TOP SHIPS INC.
Form 20-F
March 29, 2018

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

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

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

For the transition period from _________________ to _________________

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 _________________

Commission file number 001-37889

TOP SHIPS INC.
(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

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

1 Vasilisis Sofias and Megalou Alexandrou Str, 15124 Maroussi, Greece
(Address of principal executive offices)

Alexandros Tsirikos, (Tel) +30 210 812 8180, atsirikos@topships.org, (Fax) +30 210 614 1273,
1 Vasilisis Sofias and Megalou Alexandrou Str, 15124 Maroussi, Greece
(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 | Name of each exchange on which registered |
|---|---|
| Common Stock, par value $0.01 per share | Nasdaq Capital Market |
| Preferred Stock Purchase Rights | Nasdaq Capital Market |

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, 2017, 8,923,617 shares of common stock, par value $0.01 per share, were outstanding.

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

Yes  NoX

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  NoX

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

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

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No

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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 the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| 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 which basis of accounting the registrant has used to prepare the financial statements included in this filing:

X U.S. GAAP
International Financial Reporting Standards as issued by the International Accounting Standards Board
Other

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

________ Item 17 ________ Item 18

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

Yes NoX

(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.

Yes No

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this report may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995, or the PSLRA, provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

TOP Ships Inc. desires to take advantage of the safe harbor provisions of the PSLRA and is including this cautionary statement in connection with this safe harbor legislation. This annual report and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. When used in this annual report, the words "anticipate," "believe," "expect," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," and similar expressions identify forward-looking statements.

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

In addition to these assumptions and matters discussed elsewhere herein and in the documents incorporated by reference herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the following:

- our ability to maintain or develop new and existing customer relationships with major refined product importers and exporters, major crude oil companies and major commodity traders, including our ability to enter into long-term charters for our vessels;
- our future operating and financial results;
- oil and chemical tanker industry trends, including charter rates and vessel values and factors affecting vessel supply and demand;
- our ability to take delivery of, integrate into our fleet, and employ any newbuildings we may order in the future and the ability of shipyards to deliver vessels on a timely basis;
- the aging of our vessels and resultant increases in operation and dry-docking costs;
- the ability of our vessels to pass classification inspections and vetting inspections by oil majors and big chemical corporations;
- significant changes in vessel performance, including increased vessel breakdowns;
- the creditworthiness of our charterers and the ability of our contract counterparties to fulfill their obligations to us;
- our ability to repay outstanding indebtedness, to obtain additional financing and to obtain replacement charters for our vessels, in each case, at commercially acceptable rates or at all;
- changes to governmental rules and regulations or actions taken by regulatory authorities and the expected costs thereof;
- potential liability from litigation and our vessel operations, including discharge of pollutants;
- changes in general economic and business conditions;
- general domestic and international political conditions, potential disruption of shipping routes due to accidents, political events or acts by terrorists;
- changes in production of or demand for oil and petroleum products and chemicals, either globally or in particular regions;
- the strength of world economies and currencies, including fluctuations in charterhire rates and vessel values; and
- and other important factors described from time to time in the reports filed by us with the U.S. Securities and Exchange Commission, or the SEC.

Any forward-looking statements contained herein are made only as of the date of this annual report, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all or any of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

# PART I

## ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

## ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

## ITEM 3. KEY INFORMATION

Unless the context otherwise requires, as used in this annual report, the terms "Company," "we," "us," and "our" refer to TOP Ships Inc. and all of its subsidiaries, and "TOP Ships Inc." refers only to TOP Ships Inc. and not to its subsidiaries. We use the term deadweight ton, or dwt, in describing the size of vessels. Dwt, expressed in metric tons each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. Throughout this annual report, the conversion from Euros, or €, to U.S. dollars, or $, is based on the U.S. dollar/Euro exchange rate of 1.2011 as of December 31, 2017, unless otherwise specified.

### A. Selected Financial Data

The following table sets forth our selected historical consolidated financial information and other operating data as of and for the periods indicated. Our selected historical consolidated financial information as of December 31, 2016 and 2017 and for the years ended December 31, 2015, 2016 and 2017 is derived from our audited consolidated financial statements included in "Item 18. Financial Statements" herein. The selected historical consolidated financial information as of December 31, 2013, 2014 and 2015 and for the years ended December 31, 2013 and 2014 is derived from our audited consolidated financial statements that are not included in this annual report. Our consolidated financial statements are prepared and presented in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.

The information provided below should be read in conjunction with "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects" and the consolidated financial statements, related notes and other financial information included herein.

Following the one-for-ten reverse stock split of our issued and outstanding common shares effective on February 22, 2016, a one-for-twenty reverse stock split of our issued and outstanding common shares effective on May 11, 2017, a one-for-fifteen reverse stock split of our issued and outstanding common shares effective on June 23, 2017, a one-for-thirty reverse stock split of our issued and outstanding common shares effective on August 3, 2017, a one-for-two reverse stock split of our issued and outstanding common shares effective on October 6, 2017 and a one-for-ten reverse stock split of our issued and outstanding common shares effective on March 26, 2018, all share and per share amounts disclosed throughout this annual report, in the table below and in our consolidated financial statements have been retroactively updated to reflect this change in capital structure, unless otherwise indicated. Please see "Item 4. Information on the Company—History and Development of the Company".

| U.S. Dollars in thousands, except per share data STATEMENT OF COMPREHENSIVE (LOSS)/INCOME | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Revenues | 20,074 | 3,602 | 13,075 | 28,433 | 39,363 |
| | | | | | |
| Voyage expenses | 663 | 113 | 370 | 736 | 999 |
| Bareboat charter hire expense | - | - | 5,274 | 6,299 | 6,282 |
| Amortization of prepaid bareboat charter hire | - | - | 1,431 | 1,577 | 1,657 |
| Vessel operating expenses | 745 | 1,143 | 4,789 | 9,913 | 13,444 |
| Management fees-related parties | 1,351 | 703 | 1,621 | 1,824 | 4,730 |
| General and administrative expenses | 3,258 | 2,335 | 2,983 | 2,906 | 5,805 |
| Other operating (income)/loss | - | (861) | 274 | (3,137) | (914) |
| Gain on sale of vessels | (14) | - | - | - | - |
| Vessel depreciation | 6,429 | 757 | 668 | 3,467 | 5,744 |
| Impairment on vessels | - | - | 3,081 | - | - |
| Gain on disposal of subsidiaries | (1,591) | - | - | - | - |
| | | | | | |
| Operating (loss)/income | 9,233 | (588) | (7,416) | 4,848 | 1,616 |
| | | | | | |
| Interest and finance costs | (7,443) | (450) | (719) | (3,093) | (15,793) |
| (Loss)/gain on derivative financial instruments | (171) | 3,866 | (392) | (698) | (301) |
| Interest income | 131 | 74 | - | - | 13 |
| Other (expense)/income, net | (342) | (6) | 20 | (5) | 1,120 |
| | | | | | |
| Net (loss)/income and comprehensive (loss)/income | 1,408 | 2,896 | (8,507) | 1,052 | (13,345) |
| Deemed dividend for beneficial conversion feature of Series B convertible preferred stock | - | - | - | (1, 403) | - |
| Equity loss in joint venture | - | - | - | - | (27) |
| Net (loss)/income attributable to common shareholders | 1,408 | 2,896 | (8,507) | (351) | (13,372) |
| Attributable to: | | | | | |
| Common stock holders | 1,408 | 2,896 | (8,507) | (351) | (13,404) |
| Non-controlling interests | - | - | - | - | 32 |
| | | | | | |
| Earnings/(Loss) per share, basic | $1,408,000 | $413,714 | $(773,364) | $(15,955) | $(12.57) |
| Earnings/(Loss) per share, diluted | $1,408,000 | $362,000 | $(773,364) | $(15,955) | $(12.57) |
| Weighted average common shares outstanding, basic | 1 | 7 | 11 | 22 | 1,063,381 |
| Weighted average common shares outstanding, diluted | 1 | 8 | 11 | 22 | 1,063,381 |

| U.S. dollars in thousands, unless otherwise stated | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| BALANCE SHEET DATA | | | | | |
| Current assets | 10,262 | 1,227 | 5,269 | 4,541 | 29,055 |
| Total assets | 27,868 | 75,575 | 74,006 | 143,317 | 220,448 |
| Current liabilities, including current portion of long-term debt | 8,605 | 9,334 | 17,577 | 20,033 | 25,581 |
| Non-current liabilities | 4,468 | 23,712 | 22,276 | 76,022 | 87,593 |
| Total debt | - | 19,419 | 24,226 | 84,539 | 103,949 |
| Stockholders' equity | 14,795 | 42,529 | 34,153 | 45,521 | 107,274 |

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OTHER FINANCIAL DATA

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| FLEET DATA | | | | | |
| Total number of vessels at end of period (including leased vessels) | 0.0 | 1.0 | 3.0 | 6.0 | 7.0 |
| Average number of vessels(1) | 5.1 | 0.5 | 2.2 | 5.0 | 6.8 |
| Total calendar days for fleet(2) | 1,852 | 195 | 810 | 1,812 | 2,496 |
| Total available days for fleet(3) | 1,852 | 195 | 805 | 1,812 | 2,495 |
| Total operating days for fleet(4) | 1,852 | 195 | 796 | 1,799 | 2,491 |
| Total time charter days for fleet | - | 195 | 796 | 1,799 | 2,491 |
| Total bareboat charter days for fleet | 1,852 | - | - | - | - |
| Fleet utilization(5) | 100.00% | 100.00% | 98.91% | 99.28% | 99.81% |

| Amounts in U.S. dollars | | | | | |
|---|---|---|---|---|---|
| AVERAGE DAILY RESULTS | | | | | |
| Time charter equivalent(6) | $10,484 | $17,892 | $15,961 | $15,396 | $15,403 |
| Vessel operating expenses(7) | $402 | $5,862 | $5,914 | $5,470 | $5,386 |
| General and administrative expenses(8) | $1,759 | $11,974 | $3,684 | $1,604 | $2,323 |

| U.S. dollars in thousands | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Adjusted EBITDA(9) | $13,715 | $163 | $3,058 | $16,186 | $16,405 |

(1) Average number of vessels is the number of vessels that constituted our fleet (including chartered in vessels) for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.

(2) Calendar days are the total days the vessels were in our possession for the relevant period. Calendar days are an indicator of the size of our fleet over the relevant period and affect both the amount of revenues and expenses that we record during that period.

(3) Available days are the number of calendar days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades or special or intermediate surveys and the aggregate amount of time that we spend positioning our vessels. Companies in the shipping industry generally use available days to measure the number of days in a period during which vessels should be capable of generating revenues.

(4) Operating days are the number of available days in a period less the aggregate number of days that our vessels are off-hire due to unforeseen technical circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period that our vessels actually generate revenue.

(5) Fleet utilization is calculated by dividing the number of operating days during a period by the number of available days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades, special or intermediate surveys and vessel positioning.

(6) Time charter equivalent rate, or TCE rate, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE rate is determined by dividing TCE revenues by operating days for the relevant time period. TCE revenues are revenues minus voyage expenses. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the

charterer under a time charter contract, as well as commissions. TCE revenues and TCE rate, which are non-U.S. GAAP measures, provide additional supplemental information in conjunction with shipping revenues, the most directly comparable U.S. GAAP measure, because it assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance. The following table below reflects the reconciliation of TCE revenues to revenues as reflected in the consolidated statements of operations and our calculation of TCE rates for the periods presented.

| U.S. dollars in thousands, except average daily time charter equivalent and total operating days | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| On a consolidated basis | | | | | |
| Revenues | $20,074 | $3,602 | $13,075 | $28,433 | $39,363 |
| Less: | | | | | |
| Voyage expenses | (663) | (113) | (370) | (736) | (999) |
| Time charter equivalent revenues | $19,411 | $3,489 | $12,705 | $27,697 | $38,364 |
| Total operating days | 1,852 | 195 | 796 | 1,799 | 2,491 |
| Average Daily Time Charter Equivalent (TCE) | $10,484 | $17,892 | $15,961 | $15,396 | $15,403 |

(7) Daily vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs are calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.

(8) Daily general and administrative expenses are calculated by dividing general and administrative expenses by fleet calendar days for the relevant time period.

(9) Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization (Adjusted EBITDA), is not a measure prepared in accordance with U.S. GAAP. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, vessel bareboat charter hire expenses (including amortization of prepaid hire), vessel impairments, gains on sale of vessels, gains on disposal of subsidiaries and gains/losses on derivative financial instruments. Adjusted EBITDA is a non-U.S. GAAP financial measure that is used as a supplemental financial measure by management and external users of financial statements, such as investors, to assess our financial and operating performance. We believe that this non-GAAP financial measure assists our management and investors by increasing the comparability of our performance from period to period. This is achieved by excluding the potentially disparate effects between periods of interest, gain/loss on financial instruments, taxes, depreciation and amortization, vessel bareboat charter hire expenses (including amortization of prepaid hire), vessel impairments, gains on sale of vessels and subsidiaries and which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect results of operations between periods. This non-U.S. GAAP measure should not be considered in isolation from, as a substitute for, or superior to financial measures prepared in accordance with U.S. GAAP. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our definition of Adjusted EBITDA may not be the same as reported by other companies in the shipping industry or other industries. Adjusted EBITDA does not represent and should not be considered as an alternative to operating income or cash flow from operations, as determined in accordance with U.S. GAAP.

| U.S. dollars in thousands | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Net (loss)/ income and comprehensive (loss)/ income | 1,408 | 2,896 | (8,507) | 1,052 | (13,372) |
| Add: Bareboat charter hire expenses | - | - | 5,274 | 6,299 | 6,282 |
| Add: Amortization of prepaid bareboat charter hire | - | - | 1,431 | 1,577 | 1,657 |
| Add: Vessel depreciation | 6,429 | 757 | 668 | 3,467 | 5,744 |
| Add: Impairment on vessel | - | - | 3,081 | - | - |
| Add: Interest and finance costs | 7,443 | 450 | 719 | 3,093 | 15,793 |
| Add: Loss/(gain) on derivative financial instruments | 171 | (3,866) | 392 | 698 | 301 |
| Less: Gain on sale of vessels | (14) | - | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| Less: Gain on disposal of subsidiaries | (1,591 ) | - | - | - | - |
| Less: Interest income | (131 ) | (74 ) | - | - | - |
| Adjusted EBITDA | 13,715 | 163 | 3,058 | 16,186 | 16,405 |

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B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

The following risks relate principally to the industry in which we operate and our business in general. Any of these risk factors could materially and adversely affect our business, financial condition or operating results and the trading price of our common shares.

RISKS RELATED TO OUR INDUSTRY

The international tanker industry has historically been both cyclical and volatile and this may lead to reductions and volatility in our charter rates, our vessel values, our revenues, earnings and cash flow results.

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. Please see "—The international oil tanker industry has experienced volatile charter rates and vessel values and there can be no assurance that these charter rates and vessel values will not decrease in the near future." Currently, all of our vessels are employed on time charters. However, changes in spot rates and time charters can affect the revenues we will receive from operations in the event our charterers default or seek to renegotiate the charter hire, and can affect the value of our vessels, even if they 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. If we enter into a charter when charter rates are low, our revenues and earnings will be adversely affected. 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.

Factors that influence demand for tanker vessel capacity include:

- supply and demand for petroleum products and chemicals carried;
- changes in oil production and refining capacity resulting in shifts in trade flows for oil products;
- the distance petroleum products and chemicals are to be moved by sea;
- global and regional economic and political conditions, including developments in international trade, national oil reserves policies, fluctuations in industrial and agricultural production, armed conflicts and work stoppages;
- increases in the production of oil in areas linked by pipelines to consuming areas, the extension of existing, or the development of new pipeline systems in markets we may serve, or the conversion of existing non-oil pipelines to oil pipelines in those markets;
- environmental and other legal and regulatory developments;
- currency exchange rates;
- weather, natural disasters and other acts of God;
- competition from alternative sources of energy, other shipping companies and other modes of transportation; and
- international sanctions, embargoes, import and export restrictions, nationalizations, piracy and wars.

The factors that influence the supply of tanker capacity include:

- the number of newbuilding deliveries;
- current and expected newbuilding orders for vessels;
- the scrapping rate of older vessels;
- 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 and capacity of vessels;
- potential conversion of vessels for alternative use;
- changes in environmental and other regulations that may limit the useful lives of vessels;
- port or canal congestion;
- the number of vessels that are out of service at a given time; and
- changes in global petroleum and chemical production.

The factors affecting the supply and demand for tankers have been volatile and are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable, including those discussed above. Market conditions were volatile in 2017 and continued volatility may reduce demand for transportation of oil, petroleum products and chemicals over longer distances and increase the supply of tankers, which may have a material adverse effect on our business, financial condition, results of operations, cash flows, ability to pay dividends and existing contractual obligations.

The international oil tanker industry has experienced volatile charter rates and vessel values and there can be no assurance that these charter rates and vessel values will not decrease in the near future.

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. For example, in 2017, the BDTI reached a high of 1,088 and a low of 614. The Baltic Clean Tanker Index, or BCTI, a comparable index to the BDTI, has similarly been volatile. In 2017, the BCTI reached a high of 867 and a low of 508. Although the BDTI and BCTI were 662 and 563, respectively, as of March 27, 2018, there can be no assurance that the crude oil and petroleum products charter market will increase, and the market could again decline. This volatility in charter rates depends, among other factors, on (i) the demand for crude oil and petroleum products, (ii) the inventories of crude oil and petroleum products in the United States and in other industrialized nations, (iii) oil refining volumes, (iv) oil prices, and (v) any restrictions on crude oil production imposed by the Organization of the Petroleum Exporting Countries, or OPEC, and non-OPEC oil producing countries. If the charter rates in the oil tanker market decline from their current levels, our future earnings may 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.

Volatile economic conditions throughout the world could have an adverse impact on our operations and financial results.

Among other factors, we face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world.

The world economy continues to face a number of challenges. Concerns persist regarding the debt burden of certain European countries and their ability to meet future financial obligations and the overall stability of the euro. A renewed period of adverse development in the outlook for the financial stability of European countries, or market perceptions concerning these and related issues, could reduce the overall demand for oil and chemicals, and thus for shipping and our services, and thereby could affect our financial position, results of operations and cash available for distribution. In addition, turmoil and hostilities in the Middle East and other geographic areas and countries may negatively impact the world economy.

A general deterioration in the global economy may also cause a decrease in worldwide demand for certain goods and, thus, shipping. In the past, economic and governmental factors, together with concurrent declines in charter rates and vessel values, have had a material adverse effect on our results of operations, financial condition and cash flows, causing the price of our common shares to decline.

Further, the economic slowdown in China has and may continue to exacerbate the effect on us of any slowdown in the rest of the world. Specifically, China currently has one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. The growth rate of China's GDP for the year ended December 31, 2017 was estimated to be around 6.9%. China and other countries in the Asia Pacific region may continue to experience slow or even negative economic growth in the future. Our financial condition and results of operations, as well as our future prospects, would likely be impeded by a continuing or worsening economic downturn in any of these countries.

European countries have likewise experienced relatively slow growth. Over the past several years, the credit markets in Europe have experienced significant contraction, deleveraging and reduced liquidity, and European authorities continue to implement a broad variety of governmental action and/or new regulation of the financial markets. Worldwide economic conditions have in the past impacted, and could in the future impact, lenders' willingness to provide credit to us and our customers. In addition, a portion of the credit under our credit facilities is provided by European banking institutions. If economic conditions in Europe preclude or limit financing from these banking institutions, we may not be able to obtain financing from other institutions on terms that are acceptable to us, or at all, even if conditions outside Europe remain favorable for lending.

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

Global financial markets and economic conditions have been volatile. This volatility has negatively affected the general willingness of banks and other financial institutions to extend credit, particularly to the shipping industry, due to the historically volatile values of vessels. The shipping industry, which is highly dependent on the availability of credit to finance and expand operations, has been negatively affected by this decline.

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

The instability of the Euro or the inability of countries to refinance their debts could have a material adverse effect on our revenue, profitability and financial position.

As a result of the credit crisis in Europe, the European Commission created the European Financial Stability Facility, or the EFSF, and the European Financial Stability Mechanism, or the EFSM, to provide funding to Eurozone countries in financial difficulties that seek such support. In 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism and as a result, the European Stability Mechanism, or the ESM, was established in 2012 to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the Euro. An extended period of adverse development in the outlook for European countries could reduce the overall demand for oil, petroleum products and chemicals and consequently for our services. These potential developments, or market perceptions concerning these and related issues, could affect our financial position, results of operations and cash flow.

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

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels will operate or are registered, which can significantly affect the operation of our vessels. These regulations include, but are not limited to the International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended and generally referred to as MARPOL, including the designation of Emission Control Areas, or ECAs, thereunder, the International Convention on Load Lines of 1966, the International Convention on Civil Liability for Oil Pollution Damage of 1969, generally referred to as CLC, the International Convention on Civil Liability for Bunker Oil Pollution Damage, or Bunker Convention, the International Convention for the Safety of Life at Sea of 1974, or SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, the U.S. Oil Pollution Act of 1990, or OPA, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Clean Water Act, the U.S. Clean Air Act, the U.S. Outer Continental Shelf Lands Act, the U.S. Maritime Transportation Security Act of 2002, or the MTSA, and European Union regulations. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations.

Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. Events such as the 2010 explosion of the Deepwater Horizon and the subsequent release of oil into the Gulf of Mexico, or other events, may result in further regulation of the shipping industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although insurance covers certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to pay dividends, if any, in the future.

We are subject to international safety regulations and requirements imposed by classification societies and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.

The operation of our vessels is affected by the requirements set forth in the United Nations' International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code. The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. We expect that any vessels that we acquire in the future will be ISM Code-certified when delivered to us. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports, including United States and European Union ports.

In addition, the hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the International Convention for Safety of Life at Sea. If a 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, which will negatively impact our revenues and results from operations.
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 regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. 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 or the Paris Agreement, a new treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws, regulations and obligations relating to climate change could increase our costs related to operating and maintaining our 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 oil and 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 oil and gas in the future or create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil and gas industry could have a significant adverse financial and operational impact on our business that we cannot predict with certainty at this time.

Our vessels may suffer damage due to the inherent operational risks of the tanker industry and we may experience unexpected dry-docking costs, 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 other acts of God, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy and other circumstances or events. These hazards 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 or delay or re-routing, which may also subject us to litigation. In addition, the operation of tankers has unique operational risks associated with the transportation of oil or chemicals. An oil or chemical spill may cause significant environmental damage, and the costs associated with a catastrophic spill could exceed the insurance coverage available to us. Compared to other types of vessels, tankers 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 and chemicals transported in such tankers.

If our vessels suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay dry-docking costs that our insurance does not cover in full. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings. In addition, space at dry-docking facilities is sometimes limited and not all dry-docking facilities are conveniently located. We may be unable to find space at a suitable dry-docking facility or our vessels may be forced to travel to a dry-docking 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 steam to more distant dry-docking facilities would decrease our earnings.

In the case of bareboat chartered-out vessels, dry-docking risks, expenses and loss of hire or freight revenue affect the bareboat charterer and not the shipowner, for the duration of the bareboat charter. In the case of our bareboat chartered-in vessels, dry-docking risks, expenses and loss of hire or freight revenue affect us. Currently we do not employ any of our vessels on bareboat charters.

The market value of our vessels, and those we may acquire in the future, may fluctuate significantly, which could cause us to incur losses if we decide to sell them following a decline in their market values or we may be required to write down their carrying value, which will adversely affect our earnings.

The fair market value of our vessels may increase and decrease depending on the following factors:

- general economic and market conditions affecting the shipping industry;
- prevailing level of charter rates;
- competition from other shipping companies;
- types, sizes and ages of vessels;
- the availability of other modes of transportation;
- supply and demand for vessels;
- shipyard capacity;
- cost of newbuildings;
- price of steel;
- governmental or other regulations; and
- technological advances.

If we sell any vessel at a time when vessel prices have fallen, the sale price may be less than the vessel's carrying amount in our financial statements, in which case we will realize a loss. Vessel prices can fluctuate significantly, and in the case where the market value falls below the carrying amount, we will evaluate the vessel for a potential impairment adjustment. If the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the vessel is less than its carrying amount, we may be required to write down the carrying amount of the vessel to its fair value in our financial statements and incur a loss and a reduction in earnings. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies—Impairment of Vessels."

An over-supply of tanker capacity may lead to reductions in charter hire rates and profitability.
The market supply of tankers is affected by a number of factors such as demand for energy resources, crude oil, petroleum products and chemicals, as well as strong overall economic growth of the world economy. If the capacity of new tankers delivered exceeds the capacity of such tankers being scrapped and lost, vessel capacity will increase, which could lead to reductions in charter rates. As of March 23, 2018, newbuilding orders have been placed for an aggregate of approximately 11.5% of the existing global tanker fleet with the bulk of deliveries expected during 2018 and 2019.
An over-supply of oil tankers has already resulted in an increase in oil tanker charter hire rate volatility. If this volatility persists, we may not be able to find profitable charters for our vessels, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.
Our vessels may call on ports located in countries that are subject to restrictions imposed by the U.S. or other governments, which could adversely affect our business, reputation and the market for our common stock.
While none of our vessels called on ports located in countries subject to U.S. sanctions during 2017, and we intend to comply with all applicable sanctions and embargo laws and regulations, our vessels may call on ports in these countries from time to time on charterers' instructions in the future, and there can be no assurance that we will maintain such compliance, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. With effect from July 1, 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to companies, such as ours, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In addition, on May 1, 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader, and U.S. persons are generally prohibited from all transactions or dealings with such persons, whether direct or indirect. Among other things, foreign sanctions evaders are unable to transact in U.S. dollars.
Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.
On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the "Joint Plan of Action," or the JPOA. Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the U.S. and the European Union would voluntarily suspend certain sanctions for a period of six months. On January 20, 2014, the U.S. and European Union indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures included, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries from January 20, 2014

until July 20, 2014. The JPOA was subsequently extended twice.
On July 14, 2015, the P5+1 and the European Union announced that they reached a landmark agreement with Iran titled the Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran's Nuclear Program, or the JCPOA, which is intended to significantly restrict Iran's ability to develop and produce nuclear weapons for 10 years while simultaneously easing sanctions directed toward non-U.S. persons for conduct involving Iran, but taking place outside of U.S. jurisdiction and does not involve U.S. persons. On January 16, 2016 ("Implementation Day"), the United States joined the European Union and the U.N. in lifting a significant number of their nuclear-related sanctions on Iran following an announcement by the International Atomic Energy Agency, or the IAEA, that Iran had satisfied its respective obligations under the JCPOA.

U.S. sanctions prohibiting certain conduct that is now permitted under the JCPOA have not actually been repealed or permanently terminated at this time. Rather, the U.S. government has implemented changes to the sanctions regime by: (1) issuing waivers of certain statutory sanctions provisions; (2) committing to refrain from exercising certain discretionary sanctions authorities; (3) removing certain individuals and entities from OFAC's sanctions lists; and (4) revoking certain Executive Orders and specified sections of Executive Orders. These sanctions will not be permanently "lifted" until the earlier of "Transition Day," set to occur on October 20, 2023, or upon a report from the IAEA stating that all nuclear material in Iran is being used for peaceful activities. On October 13, 2017, the U.S. President announced that he would not certify Iran's compliance with the JCPOA. This did not withdraw the U.S. from the JCPOA or reinstate any sanctions. However, the U.S. President must periodically renew sanctions waivers and his refusal to do so could result in the reinstatement of certain sanctions currently suspended under the JCPOA. Although it is our intention to comply with the provisions of the JCPOA, there can be no assurance that we will be in compliance in the future as such regulations and U.S. Sanctions may be amended over time, and the U.S. retains the authority to revoke the aforementioned relief if Iran fails to meet its commitments under the JCPOA, as noted above.
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 Trump administration, the European Union, and/or other international bodies as a result of the annexation of Crimea by Russia in March 2014. 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. Currently, we do not believe that any of our existing counterparties are affiliated with persons or entities that are subject to such sanctions.

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

World events could adversely affect our results of operations and financial condition.

The continuing conflicts in the Middle East and elsewhere, and the presence of the United States and other armed forces in Afghanistan and Syria, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing or, if we are able to obtain financing, to do so on terms unfavorable to us. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our business, financial condition and results of operations.

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Arabian Sea, the Red Sea, the Gulf of Aden off the coast of Somalia, the Indian Ocean and the Gulf of Guinea. Sea piracy incidents continue to occur. Acts of piracy could result in harm or danger to the crews that man our vessels. If insurers or the Joint War Committee characterize the regions in which our vessels are deployed as "war risk" zones or "war and strikes" listed areas," respectively, premiums payable for insurance coverage could increase significantly and such coverage may be more difficult to obtain if available at all. In addition, crew costs, including costs that may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, least of all for bearing the cost of the applicable deductible(s) or unforeseen charges/costs, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows, financial condition and ability to pay dividends and may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

Changes in the economic and political environment in China and policies adopted by the Chinese government to regulate its economy may have a material adverse effect on our business, financial condition and results of operations.
The Chinese economy differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development, or OECD, in respects such as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. Prior to 1978, the Chinese economy was a planned economy. Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Annual and five-year plans, or State Plans, are adopted by the Chinese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through State Plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a "market economy" and enterprise reform. Limited price reforms were undertaken, with the result that prices for certain commodities are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. If the Chinese government does not continue to pursue a policy of economic reform, the level of imports to and exports from China could be adversely affected and could adversely affect our business, operating results and financial condition.
Increased inspection procedures and tighter import and export controls could increase costs and disrupt our business.
International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination. Inspection procedures can result in the seizure of, delay in the loading, off-loading or delivery of, the contents of our vessels or 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, financial condition, and results of operations.
We rely on our information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.
The efficient operation of our business is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry-accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent cybersecurity breaches, the access, capture or alteration of information by criminals, the exposure or exploitation of potential security vulnerabilities, the installation of malware or ransomware, acts of vandalism, computer viruses, misplaced data or data loss. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business, results of operations and financial condition, as well as our cash flows, including cash available for dividends to our stockholders.
RISKS RELATED TO OUR COMPANY
We may not be able to continue as a going concern.
Our audited condensed consolidated financial statements for the year ended December 31, 2017 have been prepared on the basis that we will continue as a going concern. As at December 31, 2017, we had a working capital surplus of $3.5 million and commitments under operating leases for the next twelve months of $6.3 million. As of March29, 2018, our capital commitments for the acquisition of our fleet for the following twelve months amounts to $137.1 million.
As of December 31, 2017 we have undrawn facilities amounting to $51.8 million. Please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources." We are considering options to raise capital to

avoid there being substantial doubt about our ability to fund future operations and meet our obligations as they become due for at least a year, and continue as a going concern. If we are unable to refinance or raise capital, we may cease to continue as a going concern and we would be required to restate our assets and liabilities on a liquidation basis, which could differ significantly from the going concern basis.

We are currently subject to litigation and we may be subject to similar or other litigation in the future.
We and certain of our current executive officers are defendants in purported class-action lawsuits pending in the U.S. District Court for the Eastern Districts of New York, brought on behalf of shareholders of the Company. The lawsuits allege violations of the Securities Exchange Act of 1934, as amended, or the Exchange Act.
While we believe these claims to be without merit and intend to continue to defend these lawsuits vigorously, we cannot predict their outcome. 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. 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 lawsuit. Substantial litigation costs, including the substantial self-insured retention that we were required to satisfy before any insurance applied to the claim, or an adverse result in any litigation may adversely impact our business, operating results or financial condition.

Our operating, joint venture and chartered-in fleet consists of eight MR product tankers. Any limitation in the availability or operation of these vessels could have a material adverse effect on our business, results of operations and financial condition.
As of the date of this annual report, our operating fleet consists of two chartered-in 49,737 dwt product/chemical tankers vessels, the M/T Stenaweco Energy and the M/T Stenaweco Evolution, two 39,208 dwt product/chemical tankers vessels, the M/T Eco Fleet and the M/T Eco Revolution, and three 49,737 dwt product/chemical tankers, the M/T Stenaweco Excellence, M/T Nord Valiant and M/T Stenaweco Elegance. Furthermore our 50% owned subsidiary owns a 49,737 dwt product/chemical tanker vessel, the M/T Eco Holmby Hills. If these vessels are unable to generate revenue as a result of off hire time, early termination of the applicable time charter or otherwise, our business, results of operations, financial condition and ability to pay dividends on our common shares could be materially adversely affected.
We expect to be dependent on a limited number of customers for a large part of our revenues, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.
Currently all of our revenues are currently derived from four charterers, Stena Weco A/S, BP Shipping Limited, Clearlake Shipping Pte Ltd and Dampskibsselskabet NORDEN A/S. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime industry, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. 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, charterers and customers may no longer need a vessel that is then under charter or contract or may be able to obtain a comparable vessel at lower rates. As a result, charterers and customers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. Should one of our counterparties fail to honor its obligations under agreements with us, we could sustain significant losses that could have a material adverse effect on our business, financial condition, results of operations and cash flows.
The bareboat charters in connection with our sale and leaseback agreements contain restrictive covenants that may limit our liquidity and corporate activities, and could have an adverse effect on our financial condition and results of operations.

