from Covered Executives in the event of an Accounting Restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws.

This Policy is designed to comply with Section 10D, as implemented by Rule 10D-1, of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and is made in accordance with the applicable listing rules (the "**Nasdaq Rules**") of the Nasdaq Stock Market ("**Nasdaq**").

2. Covered Executives

This Policy applies to each individual who is (i) a current or former executive officer, as determined by the Committee in accordance with Section 10D and Rule 10D-1 of the Exchange Act and the Nasdaq Rules; (ii) a current or former employee who is classified by the Committee as an executive officer of the Company, which includes without limitation any of the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs policy-making functions for the Company (including executive officers of a parent or subsidiary if they perform policy-making functions for the Company); and (iii) an employee who may from time to time be deemed subject to this Policy by the Committee ("**Covered Executives**"). For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K or Item 6.A of Form 20-F, as applicable.

This Policy shall be binding and enforceable against all Covered Executives, as described herein, and, to the extent required by applicable law or guidance from the United States Securities and Exchange Commission (the "**SEC**") or Nasdaq, Covered Executives' beneficiaries, heirs, executors, administrators or other legal representatives.

3. Recovery of Erroneously Awarded Incentive Compensation

In the event the Company is required to prepare an Accounting Restatement of its financial statements, the Compensation Committee (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board) (the "**Committee**") will determine the amount of Erroneously Awarded Incentive Compensation (defined below) and the Company will promptly provide each Covered Executive who received Erroneously Awarded Incentive Compensation with a written notice containing the amount of Erroneously Awarded Incentive Compensation received by such Covered Executive and shall require the forfeiture, repayment, or return, as applicable, of not less than the full amount of any Erroneously Awarded Incentive Compensation received or deemed received by any Covered Executive, except to the extent determined impracticable in Section 7 below.

(a) Cash Awards. With respect to cash awards, the Erroneously Awarded Incentive Compensation is the difference between the amount of the cash award (whether payable as a lump sum or over time) that was received and the amount that should have been received applying the restated Financial Reporting Measure.

(b) Cash Awards Paid from Bonus Pools. With respect to cash awards paid from bonus pools, the Erroneously Awarded Incentive Compensation is the pro rata portion of any deficiency that results from the aggregate bonus pool that is reduced based on applying the restated Financial Reporting Measure.

(c) Equity Awards. With respect to equity awards, if the shares, options or SARs are still held at the time of recovery, the Erroneously Awarded Incentive Compensation is the number of such securities received in excess of the number that should been received applying the restated Financial Reporting Measure (or the value in excess of that number). If the options or SARs have been exercised, but the underlying shares have not been sold, the Erroneously Awarded Incentive Compensation is the number of shares underlying the excess options or SARs (or the value thereof). If the underlying shares have already been sold, then the Committee and/or Board shall determine the amount which most reasonably estimates the Erroneously Awarded Incentive Compensation.

(d) Compensation Based on Stock Price or Total Shareholder Return. For Incentive Compensation based on (or derived from) stock price or total shareholder return, where the amount of Erroneously Awarded Incentive Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, (i) the amount shall be determined by the Committee and/or Board based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive Compensation was received; and (ii) the Committee and/or Board shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the Exchange in accordance with applicable listing standards.

Incentive Compensation shall be deemed "received" in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive Compensation award is attained, even if (a) the payment or grant of the Incentive Compensation to the Covered Executive occurs after the end of that period or (b) the Incentive Compensation remains contingent and subject to further conditions thereafter, such as time-based vesting.

Any recovery under this Policy shall be made reasonably promptly and in accordance with the Exchange Act and Nasdaq Rules.