The bareboat charters in connection with the sale and leaseback agreements for the M/T Stenaweco Energy and the M/T Stenaweco Evolution contain, and any future sale and leaseback agreements we may enter into are expected to contain, customary covenants and event of default clauses, including cross-default provisions and restrictive covenants and performance requirements that may affect our operational and financial flexibility. Such restrictions could affect, and in many respects limit or prohibit, among other things, our ability to incur additional indebtedness, create liens, sell assets, or engage in mergers or acquisitions. These restrictions could also limit our ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities. There can be no assurance that such restrictions will not adversely affect our ability to finance our future operations or capital needs.

Our bareboat charters in connection with the sale and leaseback agreements require us to maintain specified financial ratios, satisfy financial covenants and contain cross-default clauses, including the following:

- maintain a consolidated leverage ratio of not more than 75%; and
- maintain minimum free liquidity of $0.75 million per owned vessel and $0.5 million per bareboated chartered-in vessel.

As of December 31, 2017, we are in compliance with the consolidated leverage ratio and the minimum free liquidity covenants in our sale and leaseback agreements.

As a result of the restrictions in our bareboat charters in connection with our sale and leaseback agreements, or similar restrictions in our future sale and leaseback agreements, we may need to seek permission from the owners of our leased vessels in order to engage in certain corporate actions. Their interests may be different from ours and we may not be able to obtain their permission when needed. This may prevent us from taking actions that we believe are in our best interest, which may adversely impact our revenues, results of operations and financial condition.

A failure by us to meet our payment and other obligations, including our financial covenant requirements, could lead to defaults under our bareboat charters in connection with our sale and leaseback agreement or any future sale and leaseback agreements. If we are not in compliance with our covenants and we are not able to obtain covenant waivers or modifications, the current or future owners of our leased vessels, as appropriate, could retake possession of our vessels or require us to pay down our indebtedness to a level where we are in compliance with our covenants or sell vessels in our fleet. We could lose our vessels if we default on our bareboat charters in connection with the sale and leaseback agreements, which would negatively affect our revenues, results of operations and financial condition.

Newbuilding projects are subject to risks that could cause delays.

As of the date of this annual report, we own 50% interests in one corporation that is a party to a shipbuilding contract for a newbuilding vessel scheduled to be delivered from Hyundai in the second quarter of 2018 and 100% interests in another five corporations that are party to shipbuilding contracts for five newbuilding vessels scheduled to be delivered in the third quarter of 2018 and the first and second quarters of 2019. Newbuilding construction projects are subject to risks of delay inherent in any large construction project caused by numerous factors, including shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment or shipyard construction, failure of equipment to meet quality and/or performance standards, financial or operating difficulties experienced by equipment vendors or the shipyard, unanticipated actual or purported change orders, inability to obtain required permits or approvals, design or engineering changes and work stoppages and other labor disputes, adverse weather conditions, bankruptcy or other financial crisis of the shipyard, a backlog of orders at the shipyard, or any other events of force majeure. A shipyard's failure to complete the project on time may result in the delay of revenue from the vessel. Any such failure or delay could have a material adverse effect on our operating results as we will continue to incur other costs to operate our business.

Furthermore, we will need to incur additional borrowings or raise capital through the sale of additional equity or debt securities to complete our newbuilding program or acquire any additional vessels in the future. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. If we are not able to borrow additional funds, raise other capital or utilize available cash on hand, we may not be able to complete our newbuilding program or acquire other newbuilding or secondhand vessels, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our strategic relationships subject us to risks that could adversely affect our business, financial condition and results of operations.

We own 50% of City of Athens Inc., a Marshal Islands corporation that owns the M/T Eco Holmby Hills and another 50% of ECO Nine Inc., a Marshall Islands corporation that is a party to a newbuilding contract for a 50,000 dwt newbuilding product tanker scheduled for delivery from Hyundai in May 2018. Fly Free Company and Maxima International Co. own the other 50% of City of Athens Inc. and ECO Nine Inc., respectively. Fly Free Company and Maxima International Co. are wholly-owned subsidiaries of Gunvor S.A., or Gunvor, a non-affiliated company with which we have entered into a joint venture agreement on July 7, 2017.

These strategic relationships are subject to various risks that could adversely affect the value of our investments and our results of operations and financial condition. These risks include, but are not limited to, the following:

- our interests could diverge from our partners' interests or we may not agree with our strategic partners on ongoing activities or on the amount, timing or nature of further investments in the relationship;

- we do not control the operations of City of Athens Inc. and ECO Nine Inc. as we have joint control ;

- due to financial constraints, our strategic partners may be unable to meet their commitments to us;

- due to differing long-term business goals, our partners may decide not to join us in funding capital investment by our business ventures, which may result in higher levels of cash expenditures by us;

- we may experience difficulties or delays in collecting amounts due to us from our strategic partners;

- the terms of our arrangements may turn out to be unfavorable; and

- changes in tax, legal or regulatory requirements may necessitate changes in the agreements with our strategic partners.

Further, in spite of performing customary due diligence prior to entering into the aforementioned strategic relationships, we cannot guarantee full disclosure of prior acts or omissions of the sellers or those with whom we enter into strategic arrangements. If our strategic relationships are unsuccessful or there are unanticipated changes in, or termination of, our strategic relationships, our business, results of operations and financial condition may be adversely affected.

Our credit facilities contain restrictive covenants that limit our business and financing activities.
The operating and financial restrictions and covenants in our ABN Senior Credit Facility, or the ABN Facility, Norddeutsche Landesbank Girozentrale Bank of Germany Facility, or the NORD/LB Facility, Alpha Bank of Greece Facility, or the Alpha Bank Facility, and any new or amended credit facility we enter into in the future could adversely affect our ability to finance future operations or capital needs or to engage, expand or pursue our business activities. For example, our ABN Facility, NORD/LB Facility and Alpha Bank Facility require the consent of our lenders to, among other things:

- incur or guarantee indebtedness outside of our ordinary course of business;
- charge, pledge or encumber our vessels;
- change the flag, class, management or ownership of our vessels;
- change the commercial and technical management of our vessels; and
- sell or change the beneficial ownership or control of our vessels.

Further, our credit facilities require us to satisfy certain financial and other covenants. Please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources." In general, these financial covenants require us to maintain, among other things, a minimum ratio of total net debt to the aggregate market value of our fleet and minimum free consolidated liquidity per collateralized vessel. A breach of any of these, or other, covenants in our credit facilities would prevent us from borrowing additional money under our credit facilities and could constitute an event of default under our credit facilities, which, unless cured within the grace period set forth under the credit facility, if applicable, or waived or modified by our lenders, may provide our lenders with the right to, among other things, require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet and

accelerate our indebtedness and foreclose their liens on our vessels and the other assets securing the credit facilities, which would impair our ability to continue to conduct our business.
Our ability to comply with the covenants and restrictions contained in our current or future credit facilities may be affected by events beyond our control, including prevailing economic, financial and industry conditions, interest rate developments, changes in the funding costs of our banks and changes in vessel earnings and asset valuations. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we are in breach of any of the restrictions, covenants, ratios or tests in our current or future credit facilities, or if we trigger a cross-default contained in our current or future credit facilities, a significant portion of our obligations may become immediately due and payable. We may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, obligations under our current and future credit facilities are and are expected to be secured by our vessels, and if we are unable to repay debt under our current or future credit facilities, the lenders could seek to foreclose on those assets.

Furthermore, if the estimated asset values of the vessels in our fleet decrease, such decreases may limit the amounts we can draw down under our future credit facilities to purchase additional vessels and our ability to expand our fleet. In addition, we may be obligated to prepay part of our outstanding debt in order to remain in compliance with the relevant covenants in our current or future credit facilities. If funds under our current or future credit facilities become unavailable as a result of a breach of our covenants or otherwise, we may not be able to perform our business strategy which could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends.

Due to the recent issuances and sales of our common shares we may not have always been in compliance with the covenants contained in our secured credit facilities.

The NORD/LB Facility, Alpha Bank Facility and ABN Facility require that any member of the family of Mr. Evangelos Pistiolis, our President, Chairman and Chief Executive Officer, maintain an ownership interest (either directly and/or indirectly through companies beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) of 20% of our issued and outstanding common shares, 30% of our issued and outstanding common shares (or 51% of the voting rights in Eco Seven Inc.), or 50% of our voting rights, respectively (the "Required Percentage"). As of the latest Schedule 13D/A filed by the Lax Trust and other related parties, the members of Mr. Pistiolis' family may be deemed to beneficially own, via the Lax Trust, less than 0.1% of our outstanding common shares or, upon exercise by Lax Trust of Warrants held by Race Navigation Inc., 13.3% of our outstanding common shares.

In order to comply with the loan covenants described above, on May 8, 2017 the Company issued 100,000 of Series D Preferred Shares to Tankers Family Inc., a company controlled by Lax Trust, which is an irrevocable trust established for the benefit of certain family members of Evangelos Pistiolis, for $1,000 pursuant to a stock purchase agreement. Each Series D Preferred Share has the voting power of one thousand (1,000) common shares. The Series D Preferred Shares have no dividend or other economic rights and are non-transferable and must be held by Mr. Pistiolis or his family. If we had not cured such breach or such breach is not waived or modified by our lenders, then such breach may provide our lenders with the right to accelerate our indebtedness and foreclose their liens on our assets securing the credit facilities, which would impair our ability to continue to conduct our business. In addition our lenders may among other things, require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, and sell vessels in our fleet.

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

Servicing current and future debt will limit funds available for other purposes and impair our ability to react to changes in our business.

We must dedicate a portion of our cash flow from operations to pay the principal and interest on our indebtedness. These payments limit funds otherwise available for working capital, capital expenditures and other purposes. As of December 31, 2017, we had a total indebtedness of $106.2 million, excluding deferred finance fees. Our current or future debt could have other significant consequences on our operations. For example, it could:

- increase our vulnerability to general economic downturns and adverse competitive and industry conditions;
- require us to dedicate a substantial portion, if not all, of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and

other general corporate purposes;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to competitors that have less debt or better access to capital;
- limit our ability to raise additional financing on satisfactory terms or at all; and
- adversely impact our ability to comply with the financial and other restrictive covenants of our current or future financing arrangements, which could result in an event of default under such agreements.

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Furthermore, our current or future interest expense could increase if interest rates increase. If we do not have sufficient earnings, we may be required to refinance all or part of our current or future debt, sell assets, borrow more money or sell more securities, and we cannot guarantee that the resulting proceeds therefrom, if any, will be sufficient to meet our ongoing capital and operating needs.

If we fail to manage our planned growth properly, we may not be able to successfully expand our market share.

We intend to continue to grow our fleet in the future. Our future growth will primarily depend on our ability to:

- generate excess cash flow for investment without jeopardizing our ability to cover current and foreseeable working capital needs (including debt service);
- raise equity and obtain required financing for our existing and new operations;
- locate and acquire suitable vessels;
- identify and consummate acquisitions or joint ventures;
- integrate any acquired business successfully with our existing operations;
- hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet;
- enhance our customer base; and
- manage expansion.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel, managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. We may not be successful in executing our growth plans and we may incur significant additional expenses and losses in connection therewith.

Our ability to obtain additional debt financing may be dependent on our ability to charter our vessels, the performance of our charters and the creditworthiness of our charterers.

Our inability to re-charter our vessels and 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 or may significantly increase our costs of obtaining such capital. Our inability to obtain financing, or receiving financing at a higher than anticipated cost, may materially affect our results of operation and our ability to implement our business strategy.

The industry for the operation of tanker vessels and the transportation of oil, petroleum products and chemicals is highly competitive and we may not be able to compete for charters with new entrants or established companies with greater resources.

We will employ our tankers and any additional vessels we may acquire in a highly competitive market that is capital intensive and highly fragmented. The operation of tanker vessels and the transportation of cargoes shipped in these vessels, as well as the shipping industry in general, is extremely competitive. Competition arises primarily from other vessel owners, including major oil companies as well as independent tanker shipping companies, some of whom have substantially greater resources than we do. Competition for the transportation of oil, petroleum products and chemicals can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Due in part to the highly fragmented market, competitors with greater resources could enter and operate larger fleets through consolidations or acquisitions that may be able to offer better prices and fleets than us.

A limited number of financial institutions hold our cash.

A limited number of financial institutions, including institutions located in Greece, hold all of our cash. Our cash balances have been deposited from time to time with banks in Monaco, Germany, Holland, United Kingdom and Greece amongst others. Our cash balances are not covered by insurance in the event of default by these financial institutions. The occurrence of such a default could have a material adverse effect on our business, financial condition, results of operations and cash flows, and we may lose part or all of our cash that we deposit with such banks.

Uncertainty related to the Greek sovereign debt crisis may adversely affect our operating results..
Uncertainty related to the Greek sovereign debt crisis may adversely affect our operating results. Greece experienced a macroeconomic downturn in recent years, including as a result of the sovereign debt crisis and the related austerity measures implemented by the Greek government. As a result, our operations in Greece may be subjected to new regulations or regulatory action that may require us to incur new or additional compliance or other administrative costs and may require that we or our Fleet Manager pay to the Greek government new taxes or other fees. We and our Fleet Manager also face the risk that strikes, work stoppages, civil unrest and violence within Greece may disrupt our and our Fleet Manager's shore side operations located in Greece. The Greek government's taxation authorities have increased their scrutinization of individuals and companies to secure tax law compliance. If economic and financial market conditions remain uncertain or deteriorate further, the Greek government may impose further changes to tax and other laws to which we and our Fleet Manager may be subject or change the ways they are enforced, which may adversely affect our business, operating results, and financial condition.

Our President, Chief Executive Officer and Director, who may be deemed to beneficially own, directly or indirectly, 100% of our Series D Preferred Shares, and approximately 13.3% of our common stock, has control over us.

As of March 29, 2018, Lax Trust, which is an irrevocable trust established for the benefit of certain family members of our President, Chief Executive Officer and Director, Mr. Evangelos Pistiolis, may be deemed to beneficially own, directly or indirectly, all of the 100,000 outstanding shares of our Series D Preferred Stock. Each Series D Preferred Share carries 1,000 votes. By its ownership of 100% of our Series D Preferred Shares, Lax Trust has control over our actions.

As of March 29, 2018, the Lax Trust may be deemed to own all of the outstanding shares of Family Trading Inc., Sovereign Holdings Inc., Epsilon Holdings Inc., Race Navigation Inc., and Tankers Family Inc., which in aggregate own approximately 13.3% of our outstanding common shares, including 2,600,000 common shares issuable upon the exercise of 1,250,000 of the 2014 Warrants (defined below) currently beneficially owned by Race Navigation. See also "Item 7—Major Shareholders and Related Party Transactions—A. Major Shareholders." Due to the number of shares that the Lax Trust may be deemed to own, it has the power to exert considerable influence over our actions and to effectively control the outcome of matters on which our shareholders are entitled to vote, including the election of our directors and other significant corporate actions. The interests of the Lax Trust or the family of Mr. Pistiolis may be different from your interests.
We may be unable to attract and retain key management personnel and other employees in the international tanker shipping industry, which may negatively impact the effectiveness of our management and our results of operations.
Our success depends to a significant extent upon the abilities and efforts of our management team. All of our executive officers are employees of Central Mare Inc., or Central Mare, a related party affiliated with the family of Evangelos J. Pistiolis, our President, Chief Executive Officer and Director, and we have entered into agreements with Central Mare for the compensation of Evangelos J. Pistiolis, our President, Chief Executive Officer and Director; Alexandros Tsirikos, our Chief Financial Officer and Director; Vangelis Ikonomou, our Executive Vice President, Chairman and Director; and Konstantinos Patis, our Chief Technical Officer. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining personnel could adversely affect our results of operations. We do not maintain "key man" life insurance on any of our officers.
If labor interruptions are not resolved in a timely manner, they could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.
Central Shipping Monaco SAM, which we refer to as our Fleet Manager or CSM, a related party affiliated with the family of Evangelos J. Pistiolis, our President, Chief Executive Officer and Director, is responsible for recruiting, mainly through a crewing agent, the senior officers and all other crew members for our vessels and all other vessels we may acquire. 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 as we expect and could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

If we expand our business, we will need to improve our operations and financial systems and staff; if we cannot improve these systems or recruit suitable employees, our performance may be adversely affected.

Our current operating and financial systems may not be adequate if we implement a plan to expand the size of our fleet, and our attempts to improve those systems may be ineffective. If we are unable to operate our financial and operations systems effectively or to recruit suitable employees as we expand our fleet, our performance may be adversely affected.

A drop in spot charter rates may provide an incentive for some charterers to default on their charters, which could affect our cash flow and financial condition.

When we enter into a time charter or bareboat charter, rates under that charter are fixed throughout the term of the charter. If the spot charter rates in the tanker shipping industry become significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our then existing charters, the charterers may have incentive to default under that charter or attempt to renegotiate the charter. If our charterers fail to pay their obligations, we would have to attempt to re-charter our vessels at lower charter rates, and as a result we could sustain significant losses which could have a material adverse effect on our cash flow and financial condition, which would affect our ability to meet our current or future loans or current leaseback obligations. If our current or future lenders choose to accelerate our indebtedness and foreclose their liens, or if the owners of our leased vessels choose to repossess vessels in our fleet as a result of a default under the sale and leaseback agreements, our ability to continue to conduct our business would be impaired.

An increase in operating costs could decrease earnings and available cash.

Vessel operating costs include the costs of crew, fuel (for spot chartered vessels), provisions, deck and engine stores, 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, have been increasing. If any vessels we have or will acquire suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-docking repairs are unpredictable and can be substantial. Increases in any of these expenses could decrease our earnings and available cash.

The aging of our fleet may result in increased operating costs in the future, which could adversely affect our earnings.

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. As our fleet ages, operating and other costs will increase. In the case of bareboat charters, operating costs are borne by the bareboat charterer. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations, including environmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our vessels may engage. As our fleet ages, market conditions might not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

Unless we set aside reserves or are able to borrow funds for vessel replacement, our revenue will decline at the end of a vessel's useful life, which would adversely affect our business, results of operations and financial condition.

Unless we maintain reserves or are able to borrow or raise funds for vessel replacement, we will be unable to replace the vessels in our fleet upon the expiration of their remaining useful lives, which we estimate to be 25 years from the date of initial delivery from the shipyard. Our cash flows and income are dependent on the revenues earned by the chartering of our vessels to customers. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, results of operations and financial condition will be materially and adversely affected.

Purchasing and operating secondhand vessels may result in increased operating costs and vessels off-hire, which could adversely affect our earnings.

We may expand our fleet through the acquisition of secondhand vessels. While we rigorously inspect previously owned or secondhand vessels prior to purchase, this does not normally provide us with the same knowledge about their condition and cost of any required (or anticipated) repairs 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 prior to 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. Also, when purchasing previously owned vessels, we do not receive the benefit of warranties from the builders 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 and type of the vessel. In the case of chartered-in vessels, we run the same risks.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

We may not have adequate insurance to compensate us if we lose any vessels that we acquire.

We carry insurance for all vessels we acquire against those types of risks commonly insured against by vessel owners and operators. These insurances include hull and machinery insurance, protection and indemnity insurance (which includes environmental damage and pollution insurance coverage), freight demurrage and defense and war risk insurance. Reasonable insurance rates can best be obtained when the size and the age/trading profile of the fleet is attractive. As a result, rates become less competitive as a fleet downsizes.

In the future, we may not be able to obtain adequate insurance coverage at reasonable rates for the vessels we acquire. The insurers may not pay particular claims. Our insurance policies also contain deductibles for which we will be responsible as well as limitations and exclusions that may increase our costs or lower our revenue.

We may be subject to increased premium payments, or calls, as 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 and the claim records of our Fleet Manager 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 and financial condition.

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

Our vessels may call in ports where smugglers may 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 that could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Maritime claimants could arrest vessels we acquire, which could interrupt our cash flow.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by "arresting" or "attaching" a vessel through foreclosure proceedings. The arrest or attachment of one or more vessels we acquire could result in a significant loss of earnings for the related off-hired period. In addition, in jurisdictions where the "sister ship" theory of liability applies, a claimant may arrest the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. In countries with "sister ship" liability laws, claims might be asserted against us or any of our vessels for liabilities of other vessels that we own.

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

A government could requisition vessels for title or hire. Requisition for title occurs when a government takes control of a vessel and becomes the owner. 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. Government requisition of any vessels we acquire could negatively impact our revenues should we not receive adequate compensation.

U.S. federal tax authorities could treat us as a "passive foreign investment company," which could have adverse U.S. federal income tax consequences to U.S. shareholders.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. Income derived from the performance of services does not constitute "passive income" for this purpose. U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

In general, income derived from the bareboat charter of a vessel should be treated as "passive income" for purposes of determining whether a foreign corporation is a PFIC, and such vessel should be treated as an asset which produces or is held for the production of "passive income." On the other hand, income derived from the time charter of a vessel should not be treated as "passive income" for such purpose, but rather should be treated as services income; likewise, a time chartered vessel should generally not be treated as an asset which produces or is held for the production of "passive income."

We believe that we were not a PFIC for our 2014 through 2017 taxable years and do not expect to be treated as a PFIC in subsequent taxable years. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute "passive income," and the assets that we own and operate in connection with the production of that income do not constitute passive assets.

There is, however, no direct legal authority under the PFIC rules addressing our proposed method of operation. Accordingly, no assurance can be given that the United States Internal Revenue Service, or IRS, or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

Our U.S. shareholders may face adverse U.S. federal income tax consequences and certain information reporting obligations as a result of us being treated as a PFIC. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Taxation– U.S. Federal Income Consequences—U.S. Federal Income Taxation of U.S. Holders"), such shareholders 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 their common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of the common shares. See "Taxation —U.S. Federal Income Consequences—U.S. Federal Income Taxation of U.S. Holders" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. shareholders as a result of our status as a PFIC.

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

Under the U.S. Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not begin and end, in the United States is characterized as U.S. source shipping income and such income is subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code. Although we have qualified for this statutory exemption in previous taxable years and have taken this position for U.S. federal income tax return reporting purposes in such taxable year, there are factual circumstances beyond our control that could cause us to lose the benefit of the exemption and thereby become subject to U.S. federal income tax on our U.S. source shipping income. For example, we would fail to qualify for exemption under Section 883 of the Code for a particular tax year if shareholders, each of whom owned, actually or under applicable constructive ownership rules, a 5% or greater interest in the vote and value of our common stock, owned in the aggregate 50% or more of the vote and value of such stock, and "qualified shareholders" as defined by the Treasury regulation under Section 883 of the Code did not own, directly or under applicable constructive ownership rules, sufficient shares in our closely-held block of common stock to preclude the shares in that closely-held block that are not so owned from representing 50% or more of the value of our common stock for more than half of the number of days during the taxable year. Establishing such ownership by qualified shareholders will depend upon the status of certain of our direct or indirect shareholders as residents of qualifying jurisdictions and whether those shareholders own their shares through bearer share arrangements. In addition, such shareholders will also be required to comply with ownership certification procedures attesting that they are residents of qualifying jurisdictions, and each intermediary or other person in the chain of ownership between us and such shareholders must undertake similar compliance procedures. Due to the factual nature of the issues involved, we may not qualify for exemption under Section 883 of the Code for any future taxable year. We intend to take the position for U.S. federal income tax reporting purposes that we are not subject to U.S. federal income taxation for the 2017 taxable year because more than 50% of our stock was not owned by non-qualified shareholders that each held 5% or more of our stock.

We are a "foreign private issuer," which could make our common stock less attractive to some investors or otherwise harm our stock price.

We are a "foreign private issuer," as such term is defined in Rule 405 under the Securities Act. As a "foreign private issuer" the rules governing the information that we disclose differ from those governing U.S. corporations pursuant to the Exchange Act. We are not required to file quarterly reports on Form 10-Q or provide current reports on Form 8-K disclosing significant events within four days of their occurrence. In addition, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchase and sales of our securities. Our exemption from the rules of Section 16 of the Exchange

Act regarding sales of common stock by insiders means that you will have less data in this regard than shareholders of U.S. companies that are subject to the Exchange Act. Moreover, we are exempt from the proxy rules, and proxy statements that we distribute will not be subject to review by the Commission. Accordingly there may be less publicly available information concerning us than there is for other U.S. public companies. These factors could make our common stock less attractive to some investors or otherwise harm our stock price.

RISKS RELATED TO OUR COMMON SHARES

Our share price may continue to be highly volatile, which could lead to a loss of all or part of a shareholder's investment.

The market price of our common shares has fluctuated widely since our common shares began trading in July of 2004 on the Nasdaq Stock Market LLC, or Nasdaq. Over the last few years, the stock market has experienced price and volume fluctuations. This volatility has sometimes been unrelated to the operating performance of particular companies. During 2017, the price of our common shares experienced a high of $891,000 in February, post-split adjusted, and a low of $2.40 in December.

The market price of our common shares is affected by a variety of factors, including:

- fluctuations in interest rates;
- fluctuations in the availability or the price of oil and chemicals;
- fluctuations in foreign currency exchange rates;
- announcements by us or our competitors;
- changes in our relationships with customers or suppliers;
- actual or anticipated fluctuations in our semi-annual and annual results and those of other public companies in our industry;
- changes in United States or foreign tax laws;
- actual or anticipated fluctuations in our operating results from period to period;
- shortfalls in our operating results from levels forecast by securities analysts;
- market conditions in the shipping industry and the general state of the securities markets;
- mergers and strategic alliances in the shipping industry;
- changes in government regulation;
- a general or industry-specific decline in the demand for, and price of, shares of our common stock resulting from capital market conditions independent of our operating performance;
- the loss of any of our key management personnel;
- our failure to successfully implement our business plan; and
- issuance of shares.

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

Our common shares currently trade on the Nasdaq Capital Market. We cannot assure you that an active and liquid public market for our common stock will continue and you may not be able to sell your common shares in the future at the price that you paid for them or at all. The price of our common stock may be volatile and may fluctuate due to factors such as:

- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;
- mergers and strategic alliances in the shipping industry;
- market conditions in the shipping industry and the general state of the securities markets;
- changes in government regulation;
- shortfalls in our operating results from levels forecast by securities analysts; and
- announcements concerning us or our competitors.

Further, lack of trading volume in our stock may affect investors' ability to sell their shares. Our common shares have been experiencing low daily trading volumes in the market. As a result, investors may be unable to sell all or any of their shares in the desired time period, or may only be able to sell such shares at a significant discount to the previous closing price.

The market price of our common shares has recently declined significantly. If the average closing price of our common shares declines to less than $1.00 over 30 consecutive trading days, our common shares could be delisted from Nasdaq or trading could be suspended.

On July 27, 2016, we transferred our Nasdaq listing from the Nasdaq Global Select Market to the Nasdaq Capital Market. Our common shares continue to trade on Nasdaq under the symbol "TOPS". The Nasdaq Capital Market is a continuous trading market that operates in substantially the same manner as the Nasdaq Global Select Market. The Company then fulfilled the listing requirements of the Nasdaq Capital Market and the approval of the transfer cured our deficiency under Nasdaq Listing Rule 5450(b)(1)(C).

On June 27, 2017, we received written notification from Nasdaq, indicating that because the closing bid price of our common stock for the last 30 consecutive business days was below $1.00 per share, we no longer met the minimum bid price requirement for the Nasdaq Capital Market, set forth in Nasdaq Listing Rule 5450(a)(1). Pursuant to the Nasdaq Listing Rules, the applicable grace period to regain compliance was 180 days, or until December 26, 2017. We regained compliance on August 17, 2017.

On October 10, 2017, we received written notification from Nasdaq indicating that because the closing bid price of our common stock for the last 30 consecutive business days was below $1.00 per share, we no longer meet the minimum bid price requirement for the Nasdaq Capital Market, set forth in Nasdaq Listing Rule 5450(a)(1). Pursuant to the Nasdaq Listing Rules, the applicable grace period to regain compliance is 180 days, or until April 9, 2018.

A renewed or continued decline in the closing price of our common shares on Nasdaq could result in a breach of these requirements. 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. The commencement of suspension or delisting procedures by an exchange remains, at all times, at the discretion of such exchange and would be publicly announced by the exchange. If a suspension or delisting were to occur, there would be significantly less liquidity in the suspended or delisted securities. In addition, our ability to raise additional necessary capital through equity or debt financing would be greatly impaired. Furthermore, with respect to any suspended or delisted common shares, we would expect decreases in institutional and other investor demand, analyst coverage, market making activity and information available concerning trading prices and volume, and fewer broker-dealers would be willing to execute trades with respect to such common shares. A suspension or delisting would likely decrease the attractiveness of our common shares to investors, may constitute a breach under certain of our credit agreements and constitute an event of default under certain classes of our preferred stock and cause the trading volume of our common shares to decline, which could result in a further decline in the market price of our common shares.

Finally, if the volatility in the market continues or worsens, it could have a further adverse effect on the market price of our common shares, regardless of our operating performance.

We issued 8,923,586 common shares during 2017 through various transactions.  Shareholders may experience significant dilution as a result of our offerings.

We have already sold large quantities of our common stock pursuant to previous public and private offerings of the Company's equity and equity-linked securities.  We currently have an effective registration statement on Form F-3 (333-215577) for the sale of up $200,000,000, of which approximately $86.9 million has been sold. We also have outstanding 1,976,389 Warrants, which are convertible into our common shares, both as defined below.

Purchasers of the shares of our common stock we sell, as well as our existing shareholders, will experience significant dilution if we sell shares at prices significantly below the price at which they invested. In addition, we may issue additional shares of common stock or other equity securities of equal or senior rank in the future in connection with, among other things, any exercise of our outstanding warrants issued in June 2014, or our 2014 Warrants, future vessel acquisitions, repayment of outstanding indebtedness, or our equity incentive plan, without shareholder approval, in a number of circumstances. Our existing shareholders may experience significant dilution if we issue shares in the

future at prices below the price at which previous shareholders invested.
Our issuance of additional shares of common stock or other equity securities of equal or senior rank would have the following effects:

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

Future issuances or sales, or the potential for future issuances or sales, of our common shares may cause the trading price of our securities to decline and could impair our ability to raise capital through subsequent equity offerings.
We have issued a significant number of our common shares and we may do so in the future. Shares to be issued in relation to a future follow-on offering could cause the market price of our common shares to decline, and could have an adverse effect on our earnings per share if and when we become profitable. In addition, future sales of our common shares or other securities in the public markets, or the perception that these sales may occur, could cause the market price of our common shares to decline, and could materially impair our ability to raise capital through the sale of additional securities.
The market price of our common stock could decline due to sales, or the announcements of proposed sales, of a large number of common stock in the market, including sales of common stock by our large shareholders, 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 stock 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 stock or other equity-related securities would have on the market price of our common stock.

Our Third Amended and Restated Articles of Incorporation, as amended, authorize our Board of Directors to, among other things, issue additional shares of common or preferred stock or securities convertible or exchangeable into equity securities, without shareholder approval. We may issue such additional equity or convertible securities to raise additional capital. The issuance of any additional shares of common or preferred stock or convertible securities could be substantially dilutive to our shareholders. Moreover, to the extent that we issue restricted stock units, stock appreciation rights, options or warrants to purchase our common stock in the future and those stock appreciation rights, options or warrants are exercised or as the restricted stock units vest, our shareholders may experience further dilution. Holders of shares of our common stock have no preemptive rights that entitle such holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders.

Future issuance of common shares may trigger anti-dilution provisions in our outstanding warrants and affect the interests of our common shareholders.
The 2014 Warrants contain anti-dilution provisions that could be triggered by the issuance of common shares in a future offering, depending on their offering price. For instance, the issuance by us of common shares for less than $1.20 per common share, which is the current fixed exercise price for the warrant shares of the 2014 Warrants, could result in an adjustment downward of the exercise price of the warrant shares of the 2014 Warrants and an increase in the number of shares each warrant is eligible to purchase above 2.08 per 2014 Warrant. These adjustments could affect the interests of our common shareholders and the trading price for our common shares. Furthermore and following the issuance our Series C Convertible Preferred Shares and the subsequent trigger of an anti-dilution provision of our 2014 Warrants, each warrant holder currently has the option to replace the fixed exercise price with a variable exercise price, namely 75% of the lowest daily VWAP of our common shares over the 21 consecutive trading days expiring on the trading day immediately prior to the date of delivery of an exercise notice (but in no event can this variable exercise price be less than $0.25) and purchase such proportionate number of shares based on the variable price in effect on the date of exercise. If using variable exercise price of the Series C Convertible Preferred Shares, as of March 29, 2018, each 2014 Warrant has an exercise price of $1.65 and entitles its holder to purchase 1.51 common shares, as may be further adjusted. Moreover, future issuance of other equity or debt convertible into or issuable or exchangeable for common shares at a price per share less than the then current exercise price of the warrant shares of the 2014 Warrants would result in similar adjustments.
Additionally, we value our 2014 Warrants liability at the closing of each fiscal quarter. If the market price of our common stock at the end of the relevant quarter is higher than the previous quarter or if the exercise price of our warrant shares decreases, there is a strong possibility that we will realize a non-cash loss attributable to the change in market value. Should the market price of our common stock rise, there is a strong possibility that our 2014 Warrants

liability will increase, which could have a material adverse effect on our business, results of operations and financial condition.

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law and as a result, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States.

Our corporate affairs are governed by Our Third Amended and Restated Articles of Incorporation and Amended and Restated By-laws, as further amended, and by 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 Republic 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 United States 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 public 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 United States jurisdiction.

It may not be possible for investors to serve process on or enforce U.S. judgments against us.

We and all of our subsidiaries are incorporated in jurisdictions outside the U.S. and substantially all of our assets and those of our subsidiaries are located outside the U.S. In addition, most 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 the U.S. As a result, it may be difficult or impossible for U.S. investors to serve process within the U.S. upon us, our subsidiaries or our directors and officers or to enforce a judgment against us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we or our subsidiaries are incorporated or where our assets or the assets of our subsidiaries are located (1) would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries 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 or our subsidiaries based on those laws.

Anti-takeover provisions in our organizational documents could have the effect of discouraging, delaying or preventing a merger, amalgamation or acquisition, which could reduce the market price of our common shares.

Several provisions of our Third Amended and Restated Articles of Incorporation and Amended and Restated By-laws, as further amended, 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 at least 80% of the outstanding shares of our capital stock entitled to vote for the directors;
- prohibiting shareholder action by written consent unless the written consent is signed by all shareholders entitled to vote on the action;
- 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, or the Stockholders Rights Agreement, that makes it more difficult for a third-party to acquire us without the support of our Board of Directors. See "Item 10. Additional Information—B. Memorandum and Articles of Association—Stockholders Rights Agreement." These anti-takeover provisions could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may reduce the market price of our common stock and your ability to realize any potential change of control premium.

RISKS RELATED TO OUR RELATIONSHIP WITH OUR FLEET MANAGER AND ITS AFFILIATES

We are dependent on our Fleet Manager to perform the day-to-day management of our fleet.

Our executive management team consists of Evangelos J. Pistiolis, our President, Chief Executive Officer and Director; Alexandros Tsirikos, our Chief Financial Officer and Director; Vangelis Ikonomou, our Executive Vice President, Chairman and Director; and Konstantinos Patis, our Chief Technical Officer. We subcontract the day-to-day vessel management of our fleet, including crewing, maintenance and repair to our Fleet Manager. Furthermore, upon delivery of any vessels we may acquire, we expect to subcontract their day-to-day management to our Fleet Manager. Our Fleet Manager is a related party affiliated with the family of Mr. Pistiolis. We are dependent on our Fleet Manager for the technical and commercial operation of our fleet and the loss of our Fleet Manager's services or its failure to perform obligations to us could materially and adversely affect the results of our operations. If our Fleet Manager suffers material damage to its reputation or relationships it may harm our ability to:

- continue to operate our vessels and service our customers;
- renew existing charters upon their expiration;
- obtain new charters;
- obtain financing on commercially acceptable terms;
- obtain insurance on commercially acceptable terms;

- maintain satisfactory relationships with our customers and suppliers; and
- successfully execute our growth strategy.

Our Fleet Manager is a privately held company and there may be limited or no publicly available information about it.
Our Fleet Manager is a privately held company. The ability of our Fleet Manager to provide services for our benefit will depend in part on its own financial strength. Circumstances beyond our control could impair our Fleet Manager's financial strength, and there may be limited publicly available information about its financial condition. As a result, an investor in our common shares might have little advance warning of problems affecting our Fleet Manager, even though these problems could have a material adverse effect on us.
Our Fleet Manager may have conflicts of interest between us and its other clients.
We subcontract the day-to-day vessel management of our fleet, including crewing, maintenance and repair to our Fleet Manager. Our Fleet Manager may provide similar services for vessels owned by other shipping companies, and it also may provide similar services to companies with which our Fleet Manager is affiliated. These responsibilities and relationships could create conflicts of interest between our Fleet Manager's performance of its obligations to us, on the one hand, and our Fleet Manager's performance of its obligations to its other clients, on the other hand. These conflicts may arise in connection with the crewing, supply provisioning and operations of the vessels in our fleet versus vessels owned by other clients of our Fleet Manager. In particular, our Fleet Manager may give preferential treatment to vessels owned by other clients whose arrangements provide for greater economic benefit to our Fleet Manager. These conflicts of interest may have an adverse effect on our results of operations.
ITEM 4. INFORMATION ON THE COMPANY
A. History and Development of the Company
Our predecessor, Ocean Holdings Inc., was formed as a corporation in January 2000 under the laws of the Republic of the Marshall Islands and renamed Top Tankers Inc. in May 2004. In December 2007, Top Tankers Inc. was renamed TOP Ships Inc. Our common stock is currently listed on Nasdaq under the symbol "TOPS." The current address of our principal executive office is 1 Vasilisis Sofias and Megalou Alexandrou Str, 15124 Maroussi, Greece. The telephone number of our registered office is +30 210 812 8000.
On January 29, 2015 and March 31, 2015, agreements were consummated for the sale and leaseback of the M/T Stenaweco Energy and M/T Stenaweco Evolution, respectively. The sale and leaseback agreements were entered into with a third party and generated gross proceeds of $57 million. The vessels have been chartered back on a bareboat basis for seven years at a bareboat hire of $8,586 per day and $8,625 per day, respectively. In addition, we have the option to buy back each vessel from the end of year three up to the end of year seven at a purchase price depending on when the option is exercised. Indicatively, if the option is exercised at the end of year three, the purchase price of either one of the vessels will be $25.9 million. We treat the sale and leaseback of the abovementioned vessels as an operating lease.
On July 15, 2015, we took delivery of the M/T Eco Fleet. We financed the payment of the final installment for the vessel by entering into the ABN Facility, under which we drew down $22.2 million. On January 21, 2016, we took delivery of the M/T Eco Revolution and financed the payment of the final installment for the vessel by drawing down $22.2 million from the ABN Facility. On August 1, 2016, in connection with the expected delivery of the M/T Nord Valiant, we amended the ABN Facility to increase the borrowing limit to $64.4 million and added another tranche to the loan. On August 5, 2016, we drew down $20.0 million under the ABN Facility and on August 10, 2016, we took delivery of the M/T Nord Valiant. As of December 31, 2017, we had $53.5 million outstanding under the facility and no available capacity for further borrowings.
On December 23, 2015, we entered into an agreement with Family Trading, a company that is owned by the Lax Trust pursuant to which, Family Trading lent us up to $15 million under an unsecured revolving credit facility, or the Family Trading Facility, in order to fund our newbuilding program and working capital relating to our operating vessels. This facility was initially repayable in cash no later than December 31, 2016, with an option to extend the facility's repayment up to December 31, 2017. Family Trading also assumed our liabilities of approximately $3.8 million related to the early termination in 2011 of the bareboat charter for the M/T Delos that were immediately due. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Operating Leases." As consideration for the assumption of these liabilities, Family Trading received 7 of our common shares on January 12, 2016. We had the right to buy back up to 60% of these shares at any time until December 31, 2016, which we did not exercise. On December 28, 2016, we extended the maturity of the Family Trading loan to January 31, 2017 and on

January 27, 2017, we further extended its maturity to February 28, 2017. On February 21, 2017, the Family Trading Facility was extended to December 31, 2018 when we amended and restated the Family Trading Facility, or the Amended Family Trading Credit Facility, in order to, among other things, allow us to remove any limitation in the use of funds drawn down under the facility, reduce the mandatory cash payment due under the facility when we raise capital through the issuance of certain securities, remove the revolving feature of the facility, and extend the facility for up to three years.

On May 11, 2016, we entered into the NORD/LB Facility to partially finance the delivery of the M/T Stenaweco Excellence. On May 13, 2016, we drew down $23.2 million under the NORD/LB Facility and on May 20, 2016, we took delivery of the M/T Stenaweco Excellence. As of December 31, 2017, we had $20.1 million outstanding under the facility and no available capacity for further borrowings.
On September 14, 2016, we declared a dividend of one preferred share purchase right for each outstanding common share and adopted a shareholder rights plan, as set forth in a stockholders rights agreement dated as of September 22, 2016, by and between us and Computershare Trust Company, N.A. (now taken over by our new transfer agent, American Stock Transfer & Trust Company, or "AST"), as rights agent.
On November 22, 2016, we completed a private placement of up to 3,160 Series B Convertible Preferred Shares for an aggregate principal amount of up to $3.0 million, or the Series B Transaction. Yorkville purchased 1,579 Series B Convertible Preferred Shares at the initial closing of the Series B Transaction and 527 Series B Convertible Preferred Shares on November 28, 2016 for a total consideration of $2.0 million and has waived the right to purchase any additional Series B Convertible Preferred Shares. In connection with the Series B Transaction, we also entered into a registration rights agreement with Yorkville to provide it with certain registration rights. As of August 15, 2017, we have issued 18,026 common shares in connection with the conversions of all of our Series B Convertible Preferred Shares.
On February 1, 2017, the Commission declared effective our registration statement on Form F-1, which covers the registration of (i) $200,000,000 common shares (including preferred stock purchase rights), preferred shares, debt securities, warrants, purchase contracts, rights and units and (ii) 1,000,000 common shares offered for resale by Yorkville underlying the Series B Convertible Preferred Shares issued in the Private Placement.
On February 2, 2017, we launched a registered equity line for the sale of up to $3,099,367 of our common shares from time to time to Kalani Investments Limited, or Kalani, over the next 24 months pursuant to the Purchase Agreement between us and Kalani dated February 2, 2017. On March 17, 2017, we expanded the registered equity line to allow for the sale of up to $6,940,867 of our common shares from time to time to Kalani pursuant to an amendment to the Purchase Agreement dated February 2, 2017, or the First Amendment. On March 27, 2017, we further expanded the registered equity line to allow for the sale of up to $12,540,867 of our common shares to Kalani, or the Second Amendment. On April 4, 2017, we further expanded the registered equity line to allow for the sale of up to $20,340,867 of our common shares, or the Third Amendment. On April 27, 2017, we further expanded the registered equity line to allow for the sale of up to $40,340,867 of our common shares to Kalani, or the Fourth Amendment. On October 12, 2017 we announced that we have issued and sold the total dollar amount of common shares under the registered equity line.
On February 17, 2017, we closed a private placement with a non-U.S. institutional investor for the sale of 7,500 newly issued Series C Convertible Preferred Shares, which were convertible into the Company's common shares, for $7.5 million pursuant to a securities purchase agreement, or the Series C Transaction. As of November 8, 2017, we have issued 904,646 common shares in connection with the conversions of all our Series C Convertible Preferred Shares.
On February 20, 2017, we, through our wholly-owned subsidiary, Style Maritime Ltd., acquired a 40% ownership interest in Eco Seven Inc., a Marshall Islands corporation, or Eco Seven, from Malibu Shipmanagement Co., a Marshall Islands corporation and wholly-owned subsidiary of the Lax Trust for an aggregate purchase price of $6.5 million, pursuant to a share purchase agreement, or the Eco Seven Transaction. Eco Seven owns M/T Stenaweco Elegance, a 50,118 dwt product/chemical tanker that was delivered from Hyundai on February 28, 2017. Eco Seven was also a party to a time charter agreement that commenced upon the vessel's delivery at a rate of $16,500 per day for the first three years, and at the charterer's option, $17,500 for the first optional year and $18,500 for the second optional year. The Eco Seven Transaction was approved by a special committee of the Company's board of directors, or the Transaction Committee, of which the majority of the directors were independent. In the course of its deliberations, the Transaction Committee hired and obtained a fairness opinion from an independent financial advisor.
Throughout 2017, we issued multiple promissory notes to Kalani and Xanthe Holdings Ltd, or Xanthe, a non-affiliated, non-US company, affiliated with Kalani. On February 6, 2017, we entered into a note purchase agreement and issued a $3.5 million 6% Original Issue Discount Promissory Note to Kalani for cash consideration of $3.3 million, with a mandatory redemption no later than May 15, 2017. On March 22, 2017, we entered into a note

purchase agreement and issued a $5.0 million 4% Original Issue Discount Promissory Note to Kalani for cash consideration of $4.8 million, with a mandatory redemption no later than October 7, 2017. On March 28, 2017, we entered into a note purchase agreement and issued an unsecured promissory note to Kalani in the principal amount of $10 million for cash consideration of $10 million, with a mandatory redemption no later than August 25, 2017. On April 5, 2017, we entered into a note purchase agreement and issued an unsecured promissory note to Kalani in the principal amount of $7.7 million for cash consideration of $7.7 million, with a mandatory redemption no later than September 4, 2017. On May 15, 2017, we entered into a note purchase agreement and issued an unsecured promissory note to Xanthe in the principal amount of $5.0 million for cash consideration of $5.0 million, with a mandatory redemption no later than August 23, 2017. On June 26, 2017, we entered into a note purchase agreement and issued an unsecured promissory note to Kalani in the principal amount of $3.0 million for cash consideration of $3.0 million, with a mandatory redemption no later than October 24, 2017. On July 12, 2017, we entered into a note purchase agreement and issued an unsecured promissory note to Xanthe in the principal amount of $3.1 million for cash consideration of $3.0 million, with a mandatory redemption no later than November 7, 2017. On September 15, 2017, we issued an unsecured promissory note in the amount of $2.0 million with an original issue discount of 1% to Xanthe. As of December 31, 2017 all of the promissory notes issued to Kalani and Xanthe have been settled.

On March 27, 2017, pursuant to the management agreement between the Company and CSM, a related party affiliated with the family of Mr. Evangelos J. Pistiolis, our President, Chief Executive Officer and Director, our board of directors granted to CSM a $1.25 million cash performance fee for its dedication and provision to the Company of high quality ship management and newbuilding supervision services during 2016.
On March 27, 2017, our board of directors granted to our executive officers an aggregate cash bonus of $1.5 million in consideration of the successful completion of the Company's newbuilding program in 2016.
On March 30, 2017, we, through our wholly-owned subsidiary Style Maritime Ltd., acquired another 9% ownership interest in Eco Seven from Malibu Shipmanagement Co., a Marshall Islands corporation and wholly-owned subsidiary of the Lax Trust, for an aggregate purchase price of $1.5 million, or the Eco Seven Extended Transaction. Pursuant to the Eco Seven Extended Transaction, our ownership interest in Eco Seven increased to 49%. On May 30, 2017, we announced that we entered into an agreement with Eco Seven to purchase for $6.5 million, an additional 41% interest, increasing our interest to 90% ownership in Eco Seven.
On March 30, 2017, we, through our wholly-owned subsidiary, Lyndon International Co., acquired a 49% ownership interest in City of Athens from Fly Free Company, a Marshall Islands corporation and wholly-owned subsidiary of the Lax Trust, for an aggregate purchase price of $4.2 million, or the City of Athens Transaction. City of Athens is currently a party to a newbuilding contract for the construction of M/T Eco Holmby Hills, a 50,000 dwt newbuilding product/chemical scheduled for delivery from Hyundai in January 2018.
On March 30, 2017, we, through our wholly-owned subsidiary, Gramos Shipping Company Co., acquired a 49% ownership interest in Eco Nine from Maxima International Co., a Marshall Islands corporation and wholly-owned subsidiary of the Lax Trust, for an aggregate purchase price of $3.5 million, or the Eco Nine Transaction. Eco Nine is currently a party to a newbuilding contract for the construction of M/T Eco Palm Springs, a 50,000 dwt newbuilding product/chemical scheduled for delivery from Hyundai in April 2018.
During April 2017, NORD/LB, as defined below, agreed to provide us with a waiver until the end of 2017 for the breach of the loan covenant that requires that any member of the family of Mr. Evangelos Pistiolis, our President, Chairman and Chief Executive Officer, maintains an ownership interest (either directly and/or indirectly through companies beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) of 20% of our issued and outstanding common shares.
On April 21, 2017 we were informed by ABN Amro Bank, as defined below, that we were in breach of the loan covenant that required that any member of the family of Mr. Evangelos Pistiolis, our President, Chairman and Chief Executive Officer, maintains an ownership interest (either directly and/or indirectly through companies beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) of 30% of our issued and outstanding common shares. Our lender requested that either the family of Mr. Evangelos Pistiolis maintain an ownership interest of at least 30% of our issued and outstanding common shares or maintain a voting rights interest of above 50%. In order to regain compliance with the loan covenant, the Board authorized the Company on April 27, 2017 to create a new class of non-convertible preferred shares. On May 8, 2017, we issued 100,000 shares of Series D Preferred Shares to Tankers Family Inc., a company controlled by Lax Trust, which is an irrevocable trust established for the benefit of certain family members of Evangelos Pistiolis, for $1,000 pursuant to a stock purchase agreement. Each Series D Preferred Share has the voting power of one thousand (1,000) common shares. For more information about the Series D Preferred Shares, please see "Item 10. Additional Information—B. Memorandum and Articles of Association—Description of Series D Preferred Shares."
On April 26, 2017, we acquired a 100% ownership interest in Astarte from Indigo Maritime Ltd, a Marshall Islands corporation and wholly-owned subsidiary of the Lax Trust, for an aggregate purchase price of $6 million, or the Astarte Transaction. Astarte is currently a party to a newbuilding contract for the construction of Hull No 2648, a 50,000 dwt newbuilding product/chemical scheduled for delivery from Hyundai in July 2018.
The Eco Seven Extended Transaction, the City of Athens Transaction the Astarte Transaction and the Eco Nine Transaction were approved by a special committee of our board of directors, or the Transaction Committee, of which the majority of the directors were independent. In the course of its deliberations, the Transaction Committee hired and obtained a fairness opinion from an independent financial advisor.

On June 27, 2017, we received written notification from Nasdaq, indicating that because the closing bid price of our common stock for the last 30 consecutive business days was below $1.00 per share, we no longer met the minimum bid price requirement for the Nasdaq Capital Market, set forth in Nasdaq Listing Rule 5450(a)(1). Pursuant to the Nasdaq Listing Rules, the applicable grace period to regain compliance was 180 days, or until December 26, 2017. We regained compliance on August 17, 2017.

On August 1, 2017, we received a subpoena from the Commission requesting certain documents and information in connection with offerings made by us between February 2017 and August 2017. We have been and are currently providing the requested information to the SEC.
On August 23, 2017, a purported securities class action complaint was filed in the United States District Court for the Eastern District of New York (No. 2:17-cv-04987(JMA)(SIL)) by Christopher Brady on behalf of himself and all others similarly situated against (among other defendants) us and two of our executive officers. The complaint is brought on behalf of an alleged class of those who purchased common stock of the Company between January 17, 2017 and August 22, 2017, and alleges that we and two of our executive officers violated Sections 9, 10(b) and/or 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder.
On August 24, 2017, a second purported securities class action complaint was filed in the same court against the same defendants (No. 2:17-cv-05016(LDW)(AYS)) which makes similar allegations and purports to allege violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. Other similar complaints may be filed in the future. We will respond to these complaints (or an amended and/or consolidated complaint) by the appropriate deadline to be set in the future. We and our management believe that the allegations in the complaints are without merit and plan to vigorously defend themselves against the allegations.
On September 5, 2017 we entered into a $23.5 million bank loan facility with Amsterdam Trade Bank of Holland ("AT Bank") for the financing of M/T Eco Palm Desert.
On October 10, 2017, we received written notification from Nasdaq indicating that because the closing bid price of our common stock for the last 30 consecutive business days was below $1.00 per share, we no longer meet the minimum bid price requirement for the Nasdaq Capital Market, set forth in Nasdaq Listing Rule 5450(a)(1). Pursuant to the Nasdaq Listing Rules, the applicable grace period to regain compliance is 180 days, or until April 9, 2018.
On November 3, 2017 we held our Special Meeting of Shareholders where our shareholders approved and adopted one or more amendments to our Amended and Restated Articles of Incorporation to effect one or more reverse stock splits of our issued common shares at a ratio of not less than one-for-two and not more than one-for-10,000 and in the aggregate at a ratio of not more than one-for-10,000, inclusive, with the exact ratio to be set at a whole number within this range to be determined by our board of directors and authorized the Company's board of directors to implement any such reverse stock split by filing any such amendment with the Registrar of Corporations of the Republic of the Marshall Islands.
On November 7, 2017, we entered into a Common Stock Purchase Agreement, or the First Purchase Agreement, with Crede CG III, Ltd., or Crede CG, pursuant to which the Company agreed sell up to $25 million of shares of its common stock, par value $0.01 to Crede CG over a period of 24 months, subject to certain limitations. On December 14, 2017 the First Purchase Agreement was completed.
On November 13, 2017, we entered into a Note Purchase Agreement with Crede Capital Group LLC, or Crede, pursuant to which the Company issued an unsecured promissory note in the original principal amount of $12.5 million with a single revolving option for additional $5.0 million that we exercised on November 20, 2017. As of the date hereof, the promissory note has been settled.
On November 24, 2017, we acquired all of the outstanding shares of PCH77 Shipping Company Limited, a Marshall Islands company that owns a new building contract for M/T Eco California, a high specification 50,000 dwt Medium Range ("MR") product/chemical tanker under construction at Hyundai in Korea from an entity affiliated with our Chairman and Chief Executive Officer, Mr. Evangelos Pistiolis. We paid $3.6 million for the outstanding shares and the vessel is scheduled for delivery during January 2019. The abovementioned transaction was approved by a special committee of the Company's board of directors, or the Transaction Committee, of which all of the directors were independent. In the course of its deliberations, the Transaction Committee hired and obtained a fairness opinion from an independent financial advisor. Upon its delivery, the vessel will be employed under a time charter with an oil major for a firm duration of two years with a charterer's option to extend for one additional year. The rate of the charter consists of a fixed amount per day plus a 50% profit share for earned rates over the fixed amount.
On December 11, 2017, we entered into a Common Stock Purchase Agreement, or the Second Purchase Agreement, with Crede CG pursuant to which the Company agreed to sell up to $25 million of shares of its common stock, par value $0.01 to Crede CG over a period of 24 months, subject to certain limitations. As of the date of this report up to

$6.1 million worth of shares is remaining that the Company may sell pursuant to the Second Purchase Agreement. On March 22, 2017 we announced that we would not make any sales under the Second Purchase Agreement for a period of 12 months.

On December 14, 2017, we entered into a Note Purchase Agreement with Crede, pursuant to which we issued an unsecured promissory note in the original principal amount of $12,500,000 with revolving options for two additional $5.0 million notes to Crede.

Recent Developments

On January 2, 2018, the Compensation Committee recommended to our board of directors and the board of directors approved an award of $2.25 million, in cash as incentive compensation to Mr. Evangelos Pistiolis, or his nominee, to be distributed at his own discretion amongst executives.

On January 2, 2018, the Compensation Committee recommended to our board of directors and the board of directors approved an award of $1.25 million in cash as incentive compensation to CSM.

On January 5, 2018, we entered into an Amendment to the Note Purchase Agreement with Crede, pursuant to which we issued an unsecured promissory note in the original principal amount of $5.369 million with a single revolving option for additional $4.631 million. On February 9, 2018 the Note Purchase Agreement was further amended to increase the last revolving option to $6.4 million and on the same date we exercised said option in full.

On January 12, 2018, we announced that Mr. Per Christian Haukenes, a Class I director of the Company, has resigned effective as of December 31, 2017. Our board of directors has appointed Mr. Stavros Emmanouil as a Class I Director to fill the vacancy created by Mr. Haukenes's resignation, with a term expiring at the Company's 2020 Annual Meeting of Shareholders. The board of director's Audit Committee, Corporate Governance Committee and Compensation Committee have also been increased from three members to four members each. Mr. Stavros Emmanouil has been appointed to serve on each committee.

On January 31, 2018, we acquired:

- 100% of the issued and outstanding shares of PCH Dreaming Inc., a Marshall Islands company that has entered into a new building contract for a high specification 50,000 dwt Medium Range ("MR") product/chemical tanker under construction at Hyundai Mipo Dockyard Co., Ltd. in South Korea and scheduled for delivery during March 2019. The Company has acquired the shares from Ships International Inc. (the "Seller"), an entity affiliated with the Company's Chief Executive Officer, for an aggregate purchase price of $3.95 million. Following its delivery, the vessel will enter into a time charter with an entity affiliated with the Seller for a firm duration of one year at a gross daily rate of $16,000, with a charterer's option to extend for two additional years at $17,000 and $18,000, respectively.
- 100% of the issued and outstanding shares of South California Inc., a Marshall Islands company that has entered into a new building contract for a high specification, scrubber-equipped, 157,000 dwt Suezmax Crude Oil Carrier under construction at Hyundai Samho Heavy Industries Co. Ltd. in South Korea and scheduled for delivery during April 2019. The Company has acquired the shares from the Seller for an aggregate purchase price of $8.95 million. Following its delivery, the vessel will enter into a time charter with an entity affiliated with the Seller for a firm duration of one year at a gross daily rate of $25,000, with a charterer's option to extend for two additional years at $26,000 and $27,000, respectively.
- 100% of the issued outstanding shares of Malibu Warrior Inc., a Marshall Islands company that has entered into a new building contract for a high specification, scrubber-equipped, 157,000 dwt Suezmax Crude Oil Carrier under construction at Hyundai Samho Heavy Industries Co. Ltd. in South Korea and scheduled for delivery during May 2019. The Company has acquired the shares from the Seller for an aggregate purchase price of $8.95 million. Following its delivery, the vessel will enter into a time charter with an entity affiliated with the Seller for a firm duration of one year at a gross daily rate of $25,000, with a charterer's option to extend for two additional years at $26,000 and $27,000, respectively.
- 10% of the issued and outstanding shares of Eco Seven Inc., a Marshall Islands company that owns M/T Stena Elegance, a high specification 50,000 dwt MR product/chemical tanker delivered in February 2017 at Hyundai Vinashin. The Company has acquired the shares from an entity affiliated with the Company's Chief Executive Officer for an aggregate purchase price of $1.6 million. As a result of the transaction the Company will own 100% of the issued and outstanding shares of Eco Seven Inc.

Each of the acquisitions was approved by a special committee of our board of directors, (the "Transaction Committee"), of which all of the directors were independent. In the course of its deliberations, the Transaction Committee hired and obtained an opinion on the fairness of the consideration of this transaction from two independent financial advisors. The acquisitions completed on January 31st 2018 created contractual commitments amounting to

$151.5 million.

On February 20, 2018 we appointed AST as our new transfer agent and registrar and warrant agent for the 2014 Warrants. All of the Company's directly held common shares and 2014 Warrants have been transferred from Computershare to AST's platform, with no action required by any shareholder regarding the change in our transfer agent. (AST can be reached as follows: American Stock Transfer & Trust Company, 55 Challenger Road Ridgefield Park, NJ 07660, Office: 201-806-4181).

On March 12, 2018 our 50% owned subsidiaries City of Athens and in Eco Nine entered into a loan agreement with ABN Amro Bank for a senior debt facility of up to $35.9 million to fund, the delivery of M/T Eco Holmby Hills and M/T Eco Palm Springs ($17.9 million for each vessel). The loan will be payable in 20 consecutive quarterly installments of $0.3 million per vessel, commencing three months from draw down, and a balloon payment of $11.9 million per vessel payable together with the last installment. The credit facility will bear interest at LIBOR plus a margin of 2.90%.

On March 15, 2018, our 50% owned subsidiary City of Athens took delivery of M/T Eco Holmby Hills, a 50,000 dwt newbuilding product/chemical tanker constructed at the Hyundai Mipo Vinashin shipyard. On March 20, 2018 the vessel commenced its time charter agreement with Clearlake Shipping Pte Ltd.

On March 22, 2018, we announced that for 12 months the Conpany: (i) does not intend to conduct any offerings that include variable priced securities; (ii) does not intend to issue any further shares under the Second Purchase Agreement; (iii) Race Navigation Inc., a company controlled by Lax Trust, an irrevocable trust established for the benefit of certain family members of Evangelos Pistiolis, the President, Chief Executive Officer and Director of the Company, will not convert any of its 1,250,000 warrants pursuant to a standstill agreement with the Company.

On March 26, 2018, we effected a 1-for-10 reverse stock split and announced that we do not intend to conduct another reverse stock split of our common shares for the 12 calendar months from March 26, 2018.

2014 Warrants

Our 2014 Warrants contain certain anti-dilution provisions, which were triggered as a result of the reverse stock split, Series B Transaction, the Equity Line Offering, Series C Transaction, First Purchase Agreement, Second Purchase Agreement and Amended Family Trading Credit Facility. As of March 29, 2018, the exercise price of our outstanding 2014 Warrants was $1.20 per warrant and each warrant could buy 2.05 common shares. Also, each warrant holder could, in its sole discretion, replace the fixed exercise price with a variable exercise price currently 75% of the lowest daily VWAP of our common shares over the 21 consecutive trading days expiring on the trading day immediately prior to the date of delivery of an exercise notice (but in no event can this variable exercise price be less than $0.25) and buy a proportionate number of common shares based on the variable price in effect on the date of exercise. If using the aforementioned variable exercise price, as of March 29, 2018, each 2014 Warrant has an exercise price of $1.65 and entitles its holder to purchase 1.51 common shares, as may be further adjusted. As of March 29, 2018, an aggregate 3,353,611 2014 Warrants have been exercised for a total issuance of 226,150 common shares.

B. Business Overview

We are an international owner and operator of modern, fuel efficient eco medium range, or MR, tanker vessels focusing on the transportation of crude oil, petroleum products (clean and dirty) and bulk liquid chemicals. As of the date of this annual report, our fleet consists of two chartered-in 49,737 dwt product/chemical tankers vessels, the M/T Stenaweco Energy and the M/T Stenaweco Evolution, two 39,208 dwt product/chemical tankers vessels, the M/T Eco Fleet and the M/T Eco Revolution, and three 49,737 dwt product/chemical tankers, the M/T Stenaweco Excellence, M/T Nord Valiant and M/T Stenaweco Elegance.

In addition we acquired from Lax Trust, an irrevocable trust established for the benefit of certain family members of Mr. Evangelos Pistiolis, our President, Chief Executive Officer and Director, or the Lax Trust, a 100% ownership interest in Astarte International Inc., a Marshall Islands corporation, or Astarte. Astarte is currently a party to a newbuilding contract for the construction of M/T Eco Palm Desert, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery from Hyundai in September 2018. We have also acquired, through our wholly-owned subsidiaries, 50% ownership interests in Eco Nine Inc., a Marshall Islands corporation, or Eco Nine, and City of Athens Inc., a Marshall Islands corporation, or City of Athens, respectively. Both Eco Nine and City of Athens were at the time of the acquisition wholly-owned subsidiaries of the Lax Trust. Eco Nine is currently a party to a newbuilding contract for the construction of M/T Eco Palm Springs, a 50,000 dwt newbuilding product tanker scheduled for delivery from Hyundai in May 2018. City of Athens is the owner of M/T Eco Holmby Hills, a 50,000 dwt product/chemical tanker.

Furthermore, we acquired from an entity affiliated with our Chairman and Chief Executive Officer, Mr. Evangelos Pistiolis, a 100% ownership interest in PCH77 Shipping Company Limited, a Marshall Islands corporation, or PCH77. PCH77 is currently a party to a newbuilding contract for the construction of M/T Eco California, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery from under construction at Hyundai in January 2019.

Finally in January we acquired from entities affiliated with our Chairman and Chief Executive Officer (i) 100% of the issued and outstanding shares of PCH Dreaming Inc., a Marshall Islands company that has entered into a new building contract for a 50,000 dwt Medium Range product/chemical tanker under construction at Hyundai Mipo Dockyard Co., Ltd. in South Korea and scheduled for delivery during March 2019, (ii) 100% of the issued and outstanding shares of South California Inc., a Marshall Islands company that has entered into a new building contract for a 157,000 dwt Suezmax Crude Oil Carrier under construction at Hyundai Samho Heavy Industries Co. Ltd. in South Korea and scheduled for delivery during April 2019 and (iii) 100% of the issued outstanding shares of Malibu Warrior Inc., a Marshall Islands company that has entered into a new building contract for a 157,000 dwt Suezmax Crude Oil Carrier under construction at Hyundai Samho Heavy Industries Co. Ltd. in South Korea and scheduled for delivery during May 2019.

For more information, please see "Item 4. Information on the Company—A. History and Development of the Company—Recent Developments."

We intend to continue to review the market in order to identify potential acquisition targets on accretive terms.

We believe we have established a reputation in the international ocean transport industry for operating and maintaining vessels with high standards of performance, reliability and safety. We have assembled a management team comprised of executives who have extensive experience operating large and diversified fleets of tankers and who have strong ties to a number of national, regional and international oil companies, charterers and traders.