4. Incentive Compensation and Financial Reporting Measures

For purposes of this Policy:

"**Accounting Restatement**" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement). For the avoidance of doubt, in no event will a restatement of the Company's financial statements that is not due in whole or in part to the Company's material noncompliance with any financial reporting requirement under applicable law (including any rule or regulation promulgated thereunder) be considered an Accounting Restatement under this Policy. For example, a restatement due exclusively to a retrospective application of any one or more of the following will not be considered an Accounting Restatement under this Policy: (i) a change in accounting principles; (ii) revision to reportable segment information due to a change in the structure of the Company's internal organization; (iii) reclassification due to a discontinued operation; (iv) application of a change in reporting entity, such as from a reorganization of entities under common control; (v) adjustment to provisional amounts in connection with a prior business combination (but only if the Company is an International Financial Reporting Standards ("IFRS") filer); and (vi) revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure.

"**Financial Reporting Measures**" are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Share price and total shareholder return (and any measures that are derived wholly or in part from share price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.

"**Incentive Compensation**" means any compensation that is granted, earned, or vested based wholly or in part on the attainment of a Financial Reporting Measure.

For purposes of this Policy, specific examples of Incentive Compensation include, but are not limited to:

(a) Non-equity incentive plan awards that are earned based, wholly or in part, based on satisfaction of a Financial Reporting Measure performance goal;

(b) Bonuses paid from a "bonus pool," the size of which is determined, wholly or in part, based on satisfaction of a Financial Reporting Measure performance goal;

(c) Other cash awards based on satisfaction of a Financial Reporting Measure performance goal;

(d) Restricted stock, restricted stock units, performance share units, stock options and SARs that are granted or become vested, wholly or in part, on satisfaction of a Financial Reporting Measure performance goal; and

(e) Proceeds received upon the sale of shares acquired through an incentive plan that were granted or vested based, wholly or in part, on satisfaction of a Financial Reporting Measure performance goal.

For purposes of this Policy, Incentive Compensation excludes:

(a) Any base salaries (except with respect to any salary increases earned, wholly or in part, based on satisfaction of a Financial Reporting Measure performance goal);

(b) Bonuses paid solely at the discretion of the Committee or Board that are not paid from a "bonus pool" that is determined by satisfying a Financial Reporting Measure performance goal;

(c) Bonuses paid solely upon satisfying one or more subjective standards and/or completion of a specified employment period;

(d) Non-equity incentive plan awards earned solely upon satisfying one or more strategic measures (e.g., consummating a merger or divestiture) or operational measures (e.g., completion of a project, [acquiring a specified number of vessels,] attainment of a certain market share); and

(e) Equity awards that vest solely based on the passage of time and/or satisfaction of one or more non-Financial Reporting Measures (e.g., a time-vested award, including time-vesting stock options or restricted share rights).

"**Incentive Compensation Eligible for Recovery**" means Incentive Compensation received by a Covered Executive:

(a) after beginning service as a Covered Executive;

(b) who served as a Covered Executive at any time during the performance period for the applicable Incentive Compensation (regardless of whether such individual is serving as a Covered Executive at the time the Erroneously Awarded Incentive Compensation is required to be repaid);

(c) while the Company had a class of securities listed on a national securities exchange or a national securities association;

(d) during the applicable Recovery Period; and

(e) on or after the effective date of the applicable Nasdaq Rules (i.e., October 2, 2023).

"**Recovery Period**" means, with respect to any Accounting Restatement, the three (3) completed fiscal years of the Company immediately preceding the Restatement Date and, if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three (3) completed fiscal years.

"**Restatement Date**" means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

5. Erroneously Awarded Incentive Compensation – Amount Subject to Recovery

The amount to be recovered will be, with respect to each Covered Executive in connection with an Accounting Restatement, the amount of the Incentive Compensation Eligible for Recovery based on the erroneous data that exceeds the Incentive Compensation Eligible for Recovery that otherwise would have been received by the Covered Executive had it been determined based on the restated results (calculated without regard to any taxes paid), as determined by the Committee (the "**Erroneously Awarded Incentive Compensation**").