Our Fleet

The following tables present our fleet list as of the date of this annual report:

Chartered-in fleet:

| Name | Deadweight | Charterer | End of firm period | Charterer's Optional Periods | Gross Rate fixed period/ options |
|---|---|---|---|---|---|
| M/T Stenaweco Energy | 49,737 | Stena Weco A/S | February 2021 | 1+1 years | $15,616 / $17,350 / $18,100 |
| M/T Stenaweco Evolution | 49,737 | Stena Weco A/S | October 2021 | 1+1 years | $15,516 / $17,200 / $18,000 |

Operating fleet:

| Name | Deadweight | Charterer | End of firm period | Charterer's Optional Periods | Gross Rate fixed period/ options |
|---|---|---|---|---|---|
| M/T Eco Fleet | 39,208 | BP Shipping Limited | July 2018 | 1+1 years | $15,200 / $16,000 / $16,750 |
| M/T Eco Revolution | 39,208 | BP Shipping Limited | January 2019 | 1+1 years | $15,200 / $16,000 / $16,750 |
| M/T Stenaweco Excellence | 49,737 | Stena Weco A/S | November 2020 | 1+1 years | $15,000 until June 2019 and $16,200 after / $17,200 / $18,000 |
| M/T Nord Valiant | 49,737 | DS Norden A/S | August 2021 | 1+1 years | $16,800 / $17,600 / $18,400 |
| M/T Stenaweco Elegance | 50,118 | Stena Weco A/S | March 2021 | 1+1 years | $15,000 until December 2018 and $16,500 after / $17,500 / $18,500 |

Joint Venture fleet (50% owned):

| Name | Deadweight | Charterer | End of firm period | Charterer's Optional Periods | Gross Rate fixed period/ options | Delivery date | Shipyard |
|---|---|---|---|---|---|---|---|
| M/T Eco Holmby Hills | 49,737 | Clearlake Shipping Pte Ltd | March 2021 | 1+1 years | $14,100 1st year, $14,600 2nd year and $15,025 3rd year / $15,400 / $16,400 | Delivered | Hyundai Mipo Vinashin |
| M/T Eco Palm Springs | 49,737 | Clearlake Shipping Pte Ltd | May 2021 | 1+1 years | $14,250 1st year, $14,750 2nd year and $15,175 3rd year / $15,550 / $16,550 | May 2018 | Hyundai Mipo Vinashin |

Fleet under construction:

| Name | Deadweight | Charterer | End of firm period | Charterer's Optional | Gross Rate fixed period/ | Delivery date | Shipyard |
|---|---|---|---|---|---|---|---|

| | | | | Periods | options | | |
|---|---|---|---|---|---|---|---|
| M/T Eco Palm Desert | 50,000 | Central Tankers Chartering Inc | September 2021 | 1+1 years | $14,750 / $15,250 / $15,750 | September 2018 | Hyundai Mipo Vinashin |
| M/T Eco California | 50,000 | Shell Tankers Singapore Private Limited | January 2021 | 1 year | $13,750 / $13,950 plus 50% profit share | January 2019 | Hyundai Mipo S. Korea |
| Hull No 8242 | 50,000 | Central Tankers Chartering Inc | March 2020 | 1+1 years | $16,000 / $17,000 / $18,000 | March 2019 | Hyundai Mipo S. Korea |
| Hull No 874 | 159,000 | Central Tankers Chartering Inc | April 2020 | 1+1 years | $25,000 / $26,000 / $27,000 | April 2019 | Hyundai Samho S. Korea |
| Hull No 875 | 159,000 | Central Tankers Chartering Inc | May 2020 | 1+1 years | $25,000 / $26,000 / $27,000 | May 2019 | Hyundai Samho S. Korea |

Management of our Fleet

Our Fleet Manager provides all operational, technical and commercial management services for our fleet. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Central Shipping Monaco Letter Agreement, Management Agreements, and Other Agreements."

Officers, Crewing and Employees

As of the date of this annual report, our employees include our executive officers and a number of administrative employees whose services are provided according to an agreement with Central Mare. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Central Shipping Monaco Letter Agreement, Management Agreements, and Other Agreements." In addition, our Fleet Manager is responsible for recruiting, mainly through a crewing agent, the senior officers and all other crew members for our vessels. We believe the streamlining of crewing arrangements will ensure that all our vessels will be crewed with experienced seamen that have the qualifications and licenses required by international regulations and shipping conventions.

The International Shipping Industry

The seaborne transportation industry is a vital link in international trade, with ocean going vessels representing the most efficient and often the only method of transporting large volumes of basic commodities and finished products. Demand for tankers is dictated by world oil demand and trade, which is influenced by many factors, including international economic activity; geographic changes in oil production, processing, and consumption; oil price levels; inventory policies of the major oil and oil trading companies; and strategic inventory policies of countries such as the United States, China and India.

Shipping demand, measured in tonne-miles, is a product of (a) the amount of cargo transported in ocean going vessels, multiplied by (b) the distance over which this cargo is transported. The distance is the more variable element of the tonne-mile demand equation and is determined by seaborne trading patterns, which are principally influenced by the locations of production and consumption. Seaborne trading patterns are also periodically influenced by geo-political events that divert vessels from normal trading patterns, as well as by inter-regional trading activity created by commodity supply and demand imbalances. Tonnage of oil shipped is primarily a function of global oil consumption, which is driven by economic activity as well as the long-term impact of oil prices on the location and related volume of oil production. Tonnage of oil shipped is also influenced by transportation alternatives (such as pipelines) and the output of refineries.

Demand for tankers and tonnage of oil shipped is primarily a function of global oil consumption, which is driven by economic activity, as well as the long-term impact of oil prices on the location and related volume of oil production. Global oil demand returned to limited growth in 2010 and has since been expanding at a modest pace, as a steady rise in Asia has outweighed decreasing demand in Europe and in the United States. According to the International Energy Agency, global oil demand for 2017 has been revised as of February 2018 to 97.80 million barrels/day compared to 94.4 million barrels/day during 2016.

We strategically monitor developments in the tanker industry on a regular basis and, subject to market demand, will seek to enter into shorter or longer time or bareboat charters according to prevailing market conditions.

We will compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation as an operator. We will arrange our time charters and bareboat charters through the use of brokers, who negotiate the terms of the charters based on market conditions. We will compete primarily with owners of tankers in the handymax and Suezmax class sizes. Ownership of tankers is highly fragmented and is divided among major oil companies and independent vessel owners.

Seasonality

We operate our tankers in markets that have historically exhibited seasonal variations in demand and, therefore, charter rates. This seasonality may affect operating results. However, to the extent that our vessels are chartered at fixed rates on a long-term basis, seasonal factors will not have a significant direct effect on our business.

Risk of Loss and Liability Insurance Generally

The operation of any cargo vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is 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 owners, operators and demise charterers of any vessel for oil pollution accidents in the United States Exclusive Economic Zone, has made liability insurance more expensive for ship owners and operators trading in the United States market. While we maintain hull and machinery insurance, war risks insurance, protection and indemnity cover and freight, demurrage and defense cover for our operating fleet in amounts 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 that our present insurance coverage is adequate, not all risks can be insured against, 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 Insurance

We have obtained marine hull and machinery, marine interests and war risk insurance, which includes the risk of actual or constructive total loss, general average, particular average, salvage, salvage charges, sue and labor, damage sustained in collision or contact with fixed or floating objects for all of the vessels in our fleet. Our vessels are covered up to at least their fair market value, with deductibles of $100,000 per vessel per incident. For any vessels that are under bareboat charters, the charterer is responsible for arranging and paying for all insurances that may be required.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which covers our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses towards injury or death of crew, passengers and other third parties, loss or damage to cargo, collision liabilities, damage to other third-party property, pollution arising from oil or other substances and wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or P&I Clubs. Cover is subject to the current statutory limits of liability and the applicable deductibles per category of claim. Our current protection and indemnity insurance coverage for pollution stands at $1.0 billion for any one event.

The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on the Association's its claim record as well as the claim records of all other members of the individual associations which are members of the pool of P&I Associations comprising the International Group.

Environmental and Other Regulations

Governmental laws and regulations significantly affect the ownership and operation of our vessels. We are subject to various international conventions, laws and regulations in force in the countries in which our vessels may operate or are registered. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modification and implementation costs.

A variety of government, quasi-governmental, and private organizations subject our vessels to both scheduled and unscheduled inspections. These organizations include the local port authorities, national authorities, harbor masters or equivalent entities, classification societies, relevant flag state (country of registry) and charterers, particularly terminal operators and oil companies. Some of these entities require us to obtain permits, licenses, certificates and approvals for the operation of our vessels. Our failure to maintain necessary permits, licenses, certificates or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of the vessels in our fleet, or lead to the invalidation or reduction of our insurance coverage.

We believe that the heightened levels of environmental and quality concerns among insurance underwriters, regulators and charterers have led to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for tankers 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 applicable local, national and international environmental laws and regulations. We believe that the operation of our vessels will be in substantial compliance with applicable environmental laws and regulations and that our vessels will have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations; however, because such laws and regulations are frequently changed and may impose increasingly strict 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 results in significant oil pollution or otherwise causes significant adverse environmental impact, such as the 2010 Deepwater Horizon oil spill in the Gulf of Mexico, could result in additional legislation or regulation that could negatively affect our profitability.

International Maritime Organization

The United Nation's International Maritime Organization, or the IMO, is the United Nations agency for maritime safety and the prevention of pollution by ships. The IMO has adopted several international conventions that regulate the international shipping industry, including but not limited, to the International Convention on Civil Liability for Oil

Pollution Damage of 1969, generally referred to as CLC, the International Convention on Civil Liability for Bunker Oil Pollution Damage, and the International Convention for the Prevention of Pollution from Ships of 1973, or the MARPOL Convention. The MARPOL Convention is broken into six Annexes, each of which establishes environmental standards relating to different sources 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, adopted by the IMO in September of 1997, relates to air emissions.

In 2012, the Marine Environment Protection Committee, MEPC, adopted by resolution amendments to the international code for the construction and equipment of ships carrying dangerous chemicals in bulk, IBC Code. The provisions of the IBC Code are mandatory under MARPOL and SOLAS. These amendments, which entered into force in June 2014, pertain to revised international certificates of fitness for the carriage of dangerous chemicals in bulk and identify new products that fall under the IBC Code. In May 2014, additional amendments to the IBC Code were adopted and became effective in January 2016. These amendments pertain to the installation of stability instruments and cargo tank purging. In 2013, the MEPC adopted by resolution amendments to the MARPOL Annex I Conditional Assessment Scheme, CAS. These amendments, which became effective on October 1, 2014, pertain to revising references to the inspections of bulk carriers and tankers after the 2011 ESP Code, which enhances the programs of inspections, becomes mandatory. 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. Effective May 2005, Annex VI sets limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits "deliberate emissions" of "ozone depleting substances," defined to include certain halons and chlorofluorocarbons. "Deliberate emissions" are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ship's repair and maintenance. Emissions of "volatile organic compounds" from certain tankers, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls (PCBs)) are also prohibited. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, known as ECAs (see below).

Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. As of January 1, 2012, the amended Annex VI requires that fuel oil contain no more than 3.50% sulfur. On October 27, 2016, at its 70th session, MEPC 70, MEPC announced its decision concerning the implementation of regulations mandating a reduction in sulfur emissions from the current 3.5% to 0.5% as of the beginning of 2020 rather than pushing the deadline back to 2025. By 2020 ships will now have to either remove sulfur from emissions through the use of emission scrubbers or buy fuel with low sulfur content. Once the cap becomes effective, ships will be required to obtain bunker delivery notes stating the Sulphur content and International Air Pollution Prevention ("IAPP") Certificates by their flag states. This subjects ocean-going vessels in these areas to stringent emissions controls, and may cause us to incur additional costs.

Sulfur content standards are even stricter within certain "Emission Control Areas," or ECAs. As of July 1, 2010, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 1.0%, which was further reduced to 0.10% as of January 1, 2015. Amended Annex VI establishes procedures for designating new ECAs. The Baltic Sea and the North Sea have been so designated. Ocean-going vessels in these areas are subject to stringent emission controls, which may cause us to incur additional costs. On August 1, 2012, certain coastal areas of North America were designated ECAs and effective January 1, 2014 the United States Caribbean Sea was designated an ECA. 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 EPA or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations. U.S. air emissions standards are now equivalent to these amended Annex VI requirements, and once these amendments become effective, we may incur costs to comply with these revised standards. At MEPC 70, MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxides, effective January 1, 2021. It is expected that these areas will be formally designated after the draft amendments are presented at MEPC's next session. The EPA promulgated equivalent (and in some senses stricter) emissions standards in late 2009. 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 North American and U.S. Caribbean Sea ECAs designed for the control of NOx 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. Additional or new conventions, laws and regulations may be adopted that

could require the installation of expensive emission control systems.
As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for new ships. Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014. Currently operating ships are now required to develop and implement Ship Energy Efficiency Management Plans, SEEMPs, and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile, as defined by the Energy Efficient Design Index, or EEDI.
Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. At MEPC 70 and MEPC 71, MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide, effective January 1, 2021. It is expected that these areas will be formally designated after draft amendments are presented at MEPC's next session. The U.S. Environmental Protection Agency, or EPA, promulgated equivalent (and in some senses stricter) emissions standards in late 2009. 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 North American and U.S. Caribbean Sea ECAs designed for the control of NOx 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.

In the U.S., the EPA has issued a final finding that greenhouse gases threaten public health and safety, and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and proposed regulations to limit greenhouse gas emissions from certain large stationary sources. Although the mobile source emission regulations do not apply to greenhouse gas emissions from vessels, the EPA is considering petitions from the California Attorney General and various environmental groups to regulate greenhouse gas emissions from ocean-going vessels. Other federal and state regulations relating to the control of greenhouse gas emissions may follow, including climate change initiatives that have recently been considered in the U.S. Congress. Furthermore, in the United States individual states can also enact environmental regulations. For example, California has introduced caps for greenhouse gas emission and, in the end of 2016, signaled it might take additional actions regarding climate change. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

Safety Management System Requirements

The IMO also adopted the International Convention for the Safety of Life at Sea, or SOLAS, and the International Convention on Load Lines, or LL, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL standards. May 2012 SOLAS amendments entered into force as of January 1, 2014. Additionally, May 2013 SOLAS amendments, pertaining to emergency drills, entered into force in January 2015. Several SOLAS regulations also came into effect in 2016, including regulations regarding adequate vessel integrity maintenance, structural requirements, and construction. The Convention on Limitation for Maritime Claims, LLMC, was recently amended and the amendments went into effect on June 8, 2015. The amendments alter the limits of liability for a loss of life or personal injury claim and a property claim against ship owners.

Our operations are also subject to environmental standards and requirements contained in the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, promulgated by the IMO under Chapter IX of SOLAS. The ISM Code requires the owner of a vessel, or any person who has taken responsibility for operation of a vessel, to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that has been developed for our vessels for compliance with the ISM Code.

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

Noncompliance with the ISM Code and other IMO regulations may subject the shipowner or bareboat charterer to increased liability, may lead to decreases in, or invalidation of, available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports.

Pollution Control and Liability Requirements

IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatory nations to such conventions. For example, many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocol in 1976, 1984, and 1992, and amended in 2000, or 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 is 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 of Special Drawing Rights. The limits on liability have since been amended so that 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 personal fault and under the 1992 Protocol where the spill is caused by the shipowner's personal act or omission by intentional or reckless act or omission where the shipowner knew pollution damage would probably result. The CLC requires ships 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. Our protection and indemnity insurance will cover the liability under the plan adopted by the IMO.

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

In addition, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements to be replaced in time with mandatory concentration limits. All ships will also have to carry a ballast water record book and an International Ballast Water Management Certificate. 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 cost of compliance could increase for ocean carriers and the costs of ballast water treatments may be material. 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 United States, for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements. Although we do not believe that the costs of such compliance would be material, it is difficult to predict the overall impact of such a requirement on our operations.

Many of the implementation dates originally written into the BWM Convention have already passed, so now that the BWM Convention has entered into force, the period for installation of mandatory ballast water exchange requirements would be extremely short, with several thousand ships a year needing to install ballast water management systems, or BWMS. For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates of the BWM Convention so that they are triggered by the entry into force date and not the dates originally in the BWM Convention. This in effect makes all vessels constructed before the entry into force date 'existing' vessels, and allows for the installation of a BWMS on such vessels at the first renewal survey following entry into force. At MEPC 70, MEPC updated "guidelines for approval of ballast water managements systems (G8)." At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. 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. Existing vessels must comply the D2 standard between September 8, 2019, and September 8, 2024. For most ships, compliance with the D2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Costs of compliance may be substantial.

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.

U.S. Regulations

The U.S. Oil Pollution Act of 1990, or 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 in the United States, its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S. territorial sea and its 200 nautical mile exclusive economic zone. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Accordingly, 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. OPA defines these other damages broadly to include:

- injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- injury to, or economic losses resulting from, the destruction of real and personal property;
- net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- 

- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources

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OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 21, 2015, the U.S. Coast Guard, or the USCG, adjusted the limits of OPA liability to the greater of $2,200 per gross ton or $18,796,800 for any double-hull tanker that is over 3,000 gross tons (subject to periodic adjustment for inflation), and our fleet is entirely composed of vessels of this size class. These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsibility party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damage for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of $300 per gross ton or $5 million for vessels carrying a hazardous substance as cargo and the greater of $300 per gross ton or $500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERLA each preserve the right to recover damages under existing law, including maritime tort law.

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee.

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

The 2010 Deepwater Horizon oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes, including the raising of liability caps under OPA. For example, on February 24, 2014, the U.S. Bureau of Ocean Energy Management, BOEM, proposed a rule increasing the limits of liability of damages for off-shore facilities under OPA based on inflation. This rule became effective in January 2015. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. In April 2015, it was announced that new regulations are expected to be imposed in the U.S. regarding offshore oil and gas drilling and the U.S. Bureau of Safety and Environmental Enforcement, BSEE, announced a new Well Control Rule in April 2016. However, pursuant to orders by the U.S. President in early 2017, the BSEE recently announced in August 2017 that this rule would be revised. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes.

Through our P&I Club membership, we maintain pollution liability coverage insurance in the amount of $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 a material adverse effect on our business, financial condition, results of operations and cash flows.

The U.S. Clean Water Act, or CWA, prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA.

The United States Environmental Protection Agency, or the EPA, regulates the discharge of ballast and bilge water and other substances in United States waters under the CWA. The EPA regulations require vessels 79 feet in length or longer (other than commercial fishing vessels and recreational vessels) comply with a permit that regulates ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or the VGP. For a new vessel delivered to an owner or operator after September 19, 2009 to be covered by the VGP, the owner must submit a Notice of Intent, or the NOI, at least 30 days before the vessel operates in United States waters. In March 2013, the EPA re-issued the VGP for another five years, and the new VGP took effect in December 2013. The 2013 VGP focuses on authorizing discharges incidental to operations of commercial vessels and the 2013 VGP contains ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants. We have submitted NOIs for our vessels where required and do not believe that the costs associated with obtaining and complying with the VGP will have a material impact on our operations.

The USCG regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters, which require the installation of equipment to treat ballast water before it is discharged in U.S. waters or, in the alternative, the implementation of other port facility disposal arrangements or procedures. Vessels not complying with these regulations are restricted from entering U.S. waters. The USCG must approve any technology before it is placed on a vessel, but has not yet approved the technology necessary for vessels to meet these standards.

Notwithstanding the foregoing, as of January 1, 2014, vessels are technically subject to the phasing-in of these standards. However, it was not until December 2016 the USCG first approved said technology. The USCG previously waivers to vessels which cannot install the as-yet unapproved technology and vessels now requiring a waiver will need to show why they cannot install the approved technology. The EPA, on the other hand, has taken a different approach to enforcing ballast discharge standards under the VGP. On December 27, 2013, the EPA issued an enforcement response policy in connection with the new VGP in which the EPA indicated that it would take into account the reasons why vessels do not have the requisite technology installed, but will not grant any waivers.

Two court decisions should also be noted. First, in October 2015, the Second Circuit Court of Appeals issued a ruling that directed the EPA to redraft the sections of the 2013 VGP that address ballast water. However, the Second Circuit stated that 2013 VGP will remains in effect until the EPA issues a new VGP. In the fall of 2016, sources reported that the EPA indicated it was working on a new VGP. It presently remains unclear how the ballast water requirements set forth by the EPA, the USCG, and IMO BWM Convention, some of which are in effect and some which are pending, will co-exist. Second, on October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit stayed the Waters of the United States rule (WOTUS), which aimed to expand the regulatory definition of "waters of the United States," pending further action of the court. In response to this decision, regulations have continued to be implemented as they were prior to the stay on a case-by-case basis. On February 28, 2017, the U.S. President issued an Executive Order directing the EPA and U.S. Army Corps of Engineers to review the WOTUS and publish a proposed rule rescinding or revising the rule. The EPA and Army Corps of Engineers are currently in the process of rulemaking pursuant to the President's order. The effects of any future actions in these cases upon our operations are unknown.

Compliance with the EPA and the USCG regulations could require 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 cost, or may otherwise restrict our vessels from entering U.S. waters. In addition, certain states have enacted more stringent discharge standards as conditions to their required certification of the VGP.

We believe we are in compliance with the EPA and the USCG regulations that require vessels to treat ballast water before it is discharged, since all our vessels have, and our new buildings will have, ballast water treatment systems.

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990), or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels will be subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. Should our vessels operate in such port areas with restricted cargoes they will be equipped with vapor recovery systems that satisfy these requirements. 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.

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

It should be noted that the U.S. is currently experiencing changes in its environmental policy, the results of which have yet to be fully determined. For example, in April 2017, the U.S. President signed an executive order regarding environmental regulations, specifically targeting the U.S. offshore energy strategy, which may affect parts of the maritime industry and our operations

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

The EU has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/EC/33 (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the EU imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in EU ports, lasting until 2020.

The EU has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The EU also adopted and then extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the EU 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.

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016. The Paris Agreement does not directly limited greenhouse gas emissions for ships. On June 1, 2017, the U.S. President announced that it is withdrawing from the Paris Agreement. The timing and effect of such action has yet to be determined.

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, initial IMO strategy for reduction of greenhouse gas emissions needs to be developed by MEPC 72, which will be held in April 2018. The IMO may implement market-based mechanisms to reduce greenhouse gas emissions from ships at the upcoming MEPC session.

As of January 1, 2013, all new ships must comply with two new sets of mandatory requirements adopted by the IMO's Marine Environmental Protection Committee, or the MEPC, in July 2011 relating to greenhouse gas emissions. Under these measures, by 2025, all new ships built will be 25% more energy efficient than those built in 2014. Currently operating ships are now required to develop Ship Energy Efficiency Management Plans, and minimum energy efficiency levels per capacity mile will apply to new ships. These requirements could cause us to incur additional compliance costs. The IMO is also planning to implement market-based mechanisms to reduce greenhouse gas emissions from ships at an upcoming MEPC session. In April 2015, a regulation was adopted requiring that large ships (over 5,000 gross tons) calling at European Union ports from January 2018 collect and publish data on carbon dioxide emissions and other information.

In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and has proposed regulations to limit greenhouse gases from large stationary sources. However, in April 2017, the U.S. President signed an executive order to review and possibly eliminate the EPA's plan to cut greenhouse gas emissions. The outcome of this order is not yet known. Although the mobile source emission regulations do not apply to greenhouse gas emissions from vessels, the EPA is considering petitions from the California Attorney General and various environmental groups to regulate greenhouse gas emissions from ocean-going vessels. Other federal and state regulations relating to the control of greenhouse gas emissions may follow, including the climate change initiatives that are being considered in the U.S. Congress. Moreover, in the U.S. individual states could enact environmental regulations that would affect our operations. For example, California has introduced caps for greenhouse gas emissions and, in the end of 2016,

signaled it may take additional action regarding climate change. In addition, the IMO is evaluating various mandatory measures to reduce greenhouse gas emissions from international shipping, including market-based instruments.
Any passage of climate control legislation or other regulatory initiatives adopted by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol or the Paris Agreement that restrict emissions of greenhouse gases from marine vessels could require us to make significant financial expenditures, including capital expenditures to upgrade our vessels, which we cannot predict with certainty at this time.

International Labour Organization

The International Labour Organization, or ILO, is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006, or the MLC 2006. A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 entered into force on August 20, 2013. MLC 2006 requires us to develop new procedures to ensure full compliance with its requirements. The MLC 2006 entered into force on August 20, 2013, with amendments adopted in 2014 and 2016. The MLC 2006 requires us to develop new procedures to ensure full compliance with its requirements.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002, or the MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the EPA.

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter XI-2 became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the International Ship and Port Facilities Security Code, or the ISPS Code. The ISPS Code is designed to enhance the security of ports and ships against terrorism.

To trade internationally, a vessel must attain an International Ship Security Certificate, or ISSC, from a recognized security organization approved by the vessel's flag state. Among the various requirements, some of which are found in SOLAS, are:

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

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

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

Inspection by Classification Societies

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

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

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

Annual Surveys: For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.

Intermediate Surveys: Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys are to be carried out at or between the occasion of the second or third annual survey.

Class Renewal Surveys: Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a vessel owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle.

At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

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

Most vessels are also dry-docked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard contracts and memorandum of agreement. If the vessel is not certified on the date of closing, we have no obligation to take delivery of the vessel.

Customers

Our customers include national, regional and international companies. We have historically derived a significant part of our revenue from a small number of charterers In 2017, 100% of our revenue was derived from three charterers, 56% from Stena Weco A/S, 28% from BP Shipping Limited and 16% from DS Norden A/S. In 2016, 100% of our revenue was derived from three charterers, 54% from Stena Weco A/S, 38% from BP Shipping Limited and 8% from DS Norden A/S. We strategically monitor developments in the tanker industry on a regular basis and, subject to market demand, seek to adjust the charter hire periods for our vessels according to prevailing market conditions.

C. Organizational Structure

We are a Marshall Islands corporation with principal executive offices located at 1 Vasilisis Sofias and Megalou Alexandrou Str, 15124 Maroussi, Greece. We own and charter-in our vessels through wholly-owned subsidiaries that are incorporated in the Marshall Islands or other jurisdictions generally acceptable to lenders in the shipping industry. Our significant wholly-owned subsidiaries as of December 31, 2017 are listed in Exhibit 8.1 to this annual report on Form 20-F.

D. Property, Plants and Equipment

For a list of the vessels of our fleet, please see "Item 4. Information on the Company—B. Business Overview—Our Fleet" above and for a description of our major encumbrances on our fleet please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Debt Facilities".

We do not own any real estate property.

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ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following presentation of management's discussion and analysis is intended to discuss our financial condition, changes in financial condition and results of operations, and should be read in conjunction with our historical consolidated financial statements and their notes included in this annual 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 "Item 3. Key Information—Risk Factors" and elsewhere in this report.

A. Operating Results

Factors Affecting our Results of Operations

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

- Calendar days. We define calendar days as the total number of days the vessels were in our possession for the relevant period. Calendar days are an indicator of the size of our fleet during the relevant period and affect both the amount of revenues and expenses that we record during that period.
- Available days. We define available days as the number of calendar days less the aggregate number of days that our vessels are off-hire due to scheduled repairs, or scheduled guarantee inspections in the case of newbuildings, vessel upgrades or special or intermediate surveys and the aggregate amount of time that we spend positioning our vessels. Companies in the shipping industry generally use 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 as the number of available days in a period less the aggregate number of days that our vessels are off-hire due to unforeseen technical circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period that our vessels actually generate revenues.
- Fleet utilization. We calculate fleet utilization by dividing the number of operating days during a period by the number of available days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or scheduled guarantee inspections in the case of newbuildings, vessel upgrades, special or intermediate surveys and vessel positioning.
- Bareboat Charter Rates. Under a bareboat charter party, all operating costs, voyage costs and cargo-related costs are covered by the charterer, who takes both the operational and the shipping market risk.
- TCE Revenues / TCE Rates. We define TCE revenues as revenues minus voyage expenses. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by a charterer under a time charter, as well as commissions. We believe that presenting revenues net of voyage expenses neutralizes the variability created by unique costs associated with particular voyages or the deployment of vessels on the spot market and facilitates comparisons between periods on a consistent basis. We calculate daily TCE rates by dividing TCE revenues by operating days for the relevant time period. TCE revenues include demurrage revenue, which represents fees charged to charterers associated with our spot market voyages when the charterer exceeds the agreed upon time required to load or discharge a cargo.

In the shipping industry, economic decisions are based on vessels' deployment upon anticipated TCE rates, and industry analysts typically measure shipping freight rates in terms of TCE rates. This is because under time-charter and bareboat contracts the customer usually pays the voyage expenses, while under voyage charters the ship-owner usually pays the voyage expenses, which typically are added to the hire rate at an approximate cost. Consistent with industry practice, we use TCE rates because it provides a means of comparison between different types of vessel employment and, therefore, assists our decision-making process.

In evaluating our financial condition, we focus on the below measures to assess our historical operating performance and we use future estimates of the same measures to assess our future financial performance. In assessing the future performance of our fleet, the greatest uncertainty relates to future charter rates at the expiration of a vessel's present period employment, whether under a time charter or a bareboat charter. Decisions about future purchases and sales of vessels are based on the availability of excess internal funds, the availability of financing and the financial and operational evaluation of such actions and depend on the overall state of the shipping market and the availability of relevant purchase candidates.

Voyage Revenues

Our voyage revenues are driven primarily by the number of vessels in our fleet, the number of operating days during which our vessels generate revenues and the amount of daily charterhire that our vessels earn under charters, which, in turn, are affected by a number of factors, including 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 dry-dock undergoing repairs, maintenance and upgrade work, the duration of the charter, the age, condition and specifications of our vessels, levels of supply and demand in the global transportation market for oil and oil products and other factors affecting spot market charter rates such as vessel supply and demand imbalances.

Vessels operating on period charters, time charters or bareboat charters provide more predictable cash flows, but can yield lower profit margins than vessels operating in the short-term, or spot, charter market during periods characterized by favorable market conditions. Vessels operating in the spot charter market, either directly or through a pool arrangement, generate revenues that are less predictable, but may enable us to capture increased profit margins during periods of improvements in charter rates, although we are exposed to the risk of declining charter rates, which may have a materially adverse impact on our financial performance. If we employ vessels on period charters, future spot market rates may be higher or lower than the rates at which we have employed our vessels on period time charters.

Under a time charter, 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. 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 and other miscellaneous expenses, and we also pay commissions to CSM, one or more unaffiliated ship brokers and to in-house brokers associated with the charterer for the arrangement of the relevant charter.

Under a bareboat charter, the vessel is chartered for a stipulated period of time, which gives the charterer possession and control of the vessel, including the right to appoint the master and the crew. Under bareboat charters, all voyage and operating costs are paid by the charterer.

As of the date of this annual report, we have bareboat chartered-in two product/chemical tankers, own another five product/chemical tankers vessels and our 50% owned subsidiary owns another product/chemical tanker. We may in the future operate vessels in the spot market until the vessels have been chartered under appropriate medium to long-term charters.

Voyage Expenses

Voyage expenses primarily consist of port charges, including canal dues, bunkers (fuel costs) and commissions. All these expenses, except commissions, are paid by the charterer under a time charter or bareboat charter contract. The amount of voyage expenses are primarily driven by the routes that the vessels travel, the amount of ports called on, the canals crossed and the price of bunker fuels paid.

Charter Hire Expenses

Charter hire expenses represent lease payments for vessels we bareboat charter-in.

On January 29, 2015 and March 31, 2015, we entered into sale and leaseback agreements for the M/T Stenaweco Energy and M/T Stenaweco Evolution, respectively, with a duration of seven years.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes and value added tax, or VAT, and other miscellaneous expenses for vessels that we own or lease under our operating leases. We analyze vessel operating expenses on a U.S. dollar per day basis. Additionally, vessel operating expenses can fluctuate due to factors beyond our control, such as unplanned repairs and maintenance attributable to damages or regulatory compliance and factors which may affect the shipping industry in general, such as developments relating to insurance premiums, or developments relating to the availability of crew.

Dry-docking Costs

Dry-docking costs relate to regularly scheduled intermediate survey or special survey dry-docking necessary to preserve the quality of our vessels as well as to comply with international shipping standards and environmental laws and regulations. Dry-docking costs can vary according to the age of the vessel, the location where the dry-dock takes place, shipyard availability, local availability of manpower and material, and the billing currency of the yard. Please see "Item 18. Financial Statements—Note 2—Significant Accounting Policies." In the case of tankers, dry-docking costs may also be affected by new rules and regulations. For further information please see "Item 4. Information on the Company—B. Business Overview—Environmental Regulations."

Management Fees—Related Parties

As of March 31, 2014, we have outsourced to CSM all operational, technical and commercial functions relating to the chartering and operation of our vessels. We outsourced the above functions pursuant to a letter agreement between CSM and TOP Ships Inc. and management agreements between CSM and our then vessel-owning subsidiaries on March 10, 2014. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Central Shipping Monaco Letter Agreement, Management Agreements, and Other Agreements" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Central Mare Letter Agreement, Management Agreements, and Other Agreements."

General and Administrative Expenses

Our general and administrative expenses include executive compensation paid to Central Mare for the compensation of our executive officers and a number of administrative staff, office rent, legal and auditing costs, regulatory compliance costs, other miscellaneous office expenses, non-cash stock compensation, and corporate overhead. Central Mare provides the services of the individuals who serve in the position of Chief Executive Officer, Chief Financial Officer, Executive Vice President and Chief Technical Officer as well as a number of administrative employees. For further information please see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Central Mare Letter Agreement, Management Agreements, and Other Agreements" and "Item 18. Financial Statements—Note 5—Transactions with Related Parties."

A portion of our general and administrative expenses are denominated in Euros and are therefore affected by the conversion rate of the U.S. dollar versus the Euro.

Interest and Finance Costs

We incur interest expense on outstanding indebtedness under our loans and credit facilities, which we include in interest and finance costs. We also incur finance costs in establishing those debt facilities which are deferred and amortized over the period of the respective facility. The amortization of the finance costs is presented in interest and finance costs.

Inflation

Inflation has not had a material effect on our expenses. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, administrative and financing costs.

Lack of Historical Operating Data for Vessels before Their Acquisition

Although vessels are generally acquired free of charter, we have acquired (and may in the future acquire) some vessels with time charters. Where a vessel has been under a voyage charter, the vessel is usually delivered to the buyer free of charter. 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 entering into a separate direct agreement, or a novation agreement, with the charterer to assume the charter. The purchase of a vessel itself does not transfer the charter because it is a separate agreement between the vessel owner and the charterer.

Where we identify any intangible assets or liabilities associated with the acquisition of a vessel, we allocate the purchase price to identified tangible and intangible assets or liabilities based on their relative fair values. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where we have assumed an existing charter obligation or entered into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are less than market charter rates, we record a liability, based on the difference between the assumed charter rate and the market charter rate for an equivalent vessel. Conversely, where we assume an existing charter obligation or enter into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are above market charter rates, we record an asset, based on the difference between the market charter rate for an equivalent vessel and the contracted charter rate. This determination is made at the time the vessel is delivered to us, and such assets and liabilities are amortized as a reduction or increase to revenue over the remaining period of the charter.

None of the vessels acquired in from 2014 up to 2017 gave rise to a recognition of any intangible asset or liability associated with those acquisitions.

When we purchase a vessel and assume or renegotiate a related time charter, we must take 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;
- in some cases, obtain the charterer's consent to a new flag for the vessel;
- arrange for a new crew for the vessel, and where the vessel is on charter, in some cases, the crew must be approved by the charterer;
- 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; and
- register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from 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 comprised of the following main elements:

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

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

- vessel maintenance and repair;
- crew selection and training;
- vessel spares and stores supply;
- contingency response planning;
- onboard safety procedures auditing;
- accounting;
- vessel insurance arrangement;
- vessel chartering;
- vessel security training and security response plans (ISPS);
- obtain ISM certification and audit for each vessel within the six months of taking over a vessel;
- 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 our vessels requires the following main 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 affect our profitability, cash flows and shareholders' return on investment include:

- charter rates and periods of charter hire for our tankers;
- utilization of our tankers (earnings efficiency);
- levels of our tanker's operating expenses and dry-docking costs;
- depreciation and amortization expenses;
- financing costs; and
- fluctuations in foreign exchange rates.

RESULTS OF OPERATIONS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017

The following table depicts changes in the results of operations for 2017 compared to 2016 and 2016 compared to 2015.

| | Year Ended December 31, | | | Change | | | |
|---|---|---|---|---|---|---|---|
| | | | | YE16 v YE15 | | YE17 v YE16 | |
| | 2015 | 2016 | 2017 | $ | % | $ | % |
| | ($ in thousands) | | | | | | |
| Voyage Revenues | 13,075 | 28,433 | 39,363 | 15,358 | 117.5 % | 10,930 | 38.4 % |
| Voyage expenses | 370 | 736 | 999 | 366 | 98.9 % | 263 | 35.7 % |
| Bareboat charter hire expenses | 5,274 | 6,299 | 6,282 | 1,025 | 19.4 % | (17) | -0.3 % |
| Amortization of prepaid bareboat charter hire | 1,431 | 1,577 | 1,657 | 146 | 10.2 % | 80 | 5.1 % |
| Vessel operating expenses | 4,789 | 9,913 | 13,444 | 5,124 | 107.0 % | 3,531 | 35.6 % |
| Vessel depreciation | 668 | 3,467 | 5,744 | 2,799 | 419.0 % | 2,277 | 65.7 % |
| Management fees-related parties | 1,621 | 1,824 | 4,730 | 203 | 12.5 % | 2,906 | 159.3 % |
| Other operating (income) / loss | 274 | (3,137) | (914) | (3,411) | -1244.9 % | 2,223 | -70.9 % |
| General and administrative expenses | 2,983 | 2,906 | 5,805 | (77) | -2.6 % | 2,899 | 99.8 % |
| Vessels impairment charge | 3,081 | - | 0 | (3,081) | -100.0 % | - | - % |
| Expenses | 20,491 | 23,585 | 37,747 | 3,094 | 15.1 % | 14,162 | 60.0 % |
| Operating income / (loss) | (7,416) | 4,848 | 1,616 | 12,264 | 165.4 % | (3,232) | -66.7 % |
| Interest and finance costs | (719) | (3,093) | (15,793) | (2,374) | 330.2 % | (12,700) | 410.6 % |
| (Loss)/Gain on derivative financial instruments | (392) | (698) | (301) | (306) | 78.1 % | 397 | -56.9 % |
| Interest income | - | - | 13 | - | - | 13 | - |
| Other, net | 20 | (5) | 1,120 | (25) | -125.0 % | 1,125 | -22,500.0 % |
| Total other (expenses) / income, net | (1,091) | (3,796) | (14,961) | (2,705) | 247.9 % | (11,165) | 294.1 % |
| Net income/(loss) | (8,507) | 1,052 | (13,345) | 9,559 | 112.4 % | (14,397) | -1368.5 % |

The table below presents the key measures for each of the years 2015, 2016 and 2017. Please see "Item 3. Key Information—A. Selected Financial Data" for a reconciliation of Average Daily TCE to revenues.

Year on Year Comparison of Operating Results

1. Voyage Revenues

2017 vs. 2016

During the year ended December 31, 2017, revenues increased by $10.9 million, or 38%, compared to the year ended December 31, 2016. This increase was due to the acquisition of M/T Stenaweco Elegance in February 2017 that led to its employment for ten months resulting in an increase in revenue of $5.0 million, the employment of M/T Nord Valiant for twelve months in 2017 as opposed to four and a half months in 2016 that resulted in an increase in revenue of $3.8 million (the vessel started its employment on August 15, 2016), the employment of M/T Stenaweco Excellence for twelve months in 2017 as opposed to seven months in 2016 that resulted in an increase in revenue of $2.3 million (the vessel started its employment on May 23, 2016) and the employment of M/T Eco Revolution for 12 months in 2017 as opposed to eleven months in 2016 that resulted in an increase in revenue of $0.4 million (the vessel started its employment on January 26, 2016).

These increases were offset by the lower daily charter rates that we negotiated for M/T Stenaweco Energy and M/T Stenaweco Evolution in order to increase their charter duration by twelve and eighteen months respectively that resulted in a decrease of revenue by $0.2 million and $0.4 million respectively.

2016 vs. 2015

During the year ended December 31, 2016, revenues increased by $15.4 million, or 118%, compared to the year ended December 31, 2015. This increase was due to the employment of M/T Eco Revolution from January 26, 2016 that resulted in an increase in revenue of $5.2 million, the employment of M/T Stenaweco Excellence from May 23, 2016 that resulted in an increase in revenue of $3.6 million, the employment of M/T Eco Fleet for all of 2016 that resulted in an increase in revenue of $3.1 million (as opposed to being employed for approximately five months in the year ended December 31, 2015), the employment of M/T Nord Valiant from August 15, 2016 that resulted in an increase in revenue of $2.3 million and the employment, for all of 2016, of M/T Stenaweco Evolution that resulted in an increase in revenue of $1.6 million (as opposed to being employed for approximately nine months in the year ended December 31, 2015). These increases were offset by the absence in the year ended December 31, 2016 of a revenue claim collection from Marco Polo Seatrade B.V. relating to our sold vessels M/T Ionian Wave and M/T Tyrrhenian Wave, which amounted to $0.4 million in the year ended December 31, 2015.

Expenses

2. Voyage expenses

Voyage expenses primarily consist of port charges, including bunkers (fuel costs), canal dues and commissions.

2017 vs. 2016

During 2017, voyage expenses increased by $0.3 million, or 36%, compared to 2016. This increase is due to the acquisition of M/T Stenaweco Elegance in February 2017 that led to its employment for ten months resulting in an increase in voyage expenses of $0.1 million, the employment of M/T Nord Valiant for twelve months in 2017 as opposed to four and a half months in 2016 that resulted in an increase in voyage expenses of $0.1 million (the vessel started its employment on August 15, 2016) and the employment of M/T Stenaweco Excellence for twelve months in 2017 as opposed to seven months in 2016 that resulted in an increase in voyage expenses of $0.1 million (the vessel started its employment on May 23, 2016).

2016 vs. 2015

During the year ended December 31, 2016, voyage expenses increased by $0.4 million, or 99%, compared to the year ended December 31, 2015. This increase was due to the fact that M/T Eco Revolution started operating from January 21, 2016 and resulted in an increase in voyage expenses of $0.2 million, M/T Stenaweco Excellence started operating on May 20, 2016 and resulted in an increase in voyage expenses of $0.1 million and M/T Nord Valiant started operating on August 10, 2016 and resulted in an increase in voyage expenses of $0.1 million.

3. Vessel operating expenses

2017 vs. 2016

During the year ended December 31, 2017, vessel operating expenses increased by $3.5 million, or 36%, compared to the year ended December 31, 2016. This increase was mainly due to the acquisition of M/T Stenaweco Elegance in February 2017 that led to its operation for ten months that resulted in an increase in operating expenses of $1.8 million, the operation of M/T Nord Valiant for twelve months in 2017 as opposed to four and a half months in 2016 that resulted in an increase in operating expenses of $0.9 million (the vessel started operating on August 10, 2016) and the operation of M/T Stenaweco Excellence for twelve months in 2017 as opposed to seven months in 2016 that resulted in an increase in operating expenses of $0.6 million (the vessel started operating on May 20, 2016). Finally operating expenses of M/T Stenaweco Energy and M/T Eco Fleet increased by $0.1 million each.

2016 vs. 2015

During the year ended December 31, 2016, vessel operating expenses increased by $5.1 million, or 107%, compared to the year ended December 31, 2015. This increase was due to fact that M/T Eco Revolution started operating from January 21, 2016 and resulted in an increase in operating expenses of $1.9 million, M/T Stenaweco Excellence started operating on May 20, 2016 and resulted in an increase in operating expenses of $1.4 million, M/T Nord Valiant started operating on August 10, 2016 and resulted in an increase in operating expenses of $0.9 million, M/T Eco Fleet started operating on July 15, 2015 and resulted in an increase in operating expenses of $0.7 million (as opposed to operating for approximately five months for the year ended December 31, 2015) and M/T Stenaweco Evolution was operational for all of 2016, and resulted in an increase in operating expenses of $0.3 million (as opposed to operating for approximately nine months for the year ended December 31, 2015). These increases were offset by a $0.1 million decrease in operating expenses of M/T Stenaweco Energy in the year ended December 31, 2016 compared to the year ended December 31, 2015.

4. Vessel depreciation

2017 vs. 2016

During the year ended December 31, 2017, vessel depreciation increased by $2.3 million, or 66%, compared to the year ended December 31, 2016 due to the changes in our fleet that resulted in calendar (ownership) days increasing from 1,812 in 2016 to 2,496 in 2017.

2016 vs. 2015

During the year ended December 31, 2016, vessel depreciation increased by $2.8 million, or 419%, compared to the year ended December 31, 2015 due to the changes in our fleet that resulted in calendar (ownership) days increasing from 810 in 2015 to 1,812 in 2016.

5. Management fees—related parties

2017 vs. 2016

During the year ended December 31, 2017, management fees to related parties increased by $2.9 million, or 159%, compared to the year ended December 31, 2016.

This increase was due to a $1.2 million increase in overhead management fees relating mainly to a performance incentive fee to Central Mare in 2017 and due to sale and purchase commissions of $1.1 million pursuant to our new letter agreement with CSM, relating to the purchase of our vessels in 2017. Furthermore this increase was due to the acquisition of M/T Stenaweco Elegance in February 2017 that led to its operation for ten months resulting in an increase in management fees of $0.3 million, the operation of M/T Nord Valiant for twelve months in 2017 as opposed to four and a half months in 2016 that resulted in an increase in management fees of $0.2 million (the vessel started operating on August 10, 2016) and the operation of M/T Stenaweco Excellence for twelve months in 2017 as opposed to seven months in 2016 that resulted in an increase in management fees of $0.1 million (the vessel started operating on May 20, 2016).

2016 vs. 2015

During the year ended December 31, 2016, management fees to related parties increased by $0.2 million, or 13%, compared to the year ended December 31, 2015. This increase was due to the fact that M/T Eco Revolution started operating from January 21, 2016 that resulted in an increase in management fees of $0.3 million, M/T Eco Fleet started operating on July 15, 2015 that resulted in an increase in management fees of $0.2 million (as opposed to operating for approximately five months for the year ended December 31, 2015), M/T Stenaweco Excellence started operating from May 20, 2016 and that resulted in an increase in management fees of $0.2 million, M/T Nord Valiant started operating from August 10, 2016 that resulted in an increase in management fees of $0.1 million and M/T Stenaweco Evolution was operational throughout the year ended December 31, 2016, that resulted in an increase in management fees of $0.1 million (as opposed to operating for approximately nine months for the year ended December 31, 2015). These increases were offset by a $0.7 million decrease in overhead management fees relating mainly to a non-recurring performance incentive fee to Central Mare in the year ended December 31, 2015 absent in the year ended December 31, 2016.

6. Other operating income

During the year ended December 31, 2017 we wrote-off $0.9 million of accrued liabilities relating to old charter parties of vessels sold in 2009, mainly relating to unearned revenue, as the time frame for our counterparties to claim these amounts has been time barred.

During the year ended December 31, 2016 we wrote-off $3.1 million of accrued liabilities relating to old charter parties of vessels sold from 2006 to 2008, mainly relating to $2.0 million of unearned revenue and $1.1 million of related brokerage commissions, as the time frame for our counterparties to claim these amounts has been time barred.

7. General and administrative expenses

2017 vs. 2016

During the year ended December 31, 2017, our general and administrative expenses increased by $2.9 million, or 100%, compared to the year ended December 31, 2016, mainly attributed to a bonus of $1.5 million granted to the Company's CEO to be distributed at his own discretion amongst executives, an increase of $0.9 million in manager and employee related expenses, an increase of $0.3 million in other general and administrative expenses and an increase of $0.2 million in legal and consulting fees and expenses.

2016 vs. 2015

During the year ended December 31, 2016, our general and administrative expenses decreased by $0.1 million, or 2.6%, compared to the year ended December 31, 2015, mainly due to decreases of $0.1 million in legal and consulting fees, $0.1 million in audit fees and $0.1 in other general and administrative expenses, with an offsetting increase of $0.2 million in stock-based compensation expense.

8. Interest and Finance Costs

2017 vs. 2016

During the year ended December 31, 2017, interest and finance costs increased by $12.7 million, or 411%, compared to the year ended December 31, 2016. This increase is mainly attributed to:

a) An increase of $8.3 million in amortization of debt discount, $7.5 million relating to the convertibility features of the Series C convertible preferred shares and $0.8 million relating to the convertibility features of the Family Trading facility, both absent in the same period of 2016 (please see "Item 18. Financial Statements—Note 9—Debt.").

b) An increase of $2.7 million in loan interest expense, since in 2017 we had senior loan facilities with ABN Amro Bank, NORD/LB Bank, Alpha Bank and At Bank for the financing of the vessels M/T Eco Revolution, M/T Eco Fleet, M/T Nord Valiant, M/T Stenaweco Excellence, M/T Stenaweco Elegance and M/T Eco Palm desert as well as the Family Trading Facility, while in the same period of 2016 we only incurred interest expense for M/T Eco Fleet for twelve months, M/T Eco Revolution for eleven months, M/T Nord Valiant for four months(ABN Facility), and M/T Stenaweco Excellence (NORD/LB facility) for approximately seven months.

c)

An increase of $1.5 million in amortization of finance fees mainly due to the fact that in 2017 we accelerated the amortization of arrangement fees of four of our short term notes due to their prepayment ($0.6 million), we incurred additional amortization expenses relating to the Amended Family Trading Facility ($0.3 million) and the Series C convertible preferred shares we treated as debt ($0.3 million) and incurred increased amortization expenses due to the fact that we had more senior debt facilities in place compared to the same period in 2016 ($0.3 million).

d) An increase of $0.2 million in other financial costs.

2016 vs. 2015

During the year ended December 31, 2016, interest and finance costs increased by $2.4 million, or 330%, compared to the year ended December 31, 2015. This increase is mainly attributed to an increase of $2.6 million in loan interest expense, since in the year ended December 31, 2016 we had senior loan facilities with ABN Amro Bank and NORD/LB Bank for the financing of the vessels M/T Eco Revolution, M/T Eco Fleet, M/T Nord Valiant and M/T Stenaweco Excellence as well as the Family Trading Facility, while in the same period of 2015 we only incurred interest expense for M/T Stenaweco Energy (Alpha Bank Facility) for approximately one month. Furthermore in the year ended December 31, 2016 we had an increase of $0.2 million in other financial costs that related to commitment fees of the Family Trading Facility that were absent in the year ended December 31, 2015. These increases were offset by a $0.4 million decrease in amortization of finance fees (deferred charges) mainly due to the fact that in the year ended December 31, 2015, there was an accelerated amortization of arrangement fees of the Alpha Bank Facility that we prepaid in January 2015 and of the Atlantis Ventures facility that we paid in January 2015, both absent in the year ended December 31, 2016.

9. Loss on derivative financial instruments

2017 vs. 2016

During the year ended December 31, 2017, loss on derivative financial instruments decreased by $0.4 million, or 57%, compared to the year ended December 31, 2016. This decrease was due to a $0.5 million increase in the unrealized gains from the valuation of our interest rate swaps and a another $0.4 million increase in the gains from the valuation of our outstanding warrants issued in connection with our follow-on offering that closed on June 11, 2014. These were offset by an increase of $0.5 million in realized losses on our interest rate swaps (please see "Item 18. Financial Statements—Note 17 - Financial Instruments").

2016 vs. 2015

During the year ended December 31, 2016, loss on derivative financial instruments increased by $0.3 million, or 78%, compared to the year ended December 31, 2015, mainly due to a $0.2 million reversal of a realized loss on swaps payable we wrote-off in the year ended December 31, 2015 and a loss of $0.1 million from the valuation of our ABN interest rate swaps we incurred in the year ended December 31, 2016 (please see "Item 18. Financial Statements—Note 17 - Financial Instruments").

Our Fleet—Illustrative Comparison of Possible Excess of Carrying Value Over Estimated Charter-Free Market Value of Certain Vessels

In "—Critical Accounting Policies—Impairment of Vessels," we discuss our policy for impairing the carrying values of our vessels. During the past few years, the market values of vessels have experienced particular volatility, with substantial declines in many vessel classes. As a result, the charter-free market value, or basic market value, of certain of our vessels may have declined below those vessels' carrying value. However, we would not impair those vessels' carrying value under our accounting impairment policy due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

As of December 31, 2017, we believe that the basic charter-free market values of our owned vessels are higher than the vessels carrying value.

Our estimates of basic charter-free market value assume that our vessels are all in good and seaworthy condition without need for 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;
- news and industry reports of sales of vessels that are not similar to our vessels where we have made certain adjustments in an attempt to derive information that can be used as part of our estimates;
- approximate market values for our vessels or similar vessels that we have received from shipbrokers, whether solicited or unsolicited, or that shipbrokers have generally disseminated;

- 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 and other sources, our estimates of basic charter-free market values are inherently uncertain. In addition, vessel values are highly volatile; as such, actual results could differ from those estimates.

All of our vessels are currently employed under long-term, above-market time charters. For more information, see "Business Overview—Our Fleet." We believe that in a sale of these vessels with their charters attached, we would receive a premium over the vessels' charter-free market value.

We refer you to the risk factor entitled "The international oil tanker industry has experienced volatile charter rates and vessel values and there can be no assurance that these charter rates and vessel values will not decrease in the near future" and the discussion herein under the heading "Risks Related to Our Industry."

Critical Accounting Policies:

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

Critical accounting policies are those that reflect significant judgments or 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 that involve a higher degree of judgment and the methods of their application. For a description of all of our significant accounting policies, see Note 2 to our consolidated financial statements included herein.

Vessel depreciation. We record the value of our vessels at their cost (which includes the contract price, pre-delivery costs incurred during the construction of newbuildings, capitalized interest and any material expenses incurred upon acquisition such as initial repairs, improvements and delivery expenses to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our vessels on a straight-line basis over their estimated useful lives, estimated to be 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost of the vessel less its residual value which is estimated to be $300 per light-weight ton. A decrease in the useful life of the vessel or in the residual value would have the effect of increasing the annual depreciation charge.

A decrease in the useful life of the vessel may occur as a result of poor vessel maintenance performed, harsh ocean-going and weather conditions that the vessel is subject to, or poor quality of the shipbuilding yard. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, the vessel's useful life is adjusted at the date such regulations become effective. Weak freight markets may result in owners scrapping more vessels and scrapping them earlier due to unattractive returns. An increase in the useful life of the vessel may result from superior vessel maintenance performed, favorable ocean-going and weather conditions the vessel is subjected to, superior quality of the shipbuilding yard, or high freight rates which result in owners scrapping the vessels later due to attractive cash flows.

Impairment of vessels: We evaluate the existence of impairment indicators whenever events or changes in circumstances indicate that the carrying values of our long-lived assets are not recoverable. Such indicators of potential impairment include, vessel sales and purchases, business plans and overall market conditions. If there are indications for impairment present, we determine undiscounted projected net operating cash flows for each vessel and compare it to the vessel's carrying value. If the carrying value of the related vessel exceeds its undiscounted future net cash flows, the carrying value is reduced to its fair value.

The carrying values of our vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. During the past years, the market values of vessels have experienced particular volatility, with substantial declines in many vessel classes. As a result, the charter-free market value, or basic 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, due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

Although we believe that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how long charter rates and vessel values will remain at their current levels or whether they will improve or decrease by any significant degree. Charter rates may be at depressed levels for some time, which could adversely affect our revenue and profitability, and future assessments of vessel impairment.

In order to perform the undiscounted cash flow test, we make assumptions about future charter rates, commissions, vessel operating expenses, dry-dock costs, fleet utilization, scrap rates used to calculate estimated proceeds at the end of vessels' useful lives and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations. The projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days (based on the ten year historical averages of the one-year, three-year and five-year time charter rates) over the remaining useful life of each vessel, which we estimate to be 25 years from the date of initial delivery from the shipyard. Expected outflows for scheduled vessels' maintenance and vessel operating expenses are based on historical data, and adjusted annually assuming an average annual inflation derived from the most recent twenty-year average consumer price index. Effective fleet utilization, average commissions, dry-dock costs and scrap values are also based on historical data.

During 2016, due to the fact that the charter-free market value of M/T Eco Fleet was $0.7 million lower than its carrying amount, we considered that to be an indicator of potential impairment. We performed the undiscounted cash flow test for M/T Eco Fleet as of December 31, 2016 and determined that its carrying amount was recoverable.
Due to the fact that in 2017 tanker values were increasing and the charter-free market value of each vessel of our fleet was higher than its carrying amount, we had no indicators of potential impairment and did not perform the undiscounted cash flow test.
New accounting pronouncements: See "Item 18. Financial Statements—Note 2—Significant Accounting Policies –Recent Accounting Pronouncements."

B. Liquidity and Capital Resources

Since our formation, our principal source of funds has been equity provided by our shareholders through equity offerings, at the market sales, operating cash flow, long-term borrowing, short-term borrowings, related party short-term borrowings and sale of vessels. Our principal use of funds has been capital expenditures to establish and grow our fleet, maintain the quality of our vessels, comply with international shipping standards and environmental laws and regulations and fund working capital requirements.
Our business is capital intensive and its future success will depend on our ability to maintain a high-quality fleet through the acquisition of newer vessels and the selective sale of older vessels. Our practice has been to acquire vessels using a combination of funds received from equity investors and bank debt secured by mortgages on our vessels. Future acquisitions are subject to management's expectation of future market conditions, our ability to acquire vessels on favorable terms and our liquidity and capital resources.
As of December 31, 2017, we had a total indebtedness of $103.9 million, which after excluding unamortized financing fees amounts to $106.2 million.
As of December 31, 2017, our cash and cash equivalent and restricted cash balances amounted to $30.6 million, mainly held in U.S. Dollar accounts, $6.5 million of which are classified as restricted cash.

Working Capital Requirements and Sources of Capital

As of December 31, 2017, we had a working capital surplus (current assets less current liabilities) of $3.5 million.

As of December 31, 2017, we had available committed undrawn balances of $51.8 million. We believe that for the following twelve months we can source the necessary funds to meet our capital commitment needs. We expect to finance our unfinanced capital commitments (please see Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources-Tabular Disclosure of Contractual Obligations) with cash on hand, operational cash flow, debt or equity issuances, or a combination thereof and other sources such as funds from our controlling shareholder and CEO, Mr. Pistiolis, if required. If the Company is unable to arrange debt or equity financing for its newbuilding vessels, it is probable that the Company may also consider selling the respective newbuilding contracts.

Our operating cash flow for the year ended December 31, 2018 is expected to increase compared to the same period in 2017, as we expect to generate more revenue from employing seven of our vessels for a full financial year as well as employing M/T Eco Palm Desert for approximately four months, as opposed to the year ended December 31, 2017, when only six vessels were employed for a full year, since M/T Stenaweco Elegance was employed for approximately ten months and M/T Eco Palm Desert was still under construction. The above is estimated for 2018 on the basis of the vessels' commitments to non-cancellable time charter contracts.

Cash Flow Information

Cash and cash equivalents and restricted cash were $5.6 million and $30.6 million as of December 31, 2016 and 2017 respectively.

Net Cash from Operating Activities.

Net cash used in operating activities decreased by $6.0 million, or 90%, for 2017 to $0.7 million, compared to $6.7 million for 2016. Net cash used in operating activities increased by $8.1 million, or 583%, for 2016 to $6.7 million, compared to $(1.4) million for 2015.

Non-cash adjustments to reconcile net loss to net cash provided by operating activities for the year ended December 31, 2017 totaled $15.3 million. This consisted mainly of $8.3 million of amortization of debt discounts; of $5.7 million of depreciation expenses; $1.7 million of amortization and write offs of deferred financing costs; $1.7 million of amortization of prepaid bareboat charter hire and $0.1 million of depreciation of other fixed assets, offset by a $1.1 million write-off of short term notes, a non-cash gain of $0.9 million and a $0.2 million unrealized gains from the valuation of derivative financial instruments. The cash inflow from operations was offset by a $1.0 million decrease in current liabilities, offset by a $0.2 million increase in current assets.

Non-cash adjustments to reconcile net loss to net cash provided by operating activities for the year ended December 31, 2016 totaled $3.1 million. This consisted mainly of $3.6 million of depreciation expenses; $1.6 million of amortization of prepaid bareboat charter hire; $0.7 million unrealized loss from the valuation of derivative financial instruments; $0.2 million of amortization and write offs of deferred financing costs and $0.2 million relating to share-based compensation, offset by a non-cash gain of $3.2 million. The cash inflow from operations resulted mainly from a $3.0 million increase in current liabilities, offset by a $0.5 million increase in current assets.

Non-cash adjustments to reconcile net loss to net cash provided by operating activities for the year ended December 31, 2015 totaled $6.6 million. This consisted mainly of $3.1 million of impairment charges; $1.4 million of amortization of prepaid bareboat charter hire; $0.9 million of depreciation expenses; $0.6 million unrealized loss from the valuation of derivative financial instruments; $0.5 million of amortization and write offs of deferred financing costs; and $0.1 million relating to share-based compensation. The cash inflow from operations resulted mainly from a $0.2 million decrease in current assets and a $0.3 million increase in current liabilities..

Net Cash from Investing Activities.

Net cash used in investing activities in the year ended December 31, 2017 was $59.1 million, consisting mainly of $34.7 million cash paid for vessel acquisitions, $17.6 million cash paid for investments in unconsolidated joint ventures and $6.8 million cash paid for vessels under construction.

Net cash used in investing activities in the year ended December 31, 2016 was $77.1 million, consisting mainly of $73.4 million cash paid for vessels under construction and a $3.7 million increase in restricted cash.

Net cash used in investing activities during 2015 was $0.8 million, consisting of $53.4 million cash paid for vessel under construction and a $1.6 million increase in restricted cash. These were partially offset by $54.2 million in net proceeds from the sale of M/T Stenaweco Energy and M/T Stenaweco Evolution.

Net Cash from Financing Activities.

Net cash provided from financing activities in the year ended December 31, 2017 was $83.4 million, consisting of $68.8 million of proceeds from short term notes, $24.8 million from long term debt, $9.7 million of proceeds our common stock purchase agreement, $7.5 million of proceeds from the sale of our Series C convertible preferred shares, $3.1 million of proceeds from related party debt (Family Trading Facility) and $1.6 million of proceeds from warrants exercised. These inflows were partially offset by $12.9 million in excess of purchase price over book value of vessels, $9.5 million of scheduled debt repayments, $7.2 million prepayments of related party debt (Family Trading Facility), $1.3 million of equity offering related costs and $1.2 million payments of financing costs.

Net cash provided by financing activities in the year ended December 31, 2016 was $ 67.8 million, consisting of $65.4 million of proceeds from long term debt ($42.2 million from the ABN Facility and $23.2 million from the NORD/LB Facility), $5.8 million of proceeds from warrants exercised, $2.0 million of proceeds from the issuance of Series B convertible preferred stock and $0.2 million of net proceeds from related party debt (Family Trading Facility). These inflows were partially offset by $5.1 million of scheduled debt repayments, $0.4 payments of financing costs and $0.1 payments of Series B convertible preferred stock issuance costs.

Net cash provided by financing activities for 2015 was $4.9 million, consisting of $28.3 million of proceeds from debt ($22.2 million from the ABN Facility, $2.3 million from the Atlantis Facility and $3.8 million from the Family Trading Facility). These were partially offset by $21.7 million of prepayment of the Alpha Bank and Atlantis Ventures facilities, $1.0 million of payments for financing costs, $0.5 million of scheduled debt repayments and by $0.2 million of issuance costs relating to the follow-on offering we priced on June 6, 2014.

Debt Facilities

Please see "Item 18. Financial Statements—Note 9—Debt." for more detailed information.

a) ABN Facility

On July 9, 2015, we entered into the ABN Facility for up to $42.0 million to partly finance the vessels M/T Eco Fleet and M/T Eco Revolution. The facility was subsequently amended on September 28, 2015 to increase the borrowing limit to $44.4 million ($22.2 million per vessel). The ABN Facility is repayable in 12 consecutive quarterly installments of $0.5 million each and 12 consecutive quarterly installments of $0.4 million each, commencing on October 13, 2015 for the M/T Eco Fleet and on April 15, 2016 for the M/T Eco Revolution plus a balloon installment of $11.4 million payable together with the last installment in July 2021 and in January 2022, respectively, for each vessel. The facility bears interest at LIBOR plus a margin of 3.9%.

On August 1, 2016, we amended the ABN Facility to increase the borrowing limit to $64.4 million and added another $20 million tranche to the loan, "Tranche C", which is secured by vessel M/T Nord Valiant. Tranche C is repayable in 12 consecutive quarterly installments of $0.6 million each and 12 consecutive quarterly installments of $0.4 million each, commencing on November 2016, plus a balloon installment of $9.1 million payable together with the last installment in August 2022. Apart from the inclusion of M/T Nord Valiant as a collateralized vessel and the reduction of the margin to 3.75% (applicable only to Tranche C), no other material changes were made to the ABN Facility.

We drew down $21.0 million under the ABN Facility on July 13, 2015 to finance the last shipyard installment of M/T Eco Fleet and another $1.2 million on September 30, 2015. Furthermore, we drew down $22.2 million under the ABN Facility on January 15, 2016 to finance the last shipyard installment of M/T Eco Revolution. Finally, on August 5, 2016 we drew down $20.0 million under the Tranche C of the ABN facility to partly finance the last shipyard installments of M/T Nord Valiant (see "Item 18. Financial Statements—Note 9—Long term debt.").

The ABN Facility contains various covenants, including (i) an asset cover ratio of 130%, (ii) a ratio of total net debt to the aggregate market value of our fleet, current or future, of no more than 75% and (iii) minimum free liquidity of $0.75 million per collateralized vessel. Additionally, the ABN Facility contains restrictions on our ability and our shipowning subsidiaries ability to incur further indebtedness or guarantees. It also restricts us and our shipowning companies from paying dividends if such a payment would result in an event of default or in a breach of covenants under the loan agreement.

The ABN Facility is secured as follows:

- First priority mortgage over M/T Eco Fleet, M/T Eco Revolution and M/T Nord Valiant;
- Assignment of insurance and earnings of the mortgaged vessels;
- Specific assignment of any time charters with duration of more than 12 months;
- Corporate guarantee of TOP Ships Inc.;
- Pledge of the shares of the shipowning subsidiaries; and
- Pledge over the earnings account of the vessels.