For Incentive Compensation based on (or derived from) stock price, total shareholder return, or similar metric where the amount of Erroneously Awarded Incentive Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price, total shareholder return, or other such metric upon which the Incentive Compensation was received. The Company shall maintain documentation of the determination of such reasonable estimate, and, if required by applicable law, regulation or Nasdaq Rule, provide the relevant documentation to Nasdaq.

The Company shall promptly provide each Covered Executive with a written notice containing the amount of any Erroneously Awarded Incentive Compensation and a demand for repayment or return of such compensation, as applicable.

6. Method of Recovery

The Committee will determine, in its sole discretion, the method for recouping Erroneously Awarded Incentive Compensation hereunder which may include, without limitation, any of the following or combination thereof:

(a) requiring reimbursement of cash Incentive Compensation Eligible for Recovery previously paid;

(b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;

(c) offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;

(d) cancelling outstanding vested or unvested equity awards; and/or

(e) taking any other remedial and recovery action permitted by law, as determined by the Committee.

Except as set forth in Section 7 below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Incentive Compensation in satisfaction of a Covered Executive's obligations hereunder. To the extent that a Covered Executive fails to repay all Erroneously Awarded Incentive Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Incentive Compensation from the applicable Covered Executive. The applicable Covered Executive shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Incentive Compensation in accordance with the immediately preceding sentence.

To the extent that the Covered Executive has already reimbursed the Company for any Erroneously Awarded Incentive Compensation received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Incentive Compensation that is subject to recovery under this Policy. To the extent that the Erroneously Awarded Incentive Compensation is recovered under a foreign recovery regime, the recovery would meet the obligations of Rule 10D-1.

7. Impracticality

The Company shall recover any Erroneously Awarded Incentive Compensation in accordance with this Policy, unless such recovery would be duplicative of compensation recovered by the Company from the Covered Executive pursuant to Section 304 of the Sarbanes-Oxley Act or would be impracticable, as determined by the Committee in accordance with Rule 10D-1 of the Exchange Act and the Nasdaq Rules, and any of the following conditions are satisfied:

(a) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Incentive Compensation, documented such attempt(s) and provide such documentation to Nasdaq; or

(b) Recovery would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Incentive Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation and a copy of the opinion is provided to Nasdaq; or

(c) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

8. No Indemnification

The Company shall not insure or indemnify any Covered Executive against the loss of any Erroneously Awarded Incentive Compensation that is repaid, returned or recovered in accordance with the terms of this Policy, or for any claims relating to the Company's enforcement of any of its rights under this Policy.

The Company shall not enter into any agreement or arrangement that exempts any Incentive Compensation that is granted, paid or awarded to any Covered Executive from the application of this Policy or that waives the Company's right to recover any Incentive Compensation Eligible for Recovery, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy). While a Covered Executive may purchase a third-party insurance policy to fund potential recovery obligations under this Policy, the Company may not pay or reimburse the Covered Executive for premiums for such an insurance policy.

9. Other Recovery Rights

The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with a Covered Executive shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Covered Executive to abide by the terms of this Policy.

The Committee may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy.

Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

10. Disclosure Requirements

The Company shall file all disclosures with respect to this Policy required by applicable SEC filings and rules.

11. Interpretation

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy, and for the Company's compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D and Rule 10D-1 of the Exchange Act and any applicable rules or standards adopted by the SEC or Nasdaq.

12. Amendment and Termination

The Committee may amend or terminate this Policy from time to time in its discretion; provided that, no amendment or termination of this Policy shall be effective if such amendment or termination would cause the Company to violate any applicable federal securities laws, SEC rule or Nasdaq Rule.

13. Effective Date

This Policy shall be effective as of December 1, 2023 (the "**Effective Date**") and shall apply to Incentive Compensation that is approved, awarded or granted to Covered Executives on or after October 2, 2023.

14. Policy Administration

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

ANNEX A

Performance Shipping Inc.

Policy for the Recovery of Erroneously Awarded Incentive Compensation

Acknowledgement Form