The outstanding balance of the ABN Facility was $53.5 million as of December 31, 2017 (excluding deferred finance fees). As of the date of this annual report, we are in compliance with the covenants contained in the ABN Facility.

b) NORD/LB Facility

On May 11, 2016, we entered into the NORD/LB Facility for $23.2 million for the financing of the vessel M/T Stenaweco Excellence. The credit facility is repayable in 28 consecutive quarterly installments of $0.5 million, commencing in August 2016, plus a balloon installment of $9.5 million payable together with the last installment in May 2023. We drew down $23.2 million under the NORD/LB Facility on May 13, 2016 to finance the last shipyard installment of the M/T Stenaweco Excellence. The NORD/LB Facility bears interest at LIBOR plus a margin of 3.43% (see "Item 18. Financial Statements—Note 9—Long term debt.").

The facility contains various covenants, including (i) an asset cover ratio of 125% for the first three years and 143% thereafter, (ii) a ratio of total net debt to the aggregate market value of our fleet, current or future, of no more than 75% and (iii) minimum free liquidity of $0.75 million per collateralized vessel and $0.5 million per bareboated chartered-in vessel. Additionally, the facility contains restrictions on us and our shipowning company incurring further indebtedness or guarantees. It also restricts us and our shipowning company from paying dividends if such a payment would result in an event of default or in a breach of covenants under the loan agreement.

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The facility is secured as follows:
- First priority mortgage over M/T Stenaweco Excellence;
- Assignment of insurance and earnings of the mortgaged vessel;
- Specific assignment of any time charters with duration of more than 12 months;
- Corporate guarantee of TOP Ships Inc.;
- Pledge of the shares of the shipowning subsidiary;
- Pledge over the earnings account of the vessel.

The outstanding balance of the NORD/LB Facility was $20.1 million as of December 31, 2017 (excluding deferred finance fees). As of the date of this annual report, we are in compliance with the covenants contained in the NORD/LB Facility.

c) Alpha Bank Facility

On July 20, 2016, Eco Seven that was later acquired by us entered into a credit facility with Alpha Bank of Greece for $23.4 million ("the Alpha Bank facility") for the financing of the vessel M/T Stenaweco Elegance. The credit facility is repayable in 12 consecutive quarterly installments of $0.4 million and 20 consecutive quarterly installments of $0.3 million, commencing in May 2017, plus a balloon installment of $12.5 million payable together with the last installment in February 2025. The facility bears interest at LIBOR plus a margin of 3.50%.

We drew down $23.4 million under the Alpha Bank facility on February 24, 2017 to finance the last shipyard installment of the M/T Stenaweco Elegance.

The facility contains various covenants, including (i) an asset cover ratio of 125%, (ii) a ratio of total net debt to the aggregate market value of our fleet, current or future, of no more than 75%, (iii) minimum free liquidity of $0.75 million per collateralized vessel, (iv) EBITDA is required to be greater than 120% of fixed charges and (v) market value adjusted net worth is required to be greater than or equal to $20.0 million. It also restricts the shipowning company from incurring further indebtedness or guarantees and from paying dividends if such a payment would result in an event of default or in a breach of covenants under the loan agreement.

The facility is secured as follows:

- First priority mortgage over M/T Stenaweco Elegance;
- Assignment of insurance and earnings of the mortgaged vessel;
- Specific assignment of any time charters with duration of more than 12 months;
- Corporate guarantee of Top Ships Inc.;
- Pledge of the shares of the shipowning subsidiary;
- Pledge over the earnings account of the vessel.

The outstanding balance of the Alpha Bank Facility was $22.2 million as of December 31, 2017 (excluding deferred finance fees). As of the date of this annual report, we are in compliance with the covenants contained in the Alpha Bank Facility.

d) AT Bank Senior Facility

On September 5, 2017, we entered into a credit facility with AT Bank for $23.5 million to fund the delivery of M/T Eco Palm Desert (the "AT Bank Senior Facility"), due for delivery in the third quarter of 2018. This facility is repayable in 20 consecutive quarterly installments of $0.3 million, commencing three months from draw down, and a balloon payment of $17.0 million payable together with the last installment. The facility bears interest at LIBOR plus a margin of 4.00%.

The facility contains various covenants, including (i) an asset cover ratio of 115% for the first year, 120% for the second year, 125% for the third year and 140% thereafter, (ii) a ratio of total net debt to the aggregate market value of our fleet, current or future, of no more than 75% and (iii) minimum free liquidity of $0.75 million per collateralized vessel and $0.5 million per bareboated chartered-in vessel. Additionally, the facility contains restrictions on the shipowning company incurring further indebtedness or guarantees and paying dividends.

The facility is secured as follows:

- First priority mortgage over M/T Eco Palm Desert;
- Assignment of insurance and earnings of the mortgaged vessel;
- Specific assignment of any time charters with duration of more than 12 months;
- Corporate guarantee of Top Ships Inc.;
- Pledge of the shares of the shipowning subsidiary;
- Pledge over the earnings account of the vessel.

As of December 31, 2017, we have not drawn down any amounts under the AT Bank Senior Facility.

e) AT Bank Predelivery Facility

On September 5, 2017, we entered into a credit facility with AT Bank for $9.0 million for the pre-delivery financing of M/T Eco Palm Desert (the "AT Bank Predelivery Facility"). This facility can be drawn down in five tranches to finance in full the last five pre-delivery instalments of M/T Eco Palm Desert due for payment between August 2017 and May 2018 and will be repaid from the proceeds of the AT Bank Senior Facility on the drawdown of the latter. The facility bears interest at LIBOR plus a margin of 8.50%.

The facility contains various covenants, including a ratio of total net debt to the aggregate market value of the our fleet, current or future, of no more than 75% and minimum free liquidity of $0.75 million per collateralized vessel and $0.5 million per bareboated chartered-in vessel. Additionally, the facility contains restrictions on the subsidiary that owns the newbuilding contract from incurring further indebtedness or guarantees and from paying any dividends.

The facility is secured as follows:

- Assignment to the bank of the newbuilding contract and of the respective refund guarantee of M/T Eco Palm Desert;
- Corporate guarantee of Top Ships Inc.;
- Pledge of the shares of the subsidiary owning the newbuilding contract;

We drew down $1.5 million under the AT Bank Predelivery Facility in September 2017, to finance one shipyard installment of M/T Eco Palm Desert and as of December 31, 2017 the outstanding balance of the facility is $1.5 million and has an undrawn balance of $7.5 million.

f) Amended Family Trading Credit Facility

On December 23, 2015, we entered into an unsecured revolving credit facility with Family Trading ("the Family Trading facility"), a related party owned by the Lax Trust, for up to $15.0 million to be used to fund our newbuilding program and working capital relating to our operating vessels. This facility was repayable in cash no later than December 31, 2016, but we had the option to extend the facility's repayment up to December 31, 2017. On December 28, 2016 the maturity of the Family Trading facility was extended to January 31, 2017 and on January 27, 2017 the maturity of the Family Trading loan was extended to February 28, 2017 with all terms remaining the same.

On February 21, 2017, we amended and restated the Family Trading Credit Facility (the "Amended Family Trading Credit Facility") in order to, among other things, remove any limitation in the use of funds drawn down under the facility, reduce the mandatory cash payment due under the facility when the we raise capital through the issuance of certain securities, remove the revolving feature of the facility, and extend the facility for up to three years. Additionally, the interest rate of the facility increased to 10% (from 9%) and the commitment fee decreased to 2.5% (from 5%). Further, under the terms of the Amended Family Trading Credit Facility, if we raise capital via the issuance of warrants, debt or equity, we are obliged to repay any amounts due under the Amended Family Trading Credit Facility and any accrued interest and fees up to the time of the issuance in cash or in Common Shares at Family Trading's option. Family Trading retains the right to delay this mandatory repayment at its absolute discretion. For the first six months after the execution of the facility, no more than $3.5 million could be mandatorily prepaid in cash. Subject to certain adjustments pursuant to the terms of the Amended Family Trading Credit Facility, the number of common shares to be issued as repayment of the amounts outstanding under the facility will be calculated by dividing the amount redeemed by 80% of the lowest daily Volume-Weighted Average Price ("VWAP") of our common shares on the Nasdaq Capital Market during the twenty consecutive trading days ending on the trading day prior to the payment date (the "Applicable Price"), provided, however, that at no time shall the Applicable Price be lower than $0.60 per common share (the "Floor Price").

Further, in the case where we raise capital (whether publicly or privately) and the Applicable Price is higher than the lowest of (henceforth the "Issuance Price"):

a. the price per share issued upon an equity offering;

b. the exercise price of warrants or options for common shares;

c. the conversion price of any convertible security into common shares; or

d. the implied exchange price of the common shares pursuant to an asset to equity or liability to equity swap, ,

then the Applicable Price will be reduced to the Issuance Price. Finally, in case the Applicable Price is higher than the exercise price of our warrants, the Applicable Price will be reduced to the exercise price of such outstanding warrants.

As of December 31, 2017, the outstanding amount under the Amended Family Trading Credit Facility is $0. The Company during 2017 has drawn $3.1 million and repaid $7.2 million and has an undrawn balance of $11.9 million under the Family trading Facility.

g) Unsecured Promissory Notes

In 2017, we issued unsecured promissory notes to Kalani and Xanthe and Crede.  For more information, please see "Item 4. Information on the Company—A. History and Development of the Company" and "—Recent Developments".

Operating Leases

M/T's Stenaweco Energy and Stenaweco Evolution

On January 29, 2015 and March 31, 2015, we sold and leased back M/T Stenaweco Energy and M/T Stenaweco Evolution, respectively. The sale and leaseback agreements were entered into with a non-related party and generated gross proceeds of $57 million. The vessels have been chartered back on a bareboat basis for seven years at a rate of $8,586 per day and $8,625 per day, respectively. In addition, we have the option to buy back each vessel from the end of year three up to the end of year seven at a purchase prices stipulated in the bareboat agreement depending on when each option is exercised.

The abovementioned sale and leaseback transactions contain customary covenants and event of default clauses, including cross-default provisions and restrictive covenants and performance requirements. Finally, as a consequence of the sale and leaseback agreements, we must maintain a consolidated leverage ratio of not more than 75% and maintain minimum free liquidity of $0.75 million per owned vessel and $0.5 million per bareboated chartered-in vessel. As of December 31, 2017, we are in compliance with the consolidated leverage ratio and the minimum free liquidity covenants.

We have treated each sale and leaseback of the abovementioned vessels as an operating lease (please see "Item 18. Financial Statements—Note 6—Leases.").

Future minimum lease payments:

Our future minimum lease payments required to be made, relating to the bareboat chartered-in vessels at December 31, 2017, are as follows:

| Year ending December 31, | Bareboat Charter Lease Payments ($ millions) |
|---|---|
| 2018 | 6.3 |
| 2019 | 6.3 |
| 2020 | 6.3 |
| 2021 | 6.3 |
| 2022 | 1.0 |
| Total | 26.2 |

C. Research and Development, Patents and Licenses, Etc.

Not applicable.

D. Trend Information

For industry trends, refer to industry disclosure under "Item 4. Information on the Company—B. Business Overview."

E. Off-Balance Sheet Arrangements

None.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2017 in millions of U.S. dollars:

| | | Payments due by period | | | |
|---|---|---|---|---|---|
| Contractual Obligations: | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| (1) (i) Long term debt A | $$119.3 | $$10.2 | $$19.2 | $$46.3 | $43.6 |
| (ii) Interest B | $$26.9 | $$6.0 | $$11.5 | $$7.4 | $2.0 |
| (2) (i) Short term debt C | $$8.9 | $$8.9 | - | - | - |
| (ii) Interest D | - | - | - | - | - |
| (3) Operating leases E | $$26.2 | $$6.3 | $$12.6 | $$7.3 | - |
| (4) Vessel Management Fees to CSM F | $$3.6 | $$2.8 | $$0.8 | - | - |
| (5) Vessel acquisitions G | $$57.8 | $$37.5 | $$20.3 | - | - |
| (6) Investments H | $$27.0 | $$5.0 | $4.5 | $4.0 | $13.5 |
| Total | $$269.7 | $$76.7 | $$68.9 | $$65.0 | $59.1 |

A. Relates to the principal repayments of $20.1 million under our NORD/LB Facility, $53.5 million under our ABN Facility, $22.2 million under our Alpha Bank Facility and $23.5 million under our AT Bank Senior Facility (see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Debt Facilities").

B. Relates to estimated interest payments on our ABN Facility, NORD/LB Facility, Alpha Bank Facility and AT Bank Senior Facility, based on our average outstanding debt. In the cases there are no Interest Rate Swap agreements in place, we have assumed a LIBOR of 2.5% going forward (see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Debt Facilities" and "Item 11. Quantitative and qualitative disclosures about market risk—Interest Rate Risk").

C. Relates to the principal repayments under our unsecured note with Crede, assuming no further drawdowns and settlement in full in 2018.  (see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Debt Facilities").

D. Relates to estimated interest payments under our unsecured note with Crede, assuming no further drawdowns and settlement in full in 2018. (see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Debt Facilities").

E. Relates to the bareboat hire payable for M/T Stenaweco Energy and M/T Stenaweco Evolution.

F. Relates to our obligation for monthly management fees under our new letter agreement with CSM for all the vessels in our fleet. These fees also cover the provision of services rendered in relation to the maintenance of proper books and records, services in relation to financial reporting requirements under SEC and NASDAQ rules as well as newbuilding supervision services. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Central Shipping Monaco Letter Agreement, Management Agreements, and Other Agreements."

G. Relates to the remaining installments for the acquisition of our two newbuilding vessels in 2018. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Newbuilding Acquisitions". These amounts exclude the remaining installments of the vessels belonging to our Joint Venture with Gunvor. Note that after the acquisition of Hull No 8242, Hull No 874 and Hull No 875 that we agreed on January 2017, the contractual obligations for vessel acquisitions will be $209.3 million, $66.2 million in 2018 and $143.1 in 2019.

H. Relates to the remaining installments for the acquisition of the two newbuilding vessels in 2018 that belong to our Joint Venture with Gunvor. These amounts are presented net of expected debt drawdowns under a facility of $38.2 million our 50% owned subsidiaries entered into in March 2018 for the financing of the above-mentioned two newbuilding vessels. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Newbuilding Acquisitions".

Other Contractual Obligations:

We have entered into separate agreements with Central Mare, a related party affiliated with the family of our President, Chief Executive Officer and Director, Evangelos J. Pistiolis, pursuant to which Central Mare furnishes our four executive officers. These agreements were entered into following the termination of prior employment agreements. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Central Mare Letter Agreement, Management Agreements, and Other Agreements."

Other major capital expenditures will include funding the maintenance program of regularly scheduled intermediate survey or special survey dry-docking necessary to preserve the quality of our vessels and chartered in vessels, as well as to comply with international shipping standards and environmental laws and regulations. Although we have some flexibility regarding the timing of this maintenance, the costs are relatively predictable. Management anticipates that vessels that are younger than 15 years are required to undergo in-water intermediate surveys 2.5 years after a special survey dry-docking and that such vessels are to be dry-docked every five years. Vessels 15 years or older are required to undergo drydock intermediate survey every 2.5 years and not use in-water surveys for this purpose.

G. Safe Harbor

Forward-looking information discussed in Item 5 includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements." We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Please see "Cautionary Statement Regarding Forward-Looking Statements" in this annual report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors, executive officers and key employees. Members of our Board of Directors are elected annually on a staggered basis and each director elected holds office for a three-year term.

Officers are elected from time to time by vote of our Board of Directors and hold office until a successor is elected.

| Name | Age | Position |
|---|---|---|
| Evangelos J. Pistiolis | 45 | Director, President, Chief Executive Officer |
| Vangelis G. Ikonomou | 53 | Director, Executive Vice President and Chairman of the Board |
| Alexandros Tsirikos | 44 | Director, Chief Financial Officer |
| Konstantinos Patis | 44 | Chief Technical Officer |
| Konstantinos Karelas | 45 | Independent Non-Executive Director |
| Alexandros G. Economou | 44 | Independent Non-Executive Director |
| Stavros Emmanouil | 75 | Independent Non-Executive Director |
| Paolo Javarone | 44 | Independent Non-Executive Director |

Biographical information with respect to each of our directors and executives is set forth below.

Evangelos J. Pistiolis founded our Company in 2000, is our President and Chief Executive Officer, and has served on our Board of Directors since July 2004. Mr. Pistiolis graduated from Southampton Institute of Higher Education in 1999, where he studied shipping operations and from Technical University of Munich in 1994 with a bachelor's degree in mechanical engineering. His career in shipping started in 1992 when he was involved with the day-to-day operations of a small fleet of drybulk vessels. From 1994 through 1995, he worked at Howe Robinson & Co. Ltd., a London shipbroker specializing in container vessels. While studying at the Southampton Institute of Higher Education, Mr. Pistiolis oversaw the daily operations of Compass United Maritime Container Vessels, a ship management company located in Greece.

Vangelis G. Ikonomou is our Executive Vice President and Chairman and has served on our Board of Directors since July 2004. Prior to joining the Company, Mr. Ikonomou was the Commercial Director of Primal Tankers Inc. From 2000 to 2002, Mr. Ikonomou worked with George Moundreas & Company S.A. where he was responsible for the purchase and sale of second-hand vessels and initiated and developed a shipping industry research department. Mr. Ikonomou worked, from 1993 to 2000, for Eastern Mediterranean Maritime Ltd., a ship management company in Greece, in the commercial as well as the safety and quality departments. Mr. Ikonomou holds a Master's degree in Shipping Trade and Finance from the City University Business School in London, a bachelor's degree in Business Administration from the University of Athens in Greece and a Navigation Officer Degree from the Higher State Merchant Marine Academy in Greece.

Alexandros Tsirikos has served as our Chief Financial Officer since April 1, 2009. Mr. Tsirikos is a U.K. qualified Chartered Accountant (ACA) and has been employed with TOP Ships Inc. since July 2007 as our Corporate

Development Officer. Prior to joining TOP Ships Inc., Mr. Tsirikos was a manager with PricewaterhouseCoopers, or PwC, where he worked as a member of the PwC Advisory team and the PwC Assurance team, thereby drawing experience both from consulting as well as auditing. As a member of PwC's Advisory team, he led and participated in numerous projects in the public and the private sectors, including strategic planning and business modeling, investment analysis and appraisal, feasibility studies, costing and project management. As a member of the PwC's Assurance team, Mr. Tsirikos was part of the International Financial Reporting Standards, or IFRS, technical team of PwC Greece and lead numerous IFRS conversion projects for listed companies. He holds a Master's of Science in Shipping Trade and Finance from City University of London and a bachelor's degree with honors in Business Administration from Boston University in the United States. He speaks English, French and Greek.

Konstantinos Patis has served as our Chief Technical Officer since January 2018. Mr. Patis holds a Master's of Science and a Bachelor's degree, both in Marine Engineering from the University of Newcastle upon Tyne in the UK, as well as a Bachelor's degree in Naval Architecture from the Technological Educational Institute of Athens, in Greece. He started his carrier in 1997 acting as a Superintendent Engineer, thereafter as Fleet Manager and from 2014 as Technical Manager in various ship management companies in Greece, like Cyprus Sea Lines, Technomar Shipping, Aeolian Investments, Arion Shipping operating diverse fleets of Tankers, Bulk Carriers and Containers and was involved in the technical supervision, repairs, dry docks and construction of new projects.

Konstantinos Karelas has served on our Board of Directors and has been member of the Audit Committee since April 2014. Since 2008, Mr. Karelas has served as the President and CEO of Europe Cold Storages SA, one of the leading companies in the field of refrigeration logistics.

Alexandros G. Economou has served on our Board of Directors and has been member of the Audit Committee since April 2014. Mr. Economou is a member of the Cyprus Bar Association and the New York Bar. He holds an honors LLB degree from the University of Sheffield, an MA degree in Politics and Contemporary History from the London Guildhall University and an LL.M. degree in International Legal Studies from New York University School of Law. Mr. Economou is presently a partner in Chrysses Demetriades & Co. LLC, one of the leading law firms in Cyprus. He has also worked as a visiting attorney with Norton Rose in Brussels and London.

Stavros Emmanouil has served on our Board of Directors since December 31, 2017. Captain Stavros Emmanouil has 47 years of experience in the shipping industry and expertise in operation and chartering matters. He obtained a Naval Officers degree from ASDEN Nautical Academy of Aspropyrgos, Greece and earned a Master Mariners degree in 1971. He has worked in various management capacities at Compass United Maritime and Primal Tankers Inc. From 2004 to 2009 he was the Chief Operating Officer of the Company. After leaving the Company, Captain Stavros Emmanuel has been an independent advisor to various shipping companies.

Paolo Javarone has served on our Board of Directors since September 1, 2014. Mr. Javarone is a member of the Italian Shipbrokers Association. From 2000, Mr. Javarone has been working for Sernavimar S.R.L., one of the most reputable shipbroking houses in Italy, which cooperates with many of the oil major companies and trading associations of the industry. From 1994 to 2000, Mr. Javarone worked for Genoa Sea Brokers in the tanker wing of the company specializing in clean petroleum products and edible markets. Previously, Mr. Javarone worked for S.a.n.a. Eur, a company based in Rome Italy, where he was tasked with supplying energy and offshore supply. Before S.a.n.a., Mr. Javarone worked for Sidermar di Navigazione S.P.A. in the dry cargo field. Mr. Javarone holds a Shipbroker degree from National Agents Association Shipbroking School in Italy and a degree in Shipping Economics and Law from Nautical Maritime School in Italy.

B. Compensation

During the fiscal year ended December 31, 2017, we paid to the members of our senior management and to our director's aggregate compensation of $3.9 million. We do not have a retirement plan for our officers or directors.

On September 1, 2010, we entered into separate agreements with Central Mare, pursuant to which Central Mare furnishes our four executive officers as described below.

Under the terms of the agreement for the provision of our Chief Executive Officer, we are obligated to pay annual base salary and a minimum cash bonus. The initial term of the agreement expired on August 31, 2014 and is automatically extended for successive one-year terms unless Central Mare or we provide notice of non-renewal at least sixty days prior to the expiration of the then applicable term.

If our Chief Executive Officer's employment is terminated without cause, he is entitled to certain personal and household security costs. If he is removed from our Board of Directors or not re-elected, then his employment terminates automatically without prejudice to Central Mare's rights to pursue damages for such termination. In the event of a change of control, the Chief Executive Officer is entitled to receive a cash payment of ten million Euros. The agreement also contains death and disability provisions. In addition, the Chief Executive Officer is subject to non-competition and non-solicitation undertakings.

Under the terms of the agreement for the provision of our Executive Vice President and Chairman, we are obligated to pay annual base salary and additional incentive compensation as determined by our Board of Directors. The initial term of the agreement expired on August 31, 2011 and is automatically extended for successive one-year terms unless

Central Mare or we provide notice of non-renewal at least sixty days prior to the expiration of the then applicable term.

If our Executive Vice President and Chairman is removed from our Board of Directors or not re-elected, then his employment terminates automatically without prejudice to Central Mare's rights to pursue damages for such termination. In the event of a change of control, he is entitled to receive a cash payment of three years' annual base salary. The agreement also contains death and disability provisions. In addition, our Executive Vice President and Chairman is subject to non-competition and non-solicitation undertakings.

Under the terms of the agreement for the provision of our Chief Financial Officer, we are obligated to pay annual base salary. The initial term of the agreement expired on August 31, 2012, and is automatically extended for successive one-year terms unless Central Mare or we provide notice of non-renewal at least sixty days prior to the expiration of the then applicable term.

If our Chief Financial Officer is removed from our Board of Directors or not re-elected, then his employment terminates automatically without prejudice to Central Mare's rights to pursue damages for such termination. In the event of a change of control, our Chief Financial Officer is entitled to receive a cash payment equal to three years' annual base salary. The agreement also contains death and disability provisions. In addition, our Chief Financial Officer is subject to non-competition and non-solicitation undertakings.

Under the terms of our agreement for the provision of our Chief Technical Officer, we are obligated to pay annual base salary. The initial term of the agreement expired on August 31, 2011, however the agreement is being automatically extended for successive one-year terms unless Central Mare or we provide notice of non-renewal at least sixty days prior to the expiration of the then applicable term. In the event of a change of control, the Chief Technical Officer is entitled to receive a cash payment equal to three years' annual base salary. In addition, our Chief Technical Officer is subject to non-competition and non-solicitation undertakings.

Equity Incentive Plan

On April 15, 2015, our Board of Directors adopted the 2015 Stock Incentive Plan, or the 2015 Plan, under which our directors, officers, key employees as well as consultants and service providers may be granted non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, unrestricted stock and other-equity based-related awards. A total of 1 common share was reserved for issuance under the 2015 Plan, which is administered by the Compensation Committee of our Board of Directors.

On April 15, 2015, we granted 1 restricted share to Central Mare under the 2015 Plan. The share will vest equally over a period of eight years from the date of grant. The fair value of each share on the grant date was $1,962,000.

On June 30, 2015, one/eight share of the 2015 Plan vested. The fair value of the share on the vesting date was $1,854,000.

On June 30, 2016, one/eight share of the 2015 Plan vested. The fair value of the share on the vesting date was $304,200.

On June 30, 2017, one share/eight of the 2015 Plan vested. The fair value of the share on the vesting date was $252.

C. Board Practices

Our Board of Directors is divided into three classes. Members of our Board of Directors are elected annually on a staggered basis, and each director elected holds office for a three-year term. We currently have three executive directors and four independent non-executive directors. The term of our Class I directors, Konstantinos Karelas, Stavros Emmanouil and Evangelos J. Pistiolis expires at the annual general meeting of shareholders in 2020. The term of our Class II directors, Paolo Javarone and Alexandros Economou, expires at the annual general meeting of shareholders in 2018. The term of our Class III directors, Alexandros Tsirikos and Vangelis G. Ikonomou, expires at the annual general meeting of shareholders in 2019.

Committees of our Board of Directors

We currently have an audit committee composed of four independent members, which are responsible for reviewing our accounting controls and recommending to our Board of Directors, the engagement of our outside auditors. Konstantinos Karelas, Alexandros Economou (Chairman), Paolo Javarone and Stavros Emmanouil, whose biographical details are included in Item 6 of this Annual Report, are the members of the audit committee, and our Board of Directors has determined that they are independent under the Nasdaq corporate governance rules.

Our compensation committee and nominating and governance committees are currently composed of the following four members: Konstantinos Karelas, Alexandros Economou, Paolo Javarone and Stavros Emmanouil. The compensation committee carries out our Board of Directors' responsibilities relating to compensation of our executive and non-executive officers and provides such other guidance with respect to compensation matters as the committee deems appropriate. The nominating and governance committee assists our Board of Directors in: (i) identifying, evaluating and making recommendations to our Board of Directors concerning individuals for selections as director nominees for the next annual meeting of stockholders or to otherwise fill vacancies on our Board of Directors; (ii) developing and recommending to our Board of Directors a set of corporate governance guidelines and principles applicable to the Company; and (iii) reviewing the overall corporate governance of the Company and recommending improvements to our Board of Directors from time to time.

As a foreign private issuer, we are exempt from certain Nasdaq requirements that are applicable to U.S. domestic companies. For a listing and further discussion of how our corporate governance practices differ from those required of U.S. companies listed on Nasdaq, please see Item 16G of this Annual Report.

D. Employees

We have only one direct employee while our four executive officers and a number of administrative employees are furnished to us pursuant to agreements with Central Mare, as described above. Our Fleet Manager ensures that all seamen have the qualifications and licenses required to comply with international regulations and shipping conventions, and that our vessels employ experienced and competent personnel. As of December 31, 2015, 2016 and 2017, we employed 68, 131 and 154 sea going employees, indirectly through our sub-managers.

E. Share Ownership

The common shares beneficially owned by our directors and senior managers and/or companies affiliated with these individuals are disclosed in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions."

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth the beneficial ownership of our common shares, as of March 29, 2018, held by: (i) each person or entity that we know beneficially owns 5% or more of our common stock and (ii) all our executive officers, directors and key employees as a group. Beneficial ownership is determined in accordance with the SEC's rules. In computing percentage ownership of each person, common shares subject to options held by that person that are currently exercisable or convertible, or exercisable or convertible within 60 days are deemed to be beneficially owned by that person. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. All of the shareholders, including the shareholders listed in this table, are entitled to one vote for each share of common stock held.

| Name and Address of Beneficial Owner | Number of Shares Owned | Percent of Class |
|---|---|---|
| Lax Trust [(1)] | 2,600,016 | 13.3 % |

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(1) The above information is derived, in part, from the Schedule 13D/A filed with the SEC on March 29, 2018 as updated for subsequent corporate events. The Lax Trust is an irrevocable trust established for the benefit of certain family members of Evangelos J. Pistiolis, our President, Chief Executive Officer and Director. The business address of the Lax Trust is Level 3, 18 Stanley Street, Auckland 1010, New Zealand. The above percentage ownership is based on 19,573,617 of our common shares outstanding, which is calculated by taking the sum of (i) 16,973,617 common shares outstanding, and (ii) 2,600,000 common shares issuable upon the exercise of all of the 1,250,000 2014 Warrants currently beneficially owned by Race Navigation. The Lax Trust may also be deemed to hold all of the 100,000 outstanding shares of our Series D Preferred Stock. Each Series D Preferred Share carries 1,000 votes. By its ownership of 100% of our Series D Preferred Shares, Lax Trust has control over our actions.

As of March 28, 2018, we had 6 shareholders of record, 1 of which were located in the United States and held an aggregate of 16,973,599 shares of our common stock, representing 99% of our outstanding shares of common stock. However, the U.S. shareholder of record is Cede & Co., which held shares of our common stock. We believe that the shares held by Cede & Co. include shares of common stock 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

Please see "Item 18. Financial Statements—Note 5—Transactions with Related Parties."

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Newbuilding Acquisitions

Between February 2017 and January 2018, we entered into a series of transactions regarding the purchase of M/T Stenaweco Elegance and our newbuilding and joint venture vessels. For more information, please see "Item 4. Information on the Company—A. History and Development of the Company—Recent Developments."

Central Mare Letter Agreement, Management Agreements, and Other Agreements:

On September 1, 2010, we entered into separate agreements with Central Mare pursuant to which Central Mare furnishes our executive officers to us.

Central Shipping Monaco Letter Agreement, Management Agreements, and Other Agreements

On March 10, 2014, we entered into (i) a new letter agreement, or the New Letter Agreement, with CSM, a related party affiliated with the family of our President, Chief Executive Officer and Director, Evangelos J. Pistiolis and (ii) management agreements between CSM and our vessel-owning subsidiaries.

The New Letter Agreement can only be terminated on eighteen months' notice, subject to a termination fee equal to twelve months of fees payable under the New Letter Agreement. Pursuant to the New Letter Agreement, as well as management agreements between CSM and our vessel-owning subsidiaries, from March 10, 2018 we pay a technical management fee of $595 per day per vessel for the provision of technical, operation, insurance, bunkering and crew management, commencing three months before the vessel is scheduled to be delivered by the shipyard and a commercial management fee of $325 per day per vessel, commencing from the date the vessel is delivered from the shipyard. In addition, the management agreements provide for payment to CSM of: (i) $541 per day for superintendent visits plus actual expenses; (ii) a chartering commission of 1.25% on all freight, hire and demurrage revenues; (iii) a commission of 1.00% of all gross sale proceeds or the purchase price paid for vessels and (iv) a commission of 0.2% on derivative agreements and loan financing or refinancing. CSM will also perform supervision services for all of our newbuilding vessels while the vessels are under construction, for which we will pay CSM the actual cost of the supervision services plus a fee of 7% of such supervision services.

CSM provides at cost, all accounting, reporting and administrative services.

The New Letter Agreement and the management agreements have an initial term of five years, after which they will continue to be in effect until terminated by either party subject to an eighteen-month advance notice of termination. Pursuant to the terms of the management agreements, all fees payable to CSM are adjusted annually according to the U.S. Consumer Price Inflation of the previous year.

Atlantis Ventures Ltd unsecured loan

On January 2, 2015, we entered into an unsecured credit facility with Atlantis Ventures Ltd, a related party affiliated with the family of our President, Chief Executive Officer and Director, Evangelos J. Pistiolis, for $2.3 million that was used to pay the penultimate shipyard installment for the M/T Stenaweco Evolution. We had undertaken to repay the loan within 12 months of its receipt. The drawdown of the loan took place on January 5, 2015 and was repaid on January 30, 2015. The loan had a fixed interest rate of 8% per annum, with the first six months being interest-free.

Sale and purchase brokerage agreement with Navis Finance AS

On October 2, 2014, we entered into a sale and leaseback brokerage agreement with Navis Finance AS, a company in which Per Christian Haukeness, a member of our Board of Directors, was one of the founding partners and a shareholder until January 2016, when he left the company and stopped being a shareholder. Pursuant to this agreement, we agreed to pay a brokerage commission of 2% on any vessel sale and leaseback for which Navis Finance AS acted as broker. In connection with the sale and leaseback of M/T Stenaweco Energy and M/T Stenaweco Evolution in January and March 2015, respectively, we paid a total of $1.1 million in sale and leaseback brokerage commissions pursuant to this agreement with Navis Finance AS.

Family Trading revolving credit facility and assumption of liabilities

On October 1, 2010, we entered into a bareboat charter agreement to lease the vessel M/T Delos until September 30, 2015 for a variable rate per year. On October 15, 2011, we terminated the bareboat charter agreement resulting in a termination fee of $5.8 million ("the Delos Termination Fee") that remained outstanding until December 31, 2012. On January 1, 2013, we entered into an agreement with the owner of M/T Delos for the repayment of the remaining balances of the Delos Termination Fee. On December 10, 2015, the owner of M/T Delos notified us that the outstanding balance of the Delos Termination Fee was immediately due and payable, since we had been delaying the

installments as per the agreed repayment schedule. On January 12, 2016, Family Trading, a related party owned by the Lax Trust, assumed the outstanding balance of the Delos Termination Fee that amounted to $3.8 million (the "Family Trading transaction"). As consideration for the assumption of this liability, Family Trading on January 12, 2016 received 7 of the Company's common shares. This transaction was approved by a special committee of the independent directors of the Company. Furthermore on December 23, 2015 the Company entered into an agreement for an unsecured revolving credit facility with Family Trading for up to $15 million to be used to fund the Company's newbuilding program and working capital relating to the Company's operating vessels. On February 21, 2017, the Company amended and restated the Family Trading Credit Facility (the "Amended Family Trading Credit Facility") (see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Debt Facilities.").
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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

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. We expect that these claims would be covered by insurance, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

On August 1, 2017, we received a subpoena from the Commission requesting certain documents and information in connection with offerings made by us between February 2017 and August 2017. We have been and are currently providing the requested information to the SEC.

On August 23, 2017, a purported securities class action complaint was filed in the United States District Court for the Eastern District of New York (No. 2:17- cv-04987(JMA)(SIL)) by Christopher Brady on behalf of himself and all others similarly situated against (among other defendants) us and two of our executive officers. The complaint is brought on behalf of an alleged class of those who purchased common stock of the Company between January 17, 2017 and August 22, 2017, and alleges that we and two of our executive officers violated Sections 9, 10(b) and/or 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder.

On August 24, 2017, a second purported securities class action complaint was filed in the same court against the same defendants (No. 2:17-cv-05016(LDW) (AYS)) which makes similar allegations and purports to allege violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. Other similar complaints may be filed in the future. We will respond to these complaints (or an amended and/or consolidated complaint) by the appropriate deadline to be set in the future. We and our management believe that the allegations in the complaints are without merit and plan to vigorously defend themselves against the allegations.

Dividend Distribution Policy

The declaration and payment of any future special dividends shall remain subject to the discretion of our Board of Directors and shall be based on general market and other conditions including our earnings, financial strength and cash requirements and availability.  Further, pursuant to the Statement of Designations of our Series C Convertible Preferred Shares, we cannot pay cash dividends on any shares of our capital stock (other than on our Series C Convertible Preferred Shares) without the prior written consent of the investor.

B. Significant Changes

All significant changes have been included in the relevant sections.

ITEM 9. THE OFFER AND LISTING.

A. Offer and Listing Details

Price Range of Common Stock

The trading market for our common stock is Nasdaq, on which the shares are listed under the symbol "TOPS." The following table sets forth the high and low market prices for our common stock for the periods indicated. All share prices have been adjusted to account for all reverse stock splits, the latest being a one-for-ten reverse stock split of our issued and outstanding common shares effective on March 26, 2018. The high and low market prices for our common stock for the periods indicated were as follows:

| | HIGH | LOW |
|---|---|---|
| For the Fiscal Year Ended December 31, 2017 | $891,000.00 | $2.40 |
| For the Fiscal Year Ended December 31, 2016 | $1,512,000.00 | $234,000.00 |
| For the Fiscal Year Ended December 31, 2015 | $3,221,990.00 | $481,830.00 |
| For the Fiscal Year Ended December 31, 2014 | $26,586,000.00 | $1,818,000.00 |
| For the Fiscal Year Ended December 31, 2013 | $36,918,000.00 | $8,821,570.00 |

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| For the Quarter Ended | | |
|---|---|---|
| December 31, 2017 | $35.50 | $2.40 |
| September 30, 2017 | $396.00 | $5.90 |
| June 30, 2017 | $196,200.00 | $239.20 |
| March 31, 2017 | $891,000.00 | $185,420.00 |
| December 31, 2016 | $1,512,000.00 | $360,000.00 |
| September 30, 2016 | $1,512,000.00 | $266,420.00 |
| June 30, 2016 | $619,200.00 | $260,100.00 |
| March 31, 2016 | $799,200.00 | $234,000.00 |

| For the Month | | |
|---|---|---|
| March 2018 (through March 28, 2018) | $2.84 | $1.30 |
| February 2018 | $3.50 | $1.30 |
| January 2018 | $3.00 | $1.70 |
| December 2017 | $5.70 | $2.40 |
| November 2017 | $35.50 | $4.00 |
| October 2017 | $8.20 | $3.20 |
| September 2017 | $15.40 | $5.90 |

B. Plan of Distribution

Not applicable.

C. Markets

Shares of our common stock trade on Nasdaq under the symbol "TOPS."

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

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

Our authorized capital stock consists of 1,000,000,000 common shares, par value $0.01 per share, of which 16,973,617 shares were issued and outstanding as of March 29, 2018 and 20,000,000 preferred shares with par value of $0.01 and 100,000 Series D Preferred Shares are issued and outstanding as of March 29, 2018. Our Board of Directors has the authority to establish such series of preferred stock and with such designations, preferences and relative, participating, optional or special rights and qualifications, limitations or restrictions as shall be stated in the resolution or resolutions providing for the issue of such preferred stock.

On September 14, 2016, we declared a dividend of one preferred share purchase right for each outstanding common share and adopted a shareholder rights plan, as set forth in a Stockholders Rights Agreement dated as of September 22, 2016, by and between us and Computershare Trust Company, N.A., as rights agent (now taken over by our new transfer agent, AST), described below under the section entitled "—Stockholders Rights Agreement". In connection with the Stockholders Rights Agreement, we designated 1,000,000 shares as Series A Participating Preferred Stock, none of which are outstanding as of the date of this annual report.

As of March 29, 2018, there were also (i) 1,976,389 warrants outstanding, with each warrant currently having an exercise price of $1.20 per common share and entitling its holder to purchase 2.08 common shares, as may be further adjusted and (ii) 300,000 representative warrants outstanding entitling their holders to purchase 1 share at an exercise price of $4,500,000 per share, as may be further adjusted. Pursuant to the terms of the Warrants, holders have the right, but not the obligation, to, in any exercise of Warrants, to use the Conversion Ratio and purchase such proportionate number of common shares based on the variable price in effect on the date of exercise. If using the Conversion Ratio, as of March 29, 2018, each Warrant has an exercise price of $1.65 per common share and entitles its holder to purchase 1.51 common shares, as may be further adjusted. The Conversion Ratio is subject to certain adjustments pursuant to the Series C Statement of Designation. For more information, please see the Series C Statement of Designation, which was filed as an exhibit to our Current Report on Form 6-K with the SEC on February 21, 2017.

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 our common shares are subject to the rights of the holders of any preferred shares that we may issue in the future.

Description of Preferred Shares

Our Third 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.

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Description of Series B Convertible Preferred Shares

On November 22, 2016, we completed a private placement of up to 3,160 Series B Convertible Preferred Shares for an aggregate principal amount of up to $3.0 million. The Selling Securityholder purchased 1,579 Series B Convertible Preferred Shares at the initial closing of the Transaction and 527 Series B Convertible Preferred Shares on November 28, 2016 for a total of $2.0 million. The Selling Securityholder waived the right to purchase any additional Series B Preferred Shares. The description of the Series B Preferred Shares is incorporated by reference from the Company's registration statement on Form F-3 (333-215577). The description of the Series B Convertible Preferred Shares is subject to and qualified in its entirety by reference to the Securities Purchase Agreement, Certificate of Designation of the Series B Convertible Preferred Shares and Registration Rights Agreement entered into in connection with the private placement. Copies of the Securities Purchase Agreement, Certificate of Designation of the Series B Convertible Preferred Shares and Registration Rights Agreement have been filed as exhibits to our Report on Form 6-K filed with the Commission on November 23, 2016. The waiver agreement was filed as an exhibit to our Report on Form 6-K filed with the Commission on January 10, 2017. As of August 15, 2017, we have issued 18,026 common shares in connection with the conversions of all of our Series B Convertible Preferred Shares, and there are currently no Series B Convertible Preferred Shares outstanding.

Description of Series C Convertible Preferred Shares

On February 17, 2017, we closed a private placement with a non-U.S. institutional investor for the sale of 7,500 newly issued Series C Convertible Preferred Shares, which are convertible into the Company's common shares, for $7.5 million pursuant to a securities purchase agreement, or the Series C Transaction. The description of the Series C Preferred Shares is incorporated by reference from the Company's registration statement on Form F-3 (333-215577). The description of the Series C Convertible Preferred Shares is subject to and qualified in its entirety by reference to the Securities Purchase Agreement and Statement of Designations, Preferences and Rights of the Series C Convertible Preferred Shares entered into in connection with the private placement. Copies of the Securities Purchase Agreement and Statement of Designations, Preferences and Rights of the Series C Convertible Preferred Shares have been filed as exhibits to our Report on Form 6-K filed with the Commission on February 21, 2017. As of November 8, 2017, we have issued 904,646 common shares in connection with the conversions of all our Series C Convertible Preferred Shares, and there are currently no Series C Convertible Preferred Shares outstanding.

Description of Series D Preferred Shares

On May 8, 2017, we issued 100,000 shares of Series D Preferred Shares to Tankers Family Inc., a company controlled by Lax Trust, which is an irrevocable trust established for the benefit of certain family members of Evangelos Pistiolis, for $1,000 pursuant to a stock purchase agreement. Each Series D Preferred Share has the voting power of one thousand (1,000) common shares.

On April 21, 2017, we were informed by ABN Amro Bank that the Company was in breach of a loan covenant that requires that any member of the family of Mr. Evangelos Pistiolis, the Company's President, Chairman and Chief Executive Officer, maintain an ownership interest (either directly and/or indirectly through companies beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) of 30% of the Company's outstanding Common Shares. ABN Amro Bank requested that either the family of Mr. Evangelos Pistiolis maintain an ownership interest of at least 30% of the outstanding common shares or maintain a voting rights interest of above 50% in the Company. In order to regain compliance with the loan covenant, we issued the Series D Preferred Shares.

The Series D Preferred Stock has the following characteristics:

Conversion. The Series D Preferred Shares are not convertible into common shares.

Voting. Each Series D Preferred Share has the voting power of 1,000 common shares.

Distributions. The Series D Preferred Shares shall have no dividend or distribution rights.

Maturity. The Series D Preferred Shares shall expire and all outstanding Series D Preferred Shares shall be redeemed by the Company for par value on the date the currently outstanding loans with ABN Amro Bank and NORD/LB, or loans with any other financial institution, which contain covenants that require that any member of the family of Mr. Evangelos Pistiolis, the President, Chairman and Chief Executive Officer of the Company, maintain a specific minimum ownership interest (either directly and/or indirectly through companies or other entities beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) of the Company's issued and outstanding common shares, respectively, are fully repaid or reach their maturity date. The Series D Preferred Shares shall not be otherwise redeemable.

Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Company, the Series D Preferred Shares shall have a liquidation preference of $0.01 per share.

History

Our predecessor, Ocean Holdings Inc., was formed as a corporation in January 2000 under the laws of the Republic of the Marshall Islands and renamed Top Tankers Inc. in May 2004. In December 2007, Top Tankers Inc. was renamed TOP Ships Inc. Our common shares are currently listed on Nasdaq under the symbol "TOPS."

Shareholder Meetings

Under our Amended and Restated By-Laws, 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 of the Marshall Islands. Special meetings of the shareholders, unless otherwise prescribed by law, may be called for any purpose or purposes at any time exclusively by our Board of Directors. Notice of every annual and special meeting of shareholders shall be given at least 15 but not more than 60 days before such meeting to each shareholder of record entitled to vote thereat.

Directors

Our directors are elected by a plurality of the votes cast at a meeting of the shareholders by the holders of shares entitled to vote in the election. Our Third Amended and Restated Articles of Incorporation and Amended and Restated By-laws, as further amended, prohibit cumulative voting in the election of directors.

Our Board of Directors must consist of at least one member and not more than twelve, as fixed from time to time by the vote of not less than 66 2/3% of the entire board. Each director shall be elected to serve until the third succeeding annual meeting of shareholders 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 our Board of Directors, and to members of any committee, for attendance at any meeting or for services rendered to us.

Classified Board

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 will be elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of our company. 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

Our Third Amended and Restated Articles of Incorporation and Amended and Restated By-Laws require parties other than our Board of Directors to give advance written notice of nominations for the election of directors. Our Third Amended and Restated Articles of Incorporation provide that our directors may be removed only for cause and only upon the affirmative vote of the holders of at least 80% 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.

Dissenters' Rights of Appraisal and Payment

Under the BCA, our shareholders have the right to dissent from various corporate actions, including certain mergers or consolidations or sales 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, subject to exceptions. For example, the right of a dissenting shareholder to receive payment of the fair value of his shares is not available if for the shares of any class or series of shares, which shares at the record date fixed to determine the shareholders entitled to receive notice of and vote at the meeting of shareholders to act upon the agreement of merger or consolidation, were either (1) listed on a securities exchange or admitted for trading on an interdealer quotation system or (2) held of record by more than 2,000 holders. In the event of any further amendment of the articles, 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 our shares are primarily traded on a local or national securities exchange. The value of the shares of the dissenting shareholder is fixed by the court after reference, if the court so elects, to the recommendations of a court-appointed appraiser.

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. On November 20, 2014, we amended our Amended and Restated By-Laws to provide that unless we consent in writing to the selection of alternative forum, the sole and exclusive forum for (i) any shareholders' derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company or the Company's shareholders, (iii) any action asserting a claim arising pursuant to any provision of the BCA, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be the High Court of the Republic of the Marshall Islands, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants.

Anti-takeover Provisions of our Charter Documents

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

Business Combinations

Our Third Amended and Restated Articles of Incorporation include provisions which prohibit the Company from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the person became an interested shareholder, unless:

- prior to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the Board approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;
- upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced;
- at or subsequent to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the business combination is approved by the Board and authorized at an annual or special meeting of shareholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested shareholder; and
- the shareholder became an interested shareholder prior to the consummation of the initial public offering.

Limited Actions by Shareholders

Our Third Amended and Restated Articles of Incorporation and our Amended and Restated By-Laws provide that any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders.

Our Third Amended and Restated Articles of Incorporation and our Amended and Restated By-Laws provide that only our Board of Directors 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.

Blank Check Preferred Stock

Under the terms of our Third 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 20,000,000 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.

Super-majority Required for Certain Amendments to Our By-Laws

On February 28, 2007, we amended our by-laws to require that amendments to certain provisions of our by-laws may be made when approved by a vote of not less than 66 2/3% of the entire Board of Directors. These provisions that require not less than 66 2/3% vote of our Board of Directors to be amended are provisions governing: the nature of business to be transacted at our annual meetings of shareholders, the calling of special meetings by our Board of Directors, any amendment to change the number of directors constituting our Board of Directors, the method by which our Board of Directors is elected, the nomination procedures of our Board of Directors, removal of our Board of Directors and the filling of vacancies on our Board of Directors.

Stockholders Rights Agreement

On September 14, 2016, our Board of Directors declared a dividend of one preferred share purchase right, or a Right, for each outstanding common share and adopted a shareholder rights plan, as set forth in the Stockholders Rights Agreement dated as of September 22, 2016, or the Rights Agreement, by and between the Company and Computershare Trust Company, N.A. (now taken over by our new transfer agent, AST), as rights agent.

The Board adopted the Rights Agreement to protect shareholders from coercive or otherwise unfair takeover tactics. In general terms, it works by imposing a significant penalty upon any person or group that acquires 15% or more of our outstanding common shares without the approval of our Board of Directors. If a shareholder's beneficial ownership of our common shares as of the time of the public announcement of the rights plan and associated dividend declaration is at or above the applicable threshold, that shareholder's then-existing ownership percentage would be grandfathered, but the rights would become exercisable if at any time after such announcement, the shareholder increases its ownership percentage by 1% or more.

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 for a permitted offer, the Rights should not interfere with a merger or other business combination approved by our Board.

For those interested in the specific terms of the Rights Agreement, we provide the following summary description. Please note, however, that this description is only a summary, and is not complete, and should be read together with the entire Rights Agreement, which is an exhibit to the Form 8-A filed by us on September 22, 2016 and incorporated herein by reference. The foregoing description of the Rights Agreement is qualified in its entirety by reference to such exhibit.

The Rights. The Rights trade with, and are inseparable from, our common shares. The Rights are evidenced only by certificates that represent our common shares. New Rights will accompany any new common shares of the Company issued after October 5, 2016 until the Distribution Date described below.

Exercise Price. Each Right allows its holder to purchase from the Company one one-thousandth of a share of Series A Participating Preferred Stock, or a Series A Preferred Share, for $50.00, or the Exercise Price, once the Rights become exercisable. This portion of a Series A Preferred Share will give the shareholder approximately the same dividend, voting and liquidation rights as would one common share. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights.

Exercisability. The Rights are not exercisable until ten days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 15% or more of our outstanding common shares. Certain synthetic interests in securities created by derivative positions—whether or not such interests are considered to be ownership of the underlying common shares or are reportable for purposes of Regulation 13D of the Exchange Act—are treated as beneficial ownership of the number of our common shares equivalent to the economic exposure created by the derivative position, to the extent our actual common shares are directly or indirectly held by counterparties to the derivatives contracts. Swaps dealers unassociated with any control intent or intent to evade the purposes of the Rights Agreement are excepted from such imputed beneficial ownership.

For persons who, prior to the time of public announcement of the Rights Agreement, beneficially own 15% or more of our outstanding common shares, the Rights Agreement "grandfathers" their current level of ownership, so long as they do not purchase additional shares in excess of certain limitations.

The date when the Rights become exercisable is the "Distribution Date." Until that date, our common share certificates (or, in the case of uncertificated shares, by notations in the book-entry account system) will also evidence the Rights, and any transfer of our common shares will constitute a transfer of Rights. After that date, the Rights will separate from our common shares and will be evidenced by book-entry credits or by Rights certificates that the Company will mail to all eligible holders of our common shares. Any Rights held by an Acquiring Person are null and void and may not be exercised.

Series A Preferred Share Provisions

Each one one-thousandth of a Series 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 the aggregate per share amount of all cash dividends, and the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in our common shares or a subdivision of the our outstanding common shares (by reclassification or otherwise), declared on our common shares since the immediately preceding quarterly dividend payment date; and
- entitle holders to one vote on all matters submitted to a vote of the shareholders of the Company.

The value of one one-thousandth interest in a Series A Preferred Share should approximate the value of one common share.

Consequences of a Person or Group Becoming an Acquiring Person.

- Flip In. If an Acquiring Person obtains beneficial ownership of 15% or more of our common shares, then each Right will entitle the holder thereof to purchase, for the Exercise Price, a number of our 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. If, after an Acquiring Person obtains 15% or more of our 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 our common shares of the person engaging in the transaction having a then-current market value of twice the Exercise Price.
- Notional Shares. Shares held by affiliates and associates of an Acquiring Person, including certain entities in which the Acquiring Person beneficially owns a majority of the equity securities, and Notional Common Shares (as defined in the Rights Agreement) held by counterparties to a Derivatives Contract (as defined in the Rights Agreement) with an Acquiring Person, will be deemed to be beneficially owned by the Acquiring Person.

Redemption. Our Board of Directors may redeem the Rights for $0.01 per Right at any time before any person or group becomes an Acquiring Person. If our Board of Directors redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of the Rights will be to receive the redemption price of $0.01 per Right. The redemption price will be adjusted if the Company has a stock dividend or a stock split.

Exchange. After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of our outstanding common shares, the Board may extinguish the Rights by exchanging one common share or an equivalent security for each Right, other than Rights held by the Acquiring Person. 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. The Rights expire on the earliest of (i) September 22, 2026; or (ii) the redemption or exchange of the Rights as described above.

Anti-Dilution Provisions. The Board may adjust the purchase price of the Series A Preferred Shares, the number of Series A 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 Series A Preferred Shares or our common shares. No adjustments to the Exercise Price of less than 1% will be made.

Amendments. 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, with certain exceptions, in order to (i) cure any ambiguities; (ii) correct or supplement any provision contained in the Rights Agreement that may be defective or inconsistent with any other provision therein; (iii) shorten or lengthen any time period pursuant to the Rights

Agreement; or (iv) 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).

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, shareholders may recognize taxable income.

C. Material Contracts

We refer you to "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Debt Facilities," "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Operating Leases," and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" for a discussion of our material agreements that we have entered into outside the ordinary course of our business.

Other than these contracts, we have no other material contracts, other than contracts entered into in the ordinary course of business, to which we are a party.

D Exchange controls

The Marshall Islands impose no exchange controls on non-resident corporations.

E. Taxation

The following is a discussion of the material Marshall Islands and U.S. federal income tax considerations relevant to an investment decision by a U.S. Holder and a Non-U.S. Holder, each as defined below, with respect to the common stock. This discussion does not purport to deal with the tax consequences of owning common stock to all categories of investors, some of which, such as dealers in securities and investors whose functional currency is not the U.S. dollar, may be subject to special rules. 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 common stock.

Marshall Islands Tax Consequences

We are incorporated in the Republic of the Marshall Islands. Under current Marshall Islands law, we are not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to our shareholders.

U.S. Federal Income Tax Consequences

The following are the material United States federal income tax consequences to us of our activities and to U.S. Holders and non U.S. Holders, each as defined below, of our common stock. The following discussion of U.S. federal income tax matters is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Department of the Treasury (the "Treasury Regulations"), all of which are subject to change, possibly with retroactive effect. The discussion below is based, in part, on the description of our business in "Item 4. Information on the Company—B. Business Overview." above and assumes that we conduct our business as described in that section. Except as otherwise noted, this discussion is based on the assumption that we will not maintain an office or other fixed place of business within the United States. References in the following discussion to "we" and "us" are to TOP Ships Inc. and its subsidiaries on a consolidated basis.

U.S. Federal Income Taxation of Our Company

Taxation of Operating Income: In General

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, cost 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.

In the absence of exemption from tax under Section 883 of the Code, our gross U.S.-source shipping income would be subject to a 4% tax imposed without allowance for deductions as described below.

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

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

(1) we are organized in a foreign country, or our country of organization, that grants an "equivalent exemption" to corporations organized in the United States; and

(2) either

A. more than 50% of the value of our stock is owned, directly or indirectly, by individuals who are "residents" of our country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States (each such individual a "qualified shareholder" and such individuals collectively, "qualified shareholders"), which we refer to as the "50% Ownership Test," or

B. our stock is "primarily and regularly traded on an established securities market" in our country of organization, in another 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 and Liberia, the jurisdictions where we and our ship-owning subsidiaries are incorporated, each grant an "equivalent exemption" to U.S. corporations. Therefore, we will be exempt from U.S. federal income tax with respect to our U.S.-source shipping income if either the 50% Ownership Test or the Publicly-Traded Test is met.

Based on information provided in Schedule 13D and Schedule 13G filings with the SEC and ownership certificates that we obtained from certain of our shareholders, we believe that we do not meet the Publicly Traded Test for the taxable year 2017, as discussed below.

Treasury Regulations provide, in pertinent part, that stock of a foreign corporation will be considered to be "primarily traded" on an established securities market if the number of shares of each class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. Our common stock, which is our sole class of issued and outstanding stock, is and we anticipate will continue to be "primarily traded" on the Nasdaq Capital Market.

Under the Treasury Regulations, our common stock will be considered to be "regularly traded" on an established securities market if one or more classes of our stock representing more than 50% of our outstanding shares, by total combined voting power of all classes of stock entitled to vote and total value, is listed on the market, which we refer to as the "listing threshold." Since our common stock, our sole class of issued and outstanding stock, is listed on the Nasdaq Capital Market, we will satisfy 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 stock be 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 shares of such class of stock traded on such market 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." We believe we will satisfy the trading frequency and trading volume tests. Even if this were not the case, the Treasury Regulations provide that the trading frequency and trading volume tests will be deemed satisfied if, as is the case with our common stock, such class of stock is traded on an established securities market in the United States and such stock is regularly quoted by dealers making a market in such stock.

Notwithstanding the foregoing, the Treasury Regulations provide, in pertinent part, that a class of our stock will not be considered to be "regularly traded" on an established securities market for any taxable year if 50% or more of the vote and value of the outstanding shares of such class of stock are owned, actually or constructively under specified stock 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 the outstanding shares of such class of stock, which we refer to as the "5% Override Rule."

For purposes of being able to determine the persons who own 5% or more of our stock, or "5% Shareholders," the Treasury Regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the SEC, as having a 5% or more beneficial interest in our common stock. The Treasury Regulations further provide that an investment company identified on a SEC Schedule 13G or Schedule 13D filing 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 5% Override Rule is triggered, the Treasury Regulations provide that the 5% Override Rule will not apply if we can establish that among the closely-held group of 5% Shareholders, there are sufficient 5% Shareholders that are considered to be qualified shareholders for purposes of Section 883 of the Code to preclude non-qualified 5% Shareholders in the closely-held group from owning 50% or more of each class of our stock for more than half the number of days during such year. To establish and substantiate this exception to the 5% Override Rule, our 5% Shareholders who are qualified shareholders for purposes of Section 883 of the Code must comply with ownership certification procedures attesting that they are residents of qualifying jurisdictions, and each intermediary or other person in the chain of ownership between us and such 5% Shareholder must undertake similar compliance procedures.
For the 2017 taxable year, we believe that the 5% Override Rule was triggered as 50% or more of the vote and value of our common stock was owned by 5% Shareholders on more than half of the days during the taxable year. However, we do expect to qualify for the exception to the 5% Override Rule because sufficient common shares were held by one or more qualified shareholders to preclude non-qualified 5% Shareholders in the closely-held group from owning 50% or more of the common stock for more than half of the number of days in 2017, and we expect to satisfy the substantiation requirements. Therefore, we intend to take the position for U.S. federal income tax reporting purposes that we are not subject to U.S. federal income taxation for the 2017 taxable year because more than 50% of our stock was not owned by non-qualified shareholders that each held 5% or more of our stock. However, due to the factual nature of the issues, we may qualify for the benefits of Section 883 of the Code for any future taxable year.
Taxation in the Absence of Exemption under Section 883 of the Code
To the extent the benefits of Section 883 of the Code 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 the benefits of the exemption under Section 883 of the Code are unavailable and 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 imposed at rates of up to 35% for the 2017 taxable year (21% for future taxable years). In addition, we may be subject to the 30% "branch profits" tax on earnings effectively connected with the conduct of such U.S. 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.

We do not currently have, nor intend to have or permit circumstances that would result in having, any vessel operating to 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 believe that none of our U.S.-source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

U.S. 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.

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

As used herein, the term "U.S. Holder" means a beneficial owner of our common stock that

- is a U.S. citizen or resident, 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;
- owns the common stock as a capital asset, generally, for investment purposes; and
- owns less than 10% of our common stock for U.S. federal income tax purposes.

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

Distributions

Subject to the discussion of passive foreign investment companies, or PFIC, below, any distributions made by us with respect to our common stock to a U.S. Holder will generally constitute dividends to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of such earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a U.S. 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 stock will generally be treated as "passive category income" for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

Dividends paid on our common stock to a U.S. Holder who is an individual, trust or estate (a "U.S. Non-Corporate Holder") will generally be treated as "qualified dividend income" that is taxable to such U.S. Non-Corporate Holder at preferential tax rates provided that (1) the common stock is readily tradable on an established securities market in the United States (such as the Nasdaq Capital Market on which our common stock is 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 in more detail below); (3) the U.S. Non-Corporate Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividend; and (4) the U.S. Non-Corporate Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property.

We believe that we were not a PFIC for our 2014 through 2017 taxable years, and we do not expect to be a PFIC for subsequent taxable years. If we were treated as a PFIC for our 2017 taxable year, any dividends paid by us during 2017 and 2018 will not be treated as "qualified dividend income" in the hands of a U.S. Non-Corporate Holder. Any dividends we pay which are not eligible for the preferential rates applicable to "qualified dividend income" will be taxed as ordinary income to a U.S. Non-Corporate 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 10% of a shareholder's adjusted tax basis in a common share. If we pay an "extraordinary dividend" on our common stock that is treated as "qualified dividend income," then any loss derived by a U.S. Non-Corporate Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend.

Sale, Exchange or other Disposition of Common Stock

Subject to the discussion of our status as a PFIC below, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common stock 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. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S.-source income or loss, as applicable, for U.S. foreign tax credit purposes. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

3.8% Tax on Net Investment Income

A U.S. Holder that is an individual, estate, or, in certain cases, a trust, will generally be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's net investment income for the taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between $125,000 and $250,000). A U.S. Holder's net investment income will generally include distributions made by us which constitute a dividend for U.S. federal income tax purposes and gain realized from the sale, exchange or other disposition of our common stock. This tax is in addition to any income taxes due on such investment income.

If you are a U.S. Holder that is an individual, estate or trust, you are encouraged to consult your tax advisors regarding the applicability of the 3.8% tax on net investment income to the ownership and disposition of our common stock.

Passive Foreign Investment Company 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 holder held our common stock, 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); or
- at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services would not constitute "passive income" for these purposes. 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.

In general, income derived from the bareboat charter of a vessel will be treated as "passive income" for purposes of determining whether we are a PFIC and such vessel will be treated as an asset which produces or is held for the production of "passive income." On the other hand, income derived from the time charter of a vessel should not be treated as "passive income" for such purpose, but rather should be treated as services income; likewise, a time chartered vessel should generally not be treated as an asset which produces or is held for the production of "passive income."

We believe that we were a PFIC for our 2013 taxable year because we believe that at least 50% of the average value of our assets consisted of vessels which were bareboat chartered and at least 75% of our gross income was derived from vessels on bareboat charter.

We believe that we were not a PFIC for our 2014 through 2017 taxable years because we had no bareboat chartered vessels and consequently no gross income from vessels on bareboat charter. Furthermore, based on our current assets and activities, we do not believe that we will be a PFIC for the subsequent taxable years. Although there is no legal authority directly on point, and we are not relying upon an opinion of counsel on this issue, our belief is based principally on the position that, for purposes of determining whether we are a passive foreign investment company, the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities of our wholly-owned subsidiaries should constitute services income, rather than rental income. Correspondingly, such income should not constitute passive income, and the assets that we or our wholly-owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels, should not constitute passive assets for purposes of determining whether we were a passive foreign investment company. We believe there is substantial legal authority supporting our position consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, in the absence of any legal authority specifically relating to the statutory provisions governing passive foreign investment companies, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a passive foreign investment company with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different U.S. federal income taxation rules depending on whether the U.S. Holder makes an election to treat us as a "Qualified Electing Fund," which election is referred to as a "QEF Election." As discussed below, as an alternative to making a QEF Election, a U.S. Holder should be able to make a "mark-to-market" election with respect to our common stock, which election is referred to as a "Mark-to-Market Election". A U.S. Holder holding PFIC shares that does not make either a "QEF Election" or "Mark-to-Market Election" will be subject to the Default PFIC Regime, as defined and discussed below in "Taxation—U.S. Federal Income Taxation of U.S. Holders—Taxation of U.S. Holders Not Making a Timely QEF or "Mark-to-Market" Election."

If the Company were to be treated as a PFIC, a U.S. Holder would be required to file, with respect to taxable years ending on or after December 31, 2013, IRS Form 8621 to report certain information regarding the Company.
A U.S. Holder who held our common stock during any period in which we were treated as a PFIC and who neither made a QEF Election nor a Mark-to-Market Election may continue to be subject to the Default PFIC Regime, notwithstanding that the Company is no longer a PFIC. If you are a U.S. Holder who held our common shares during any period in which we were a PFIC but failed to make either of the foregoing elections, you are strongly encouraged to consult your tax advisor regarding the U.S. federal income tax consequences to you of holding our common stock in periods in which we are no longer a PFIC.
The 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 United States federal income tax purposes his 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 made by us to the Electing Holder. The Electing Holder's adjusted tax basis in the common stock 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 stock 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 stock. A U.S. Holder would make a QEF Election with respect to any year that our company is a PFIC by filing one copy of IRS Form 8621 with his United States federal income tax return and a second copy in accordance with the instructions to such form. It should be noted that if any of our subsidiaries is treated as a corporation for U.S. federal income tax purposes, a U.S. Holder must make a separate QEF Election with respect to each such subsidiary.
Taxation of U.S. Holders Making a "Mark-to-Market" Election
Making the Election. Alternatively, if, as is anticipated, our common stock is treated as "marketable stock," a U.S. Holder would be allowed to make a Mark-to-Market Election with respect to the common stock, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. The common stock will be treated as "marketable stock" for this purpose if it is "regularly traded" on a "qualified exchange or other market." The common stock will be "regularly traded" on a qualified exchange or other market for any calendar year during which it is traded (other than in de minimis quantities) on at least 15 days during each calendar quarter. A "qualified exchange or other market" means either a U.S. national securities exchange that is registered with the SEC, the Nasdaq Capital Market, or a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located and which satisfies certain regulatory and other requirements. We believe that the Nasdaq Capital Market should be treated as a "qualified exchange or other market" for this purpose. However, it should be noted that a separate Mark-to-Market Election would need to be made with respect to each of our subsidiaries which is treated as a PFIC. The stock of these subsidiaries is not expected to be "marketable stock." Therefore, a "mark-to-market" election is not expected to be available with respect to these subsidiaries.
Current Taxation and Dividends. If the Mark-to-Market 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 stock at the end of the taxable year over such U.S. Holder's adjusted tax basis in the common stock 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 its common stock over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the Mark-to-Market Election. Any income inclusion or loss under the preceding rules should be treated as gain or loss from the sale of common stock for purposes of determining the source of the income or loss. Accordingly, any such gain or loss generally should be treated as U.S.-source income or loss for U.S. foreign tax credit limitation purposes. A U.S. Holder's tax basis in his common stock would be adjusted to reflect any such income or loss amount. Distributions by us to a U.S. Holder who has made a Mark-to-Market Election generally will be treated as discussed above under "Taxation—U.S. Federal Income Taxation of U.S. Holders—Distributions."
Sale, Exchange or Other Disposition. Gain realized on the sale, exchange, redemption or other disposition of the common stock would be treated as ordinary income, and any loss realized on the sale, exchange, redemption or other

disposition of the common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder.  Any loss in excess of such previous inclusions would be treated as a capital loss by the U.S. Holder.  A U.S. Holder's ability to deduct capital losses is subject to certain limitations.  Any such gain or loss generally should be treated as U.S.-source income or loss for U.S. foreign tax credit limitation purposes.

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

Finally, a U.S. Holder who does not make either a QEF Election or a Mark-to-Market Election with respect to any taxable year in which we are treated as a PFIC, or a U.S. Holder whose QEF Election is invalidated or terminated, or a Non-Electing Holder, would be subject to special rules, or the Default PFIC Regime, with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common stock 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 stock), and (2) any gain realized on the sale, exchange, redemption or other disposition of the common stock.

Under the Default PFIC Regime:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common stock;
- 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.

Any distributions other than "excess distributions" by us to a Non-Electing Holder will be treated as discussed above under "Taxation—U.S. Federal Income Taxation of U.S. Holders—Distributions."

These penalties 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 the common stock. If a Non-Electing Holder who is an individual dies while owning the common stock, such Non-Electing Holder's successor generally would not receive a step-up in tax basis with respect to the common stock.

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

A beneficial owner of our common stock (other than a partnership) that is not a U.S. Holder is referred to herein as a "Non-U.S. Holder."

Dividends on Common Stock

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 stock, unless that income is effectively connected with a trade or business conducted by the Non-U.S. Holder in the United States. If the Non-U.S. Holder is entitled to the benefits of a U.S. income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale, Exchange or Other Disposition of Common Stock

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 stock, unless:

- the gain is effectively connected with a trade or business conducted by the Non-U.S. Holder in the United States. If the Non-U.S. Holder is entitled to the benefits of a U.S. income tax treaty with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or
- 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 stock, 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 U.S. federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, in the case of a corporate Non-U.S. Holder, the earnings and profits of such Non-U.S. Holder that are attributable to 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. In addition, such payments will 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 stock to or through a U.S. office of a broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless 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 stock 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 stock through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the United States. Backup withholding tax is not an additional tax. Rather, you generally may obtain a refund of any amounts withheld under backup withholding rules that exceed your U.S. federal income tax liability by filing a refund claim with the IRS.

Individuals who are U.S. Holders (and to the extent specified in applicable Treasury Regulations, certain individuals who are Non-U.S. Holders and certain U.S. entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds $75,000 at any time during the taxable year or $50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury Regulations). Specified foreign financial assets would include, among other assets, our common shares, unless the 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 an individual U.S. Holder (and to the extent specified in applicable Treasury regulations, an individual Non-U.S. Holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. U.S. Holders (including U.S. entities) and Non-U.S. Holders are encouraged to consult their own tax advisors regarding their reporting obligations under this legislation.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We file annual reports and other information with the SEC. You may read and copy any document we file with the SEC at its public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of this information by mail from the public reference section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings are also available to the public at the web site maintained by the SEC at http://www.sec.gov, as well as on our website at http://www.topships.org.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Risk Management Policy

Our primary market risks relate to adverse movements in freight rates in the product tanker market. Our policy is to continuously monitor our exposure to other business risks, including the impact of changes in interest rates, currency rates, and bunker prices on earnings and cash flows. We assess these risks and, when appropriate, enter into derivative contracts with credit-worthy counterparties to minimize our exposure to the risks. With regard to bunker prices, as our employment policy for our vessels has been and is expected to continue to be with a high percentage of our fleet on period employment, we are not directly exposed with respect to those vessels to increases in bunker fuel prices, as these are the responsibility of the charterer under period charter arrangements.

Interest Rate Risk

As of the date of this report we are exposed to interest rate risk in relation to the ABN Facility, the NORD/LB Facility, the Alpha Bank Facility and the AT Bank Predelivery Facility (See "Item 18. Financial Statements—Note 9—Debt"). We may be subject to additional market risks relating to changes in interest rates when we take on additional indebtedness. In order to manage our exposure to changes in interest rates due to this floating rate indebtedness, we enter into interest rate swap agreements. Set forth below is a table of our interest rate swap arrangements as of December 31, 2017 (in thousands of U.S. dollars).

| SWAP Number (Nr) | Counterparty | Notional amount as of December 31, 2017 | Start Date | End Date | Fixed Rate Payable | Fair Value – Liability as of December 31, 2017 |
|---|---|---|---|---|---|---|
| 1 | ABN Amro | 16,575 | April 13, 2018 | July 13, 2021 | 1.4425 % | 332 |
| 2 | ABN Amro | 18,663 | December 21, 2016 | January 13, 2022 | 2.0800 % | 42 |
| 3 | ABN Amro | 17,250 | December 21, 2016 | August 10, 2022 | 2.1250 % | 20 |
| 4 | NORD/LB Bank | 20,116 | May 17, 2017 | May 17, 2023 | 2.1900 % | (3 ) |
| | Total | 72,604 | | | | 391 |

Under all above swap transactions, the bank effects quarterly floating-rate payments to the Company for the relevant amount based on the three-month USD LIBOR, and the Company effects quarterly payments to the bank on the relevant amount at the respective fixed rates.

As of December 31, 2017, our total bank indebtedness excluding unamortized financing fees was $106.2 million, of which $72.6 million was covered by the interest rate swap agreements described above and $8.9 million refers to the Unsecured Notes the interest rate of which does not fluctuate. As set forth in the above table, as of December 31, 2017, we paid fixed rates ranging from 1.4425% to 2.1900% and received floating rates on the SWAPs that are based on three month LIBOR. As of December 31, 2017, our interest rate swap agreements are, on an average basis, above the prevailing three month LIBOR rates over which our loans are priced. Accordingly, the effect of these interest rate swap agreements in the year ended December 31, 2017 has been to decrease our loss on financial instruments.

Based on the amount of our outstanding indebtedness, not covered by interest rate swaps, as of December 31, 2017, a hypothetical one percentage point increase in the three month U.S. dollar LIBOR would increase our interest rate expense for 2018, on an annualized basis, by approximately $0.2 million. As of December 31, 2016, a hypothetical one percentage point increase in the three month U.S. dollar LIBOR would increase our interest rate expense for 2017, on an annualized basis, by approximately $0.4 million

Foreign Exchange Rate Fluctuation

We generate all of our revenues in U.S. dollars but incur certain expenses in currencies other than U.S. dollars, mainly the Euro. During 2017, approximately 95.76% of our expenses were in U.S. Dollars, 3.85% were in Euro and approximately 0.39% were in other currencies than the U.S. dollar or Euro. For accounting purposes, expenses incurred in other currencies are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. We have not hedged currency exchange risks associated with our expenses and our operating results could be adversely affected as a result. We constantly monitor the U.S. dollar exchange rate and we try to achieve the most favorable exchange rates from the financial institutions we work with.

Based on our total expenses for the year ended December 31, 2017, and using as an average exchange rate of $1.1295 to €1, a 5% decrease in the exchange rate to $1.0730 to €1 would result in an expense saving of approximately $0.06 million. Based on our total expenses for the year ended December 31, 2016, and using as an average exchange rate of $ 1.1058 to €1, a 5% decrease in the exchange rate to $1.0505 to €1 would result in an expense saving of approximately $0.06 million.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Neither we nor any of our subsidiaries have been subject to a material default in the payment of principal, interest, a sinking fund or purchase fund installment or any other material default that was not cured within 30 days.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

We have adopted the Stockholders Rights Agreement, pursuant to which each share of our common stock includes one preferred stock purchase right that entitles the holder to purchase from us a unit consisting of one-thousandth of a share of our Series A Participating Preferred Stock if any third-party seeks to acquire control of a substantial block of our common stock without the approval of our Board of Directors. See "Item 10. Additional Information—B. Memorandum and Articles of Association—Stockholders Rights Agreement" included in this annual report for a description of our Stockholders Rights Agreement.

Please also see "Item 10. Additional Information—B. Memorandum and Articles of Association" for a description of the rights of holders of our Series B and Series C Convertible Preferred Shares and Series D Preferred Shares relative to the rights of holders of shares of our common stock.

ITEM 15. CONTROLS AND PROCEDURES

a) Disclosure Controls and Procedures

Management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act, as of the end of the period covered by this annual report, as of December 31, 2017.

The term disclosure controls and procedures are defined under SEC rules as controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of December 31, 2017.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act.

Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of Company's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. 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 error or mistake. 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. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management with the participation of our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of its assessment, the Chief Executive Officer and Chief Financial Officer concluded that our internal controls over financial reporting are effective as of December 31, 2017.

c) Attestation Report of the 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

There were no changes in our internal control over financial reporting that occurred during the period covered by this annual report that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

We have established an audit committee composed of four independent members that are responsible for reviewing our accounting controls and recommending to our Board of Directors the engagement of our outside auditors.

We do not believe it is necessary to have a financial expert, as defined in Item 407 of Regulation S-K, because our Board of Directors has determined that the members of the audit committee have the financial experience and other relevant experience necessary to effectively perform the duties and responsibilities of the audit committee.

ITEM 16B. CODE OF ETHICS

Our Board of Directors has adopted a Corporate Code of Business Ethics and Conduct that applies to all employees, directors and officers, that complies with applicable guidelines issued by the SEC. The finalized Code of Ethics has been approved by our Board of Directors and was distributed to all employees, directors and officers. We will also provide any person a hard copy of our code of ethics free of charge upon written request. Shareholders may direct their requests to the attention of Mr. Alexandros Tsirikos at our registered address and phone number.

ITEM 16C. PRINCIPAL AUDITOR FEES AND SERVICES

Aggregate fees billed to the Company for the years ended December 2016 and 2017 represent fees billed by our principal accounting firm, Deloitte Certified Public Accountants S.A., an independent registered public accounting firm and member of Deloitte Touche Tohmatsu, Limited. Audit fees represent compensation for professional services rendered for the audit of the consolidated financial statements, fees for the review of interim financial information as well as in connection with the review of registration statements and related consents and comfort letters and any other audit services required for SEC or other regulatory filings. For 2016 and 2017, no other non-audit, tax or other fees were charged.

| U.S. dollars in thousands, | Year Ended | |
|---|---|---|
| | 2016 | 2017 |
| Audit Fees | 149.0 | 274.1 |

Our audit committee pre-approves all audit, audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees prior to the engagement of the independent auditor with respect to such services.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

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 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:

- Majority Independent Board. Nasdaq requires, among other things, that a listed company has a Board of Directors comprised of a majority of independent directors. As permitted under Marshall Islands law, our Board of Directors is comprised of four independent directors, one non-independent, non-executive director and three executive directors.
- Audit Committee. Nasdaq requires, among other things, that a listed company has an audit committee with a minimum of three independent members, at least one of whom meets certain standards of financial sophistication. As permitted under Marshall Islands law, our audit committee consists of four independent directors but we do not designate any one audit commit member as meeting the standards of financial sophistication.
- 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 BCA, which allows our 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 120 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.

## PART III

### ITEM 17. FINANCIAL STATEMENTS

See Item 18.

### ITEM 18. FINANCIAL STATEMENTS

The financial statements beginning on page F-1 are filed as a part of this annual report.

### ITEM 19. EXHIBITS

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ITEM 19. EXHIBITS

| Number | Description of Exhibits |
|---|---|
| 1.1 | Third Amended and Restated Articles of Incorporation of TOP Ships Inc. (1) |
| 1.2 | Articles of Amendment to the Third Amended and Restated Articles of Incorporation, dated April 17, 2014 (2) |
| 1.3 | Articles of Amendment to the Third Amended and Restated Articles of Incorporation, dated February 15, 2016 (3) |
| 1.4 | Certificate of Correction to the Third Amended and Restated Articles of Incorporation, dated February 14, 2017 |
| 1.5 | Articles of Amendment to the Third Amended and Restated Articles of Incorporation, dated May 10, 2017 |
| 1.6 | Articles of Amendment to the Third Amended and Restated Articles of Incorporation, dated June 22, 2017 |
| 1.7 | Articles of Amendment to the Third Amended and Restated Articles of Incorporation, dated August 2, 2017 |
| 1.8 | Articles of Amendment to the Third Amended and Restated Articles of Incorporation, dated |

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| | October 5, 2017 |
| 1.9 | Articles of Amendment to the Third Amended and Restated Articles of Incorporation, dated March 23, 2018 |
| 1.10 | Amended and Restated By-Laws of the Company (4) |
| 1.11 | Amendment No. 1 to the Amended and Restated By-Laws (5) |
| 2.1 | Form of Share Certificate (6) |
| 2.2 | Form of Warrant Certificate (7) |
| 2.3 | Form of Warrant Agreement to Purchase Common Shares, dated June 11, 2014 (8) |
| 2.4 | Form of Representative's Warrant Agreement to Purchase Common Shares, dated June 11, 2014 (9) |
| 2.5 | Certificate of Designations of Rights, Preferences and Privileges of Series A Participating Preferred Stock of TOP Ships Inc. (10) |
| 2.6 | Certificate of Designations of Rights, Preferences and Privileges of Series B Convertible Preferred Stock of TOP Ships Inc. (11) |
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| | Statement of Designations, Preferences and Rights of the Series C Convertible Preferred Stock of TOP Ships Inc. (12) |
| 2.8 | Statement of Designations, Preferences and Rights of the Series D Preferred Stock of TOP Ships Inc. (13) |
| 4.1 | TOP Ships Inc. 2015 Stock Incentive Plan (14) |

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| 4.2 | Stockholders Rights Agreement with Computershare Trust Company, N.A., as Rights Agent as of September 22, 2016 (15) |
| 4.3 | Securities Purchase Agreement by and between the Company and YA II CD, Ltd., dated November 22, 2016 (16) |
| 4.4 | Registration Rights Agreement by and between the Company and YA II CD, Ltd., dated November 22, 2016 (17) |
| 4.5 | Employment Agreement between TOP Ships Inc. and Central Mare Inc. dated September 1, 2010, regarding employment of Chief Technical Officer |
| 4.6 | Employment Agreement between TOP Ships Inc. and Central Mare Inc. dated September 1, 2010, regarding employment of Executive Vice-President and Chairman |
| 4.7 | Employment Agreement between TOP Ships Inc. and Central Mare Inc. dated September 1, 2010, regarding employment of President and Chief Executive Officer |
| 4.8 | Employment Agreement between TOP Ships Inc. and Central Mare Inc. dated September 1, 2010, regarding employment of Chief Financial Officer |
| 4.9 | Letter Agreement with Central Shipping Monaco SAM, dated March 10, 2014 (18) |
| 4.10 | Form of Management Agreement with Central Shipping Monaco SAM (19) |
| 4.11 | Memorandum of Agreement dated December 30, 2014 with respect to the M/T Stenaweco Energy (20) |
| 4.12 | Call Option Agreement dated December 30, 2014 with respect to the M/T Stenaweco Energy (21) |
| 4.13 | Bareboat Charter dated December 30, 2014 with respect to the M/T Stenaweco Energy (22) |
| 4.14 | Memorandum of Agreement dated December 30, 2014 with respect to the M/T Stenaweco Evolution (23) |
| 4.15 | Call Option Agreement dated December 30, 2014 with respect to the M/T Stenaweco Evolution (24) |
| 4.16 | Bareboat Charter dated December 30, 2014 with respect to the M/T Stenaweco Evolution (25) |
| 4.17 | Secured Term Loan Facility dated July 9, 2015 between Monte Carlo 37 Shipping Company Limited, Monte Carlo 39 Shipping Company Limited and ABN Amro Bank N.V. (26) |
| 4.18 | Amending and Restating Agreement, dated September 28, 2015, to the Secured Term Loan Facility between Monte Carlo 37 Shipping Company Limited, Monte Carlo 39 Shipping Company Limited, and ABN Amro Bank N.V. (27) |
| 4.19 | Amending and Restating Agreement, dated August 1, 2016, to the Secured Term Loan Facility between Monte Carlo 37 Shipping Company Limited, Monte Carlo 39 Shipping Company Limited, Monte Carlo Lax Shipping Company Limited and ABN Amro Bank N.V. (28) |
| 4.20 | Supplemental Agreement, dated July 28, 2017, to the Secured Term Loan Facility between Monte Carlo 37 Shipping Company Limited, Monte Carlo 39 Shipping Company Limited, Monte Carlo Lax Shipping Company Limited and ABN Amro Bank N.V. |
| 4.21 | Letter Agreement dated December 23, 2015 between Family Trading Inc. and TOP Ships Inc. (29) |

4.22 Amendment to the Letter Agreement dated December 23, 2015 between Family Trading Inc. and TOP Ships Inc. (30)

4.23 Loan Agreement dated December 23, 2015 between Family Trading Inc. and TOP Ships Inc. (31)

4.24 Term Sheet dated April 4, 2016 between TOP Ships Inc. and Norddeutsche Landesbank Girozentrale (32)

4.25 Loan Agreement dated May 11, 2016 between Monte Carlo Seven Shipping Company and Norddeutsche Landesbank Girozentrale (33)

4.26 Loan Agreement dated July 20, 2016 between Eco Seven Inc. and Alpha Bank A.E.

4.27 First Supplemental Agreement, dated August 1, 2017, relating to a Loan Agreement dated July 20, 2016, among Alpha Bank A.E., Eco Seven Inc., Central Mare Inc. and TOP Ships Inc.

4.28 Shipbuilding Contract relating to Hull No. S443, dated November 21, 2016, between City of Athens Inc. and Hyundai Mipo Dockyard Co., Ltd.

4.29 Common Stock Purchase Agreement, dated February 2, 2017, between TOP Ships Inc. and Kalani Investments Limited (34)

4.30 Amendment No. 1 to Common Stock Purchase Agreement, dated March 17, 2017, between TOP Ships Inc. and Kalani Investments Limited (35)

4.31 Amendment No. 2 to Common Stock Purchase Agreement, dated March 27, 2017, between TOP Ships Inc. and Kalani Investments Limited (36)

4.32 Amendment No. 3 to Common Stock Purchase Agreement, dated April 4, 2017, between TOP Ships Inc. and Kalani Investments Limited (37)

4.33 Amendment No. 4 to Common Stock Purchase Agreement, dated April 27, 2017, between TOP Ships Inc. and Kalani Investments Limited (38)

4.34 Note Purchase Agreement, dated February 6, 2017, between TOP Ships Inc. and Kalani Investments Limited (39)

4.35 Unsecured Promissory Note of TOP Ships Inc., dated February 6, 2017 (40)

4.36 Form of securities purchase agreement between TOP Ships Inc. and a non-U.S. institutional investor (41)

4.37 Share Purchase Agreement, dated February 20, 2017, between Malibu Shipmanagement Co. and Style Maritime Ltd. (42)

4.38 Addendum No. 1 to Share Purchase Agreement, dated March 30, 2017, between Malibu Shipmanagement Co. and Style Maritime Ltd.

4.39 Addendum No. 2 to Share Purchase Agreement, dated May 17, 2017, between Malibu Shipmanagement Co. and Style Maritime Ltd.

4.40 Addendum No. 3 to Share Purchase Agreement, dated January 31, 2018, between Malibu Shipmanagement Co. and Style Maritime Ltd.

4.41 Shipbuilding Contract relating to Hull No. S444, dated February 20, 2017, between Eco Nine Inc. and Hyundai Mipo Dockyard Co., Ltd.

4.42 Amended and Restated Loan Agreement, dated February 21, 2017, between TOP Ships Inc. and Family Trading Inc. (43)

4.43 Note Purchase Agreement, dated March 21, 2017, between TOP Ships Inc. and Kalani Investments Limited (44)

4.44 Unsecured Promissory Note of TOP Ships Inc., dated March 22, 2017 (45)

4.45 Note Purchase Agreement, dated March 28, 2017, between TOP Ships Inc. and Kalani Investments Limited (46)

4.46 Unsecured Promissory Note of TOP Ships Inc., dated March 28, 2017 (47)

4.47 Share Purchase Agreement, dated March 30, 2017, between Fly Free Company and Lyndon International Co.

4.48 Addendum No. 1 to Share Purchase Agreement, dated June 14, 2017, between Fly Free Company and Lyndon International Co.

4.49 Share Purchase Agreement, dated March 30, 2017, between Maxima International Co. and Gramos Shipping Company Inc.

4.50 Addendum No. 1 to Share Purchase Agreement, dated June 14, 2017, between Maxima International Co. and Gramos Shipping Company Inc.

4.51 Note Purchase Agreement, dated April 5, 2017, between TOP Ships Inc. and Kalani Investments Limited (48)

4.52 Unsecured Promissory Note of TOP Ships Inc., dated April 5, 2017 (49)

4.53 Shipbuilding Contract relating to Hull No. 2648, dated April 20, 2017, between Astarte International Inc. and Hyundai Mipo Dockyard Co., Ltd.

4.54 Note Purchase Agreement, dated May 15, 2017, between TOP Ships Inc. and Xanthe Holdings Ltd (50)

4.55 Unsecured Promissory Note of TOP Ships Inc., dated May 15, 2017 (51)

4.56 Joint Venture Agreement, dated July 7, 2017, between Lyndon International Co. and Just-C Limited

4.57 Joint Venture Agreement, dated July 7, 2017, between Gramos Shipping Company Inc. and Just-C Limited

4.58 Unsecured Promissory Note of TOP Ships Inc., dated September 15, 2017 (52)

4.59 Stock Purchase Agreement, dated May 8, 2017, between TOP Ships Inc. and Tankers Family Inc (53)

4.60 Facility Agreement, dated September 5, 2017, between TOP Ships Inc., Astarte International Inc. and Amsterdam Trade Bank N.V. for up to $23,500,000 Loan Facility

4.61 Facility Agreement, dated September 5, 2017, between TOP Ships Inc., Astarte International Inc. and Amsterdam Trade Bank N.V. for up to $8,993,100 Loan Facility

4.62 Shipbuilding Contract relating to Hull No. 8218, dated October 31, 2017, between PCH77 Shipping Company Limited and Hyundai Mipo Dockyard Co., Ltd.

4.63 Common Stock Purchase Agreement, dated November 7, 2017, between TOP Ships Inc. and Crede CG III, Ltd. (54)

4.64 Note Purchase Agreement, dated November 13, 2017, between TOP Ships Inc. and Crede Capital Group LLC (55)

4.65 Unsecured Promissory Note of TOP Ships Inc., dated November 13, 2017 (56)

4.66 Common Stock Purchase Agreement, dated December 11, 2017, between TOP Ships Inc. and Crede CG III, Ltd. (57)

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| | Note Purchase Agreement, dated December 14, 2017, between TOP Ships Inc. and Crede Capital Group LLC (58) |
| 4.68 | Unsecured Promissory Note of TOP Ships Inc., dated December 14, 2017 (59) |
| 4.69 | Amendment, dated January 5, 2018, between TOP Ships Inc. and Crede Capital Group Inc. to Note Purchase Agreement dated December 14, 2017 (60) |
| 4.70 | Unsecured Promissory Note of TOP Ships Inc., dated January 5, 2018 (61) |

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| 4.71 | Shipbuilding Contract relating to Hull No. 8242, dated January 9, 2018, between PCH Dreaming Inc. and Hyundai Mipo Dockyard Co., Ltd. |
| 4.72 | Shipbuilding Contract relating to Hull No. S874, dated January 9, 2018, between South California Inc. and Hyundai Samho Heavy Industries Co., Ltd. |
| 4.73 | Shipbuilding Contract relating to Hull No. S875, dated January 9, 2018, between Malibu Warrior Inc. and Hyundai Samho Heavy Industries Co., Ltd. |
| 4.74 | Share Purchase Agreement, dated January 31, 2018, between Ships International Inc. and TOP Ships Inc. regarding Hull No. S875 |
| 4.75 | Share Purchase Agreement, dated January 31, 2018, between Ships International Inc. and TOP Ships Inc. regarding Hull No. 8242 |
| 4.76 | Share Purchase Agreement, dated January 31, 2018, between Ships International Inc. and TOP Ships Inc. regarding Hull No. S874 |
| 8.1 | List of subsidiaries of the Company |
| 12.1 | Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Executive Officer |
| 12.2 | Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Financial Officer |
| 13.1 | Certification of the Company's Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 13.2 | Certification of the Company's Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 15.1 | Consent of Independent Registered Accounting Firm |
| 101 | The following materials from the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2017, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2016 and 2017; (ii) Consolidated Statements of Comprehensive Income/(Loss) for the years ended December 31, 2015, 2016 and 2017; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2015, 2016 and 2017; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2016 and 2017; and (v) Notes to Consolidated Financial Statements |

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(1) Incorporated by reference to Exhibit 99.2 of the Company's Current Report on Form 6-K, filed on June 24, 2011
(2) Incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 6-K, filed on April 18, 2014
(3) Incorporated by reference to Exhibit 1.3 of the Company's Annual Report on Form 20-F, filed on April 26, 2016
(4) Incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 6-K filed on March 9, 2007
(5) Incorporated by reference to Exhibit 1 of the Company's Current Report on Form 6-K filed on November 28, 2014
(6) Incorporated by reference to Exhibit 2.1 of the Company's Annual Report on Form 20-F, filed on June 29, 2009
(7) Incorporated by reference to Exhibit 2.2 of the Company's Annual Report of Form 20-F, filed on March 14, 2017
(8) Incorporated by reference to Exhibit 4.3 of the Company's Post-Effective Amendment No. 1 to the Registration Statement on Form F-1, filed on May 9, 2016 (File No. 333-194690)

(9) Incorporated by reference to Exhibit 4.1 of the Company's Pre-Effective Amendment No. 2 to the Registration Statement on Form F-1, filed on May 13, 2014 (File No. 333-194690)

(10) Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 6-K, filed on September 22, 2016
(11) Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 6-K, filed on November 23, 2016
(12) Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 6-K, filed on February 21, 2017
(13) Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 6-K, filed on May 8, 2017
(14) Incorporated by reference to Exhibit 4.1 of the Company's Annual Report on Form 20-F, filed on April 26, 2016
(15) Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 6-K, filed on September 22, 2016
(16) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 6-K, filed on November 23, 2016
(17) Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 6-K, filed on November 23, 2016
(18) Incorporated by reference to Exhibit 10.42 of the Company's Registration Statement on Form F-1, filed on March 19, 2014, as amended (File No. 333-194960)
(19) Incorporated by reference to Exhibit 10.43 of the Company's Registration Statement on Form F-1, filed on March 19, 2014, as amended (File No. 333-194960)
(20) Incorporated by reference to Exhibit 4.29 of the Company's Annual Report on Form 20-F, filed on April 29, 2015
(21) Incorporated by reference to Exhibit 4.30 of the Company's Annual Report on Form 20-F, filed on April 29, 2015
(22) Incorporated by reference to Exhibit 4.33 of the Company's Annual Report on Form 20-F, filed on April 29, 2015
(23) Incorporated by reference to Exhibit 4.31 of the Company's Annual Report on Form 20-F, filed on April 29, 2015
(24) Incorporated by reference to Exhibit 4.32 of the Company's Annual Report on Form 20-F, filed on April 29, 2015
(25) Incorporated by reference to Exhibit 4.34 of the Company's Annual Report on Form 20-F, filed on April 29, 2015
(26) Incorporated by reference to Exhibit 4.37 of the Company's Annual Report on Form 20-F, filed on April 26, 2016
(27) Incorporated by reference to Exhibit 4.38 the Company's Annual Report on Form 20-F, filed on April 26, 2016
(28) Incorporated by reference to Exhibit 4.18 of the Company's Annual Report of Form 20-F, filed on March 14, 2017
(29) Incorporated by reference to Exhibit 4.39 of the Company's Annual Report on Form 20-F, filed on April 26, 2016
(30) Incorporated by reference to Exhibit 4.40 of the Company's Annual Report on Form 20-F, filed on April 26, 2016
(31) Incorporated by reference to Exhibit 4.41 of the Company's Annual Report on Form 20-F, filed on April 26, 2016
(32) Incorporated by reference to Exhibit 4.42 of the Company's Annual Report on Form 20-F, filed on April 26, 2016
(33) Incorporated by reference to Exhibit 10.40 of the Company's Post-Effective Amendment No. 2 to the Registration Statement on Form F-1, filed on June 23, 2016 (File No. 333-194690)
(34) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on February 2, 2017
(35) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on March 20, 2017

(36) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on March 27, 2017
(37) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on April 5, 2017
(38) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on April 28, 2017
(39) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on February 7, 2017
(40) Incorporated by reference to Exhibit 1.2 of the Company's Current Report on Form 6-K, filed on February 7, 2017
(41) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 6-K, filed on February 21, 2017
(42) Incorporated by reference to Exhibit 4.28 of the Company's Annual Report of Form 20-F, filed on March 14, 2017
(43) Incorporated by reference to Exhibit B of the Schedule 13D/A of Family Trading Inc., Sovereign Holdings Inc., Epsilon Holdings Inc., Oscar Shipholding Ltd, Race Navigation Inc., Tankers Family Inc., and the Lax Trust, filed on March 1, 2017
(44) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on March 22, 2017
(45) Incorporated by reference to Exhibit 1.2 of the Company's Current Report on Form 6-K, filed on March 22, 2017
(46) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on March 28, 2017
(47) Incorporated by reference to Exhibit 1.2 of the Company's Current Report on Form 6-K, filed on March 28, 2017
(48) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on April 5, 2017
(49) Incorporated by reference to Exhibit 1.2 of the Company's Current Report on Form 6-K, filed on April 5 2017
(50) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on May 15, 2017
(51) Incorporated by reference to Exhibit 1.2 of the Company's Current Report on Form 6-K, filed on May 15, 2017
(52) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on September 15, 2017
(53) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 6-K, filed on May 8, 2017
(54) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on November 8, 2017
(55) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on November 14, 2017
(56) Incorporated by reference to Exhibit 1.2 of the Company's Current Report on Form 6-K, filed on November 14, 2017
(57) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on December 11, 2017
(58) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on December 15, 2017
(59) Incorporated by reference to Exhibit 1.2 of the Company's Current Report on Form 6-K, filed on December 15, 2017
(60) Incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 6-K, filed on January 8, 2018
(61) Incorporated by reference to Exhibit 1.2 of the Company's Current Report on Form 6-K, filed on January 8, 2018

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.

TOP SHIPS INC.
(Registrant)

Date: March 29, 2018 By: /s/ Evangelos J. Pistiolis
Evangelos J. Pistiolis
President, Chief Executive Officer, and Director

TOP SHIPS INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Top Ships Inc.,
Majuro, Republic of the Marshall Islands

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Top Ships Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of comprehensive loss, stockholders' equity and cash flows, for each of the three years in the period ended December 31, 2017 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 as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated 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 consolidated 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 consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte Certified Public Accountants S.A.

Athens, Greece
March 29, 2018

We have served as the Company's auditor since 2006.

TOP SHIPS INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2017

(Expressed in thousands of U.S. Dollars - except share and per share data)

| | December 31, 2016 | December 31, 2017 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 127 | 24,081 |
| Trade accounts receivable | 19 | 621 |
| Prepayments and other (Note 7) | 864 | 428 |
| Due from related parties | 34 | - |
| Inventories (Note 8) | 583 | 645 |
| Prepaid bareboat charter hire (Note 6) | 1,657 | 1,656 |
| Deferred charges (Note 9) | - | 341 |
| Restricted cash (Note 6 and 9) | 1,257 | 1,283 |
| Total current assets | 4,541 | 29,055 |
| FIXED ASSETS: | | |
| Advances for vessels under construction (Note 4(a)) | - | 6,757 |
| Vessels, net (Note 4(b)) | 126,170 | 154,935 |
| Other fixed assets, net | 1,161 | 1,042 |
| Total fixed assets | 127,331 | 162,734 |
| OTHER NON CURRENT ASSETS: | | |
| Prepaid bareboat charter hire (Note 6) | 6,935 | 5,278 |
| Restricted cash (Note 6 and 9) | 4,210 | 5,249 |
| Investments in unconsolidated joint ventures (Note 20) | - | 17,738 |
| Derivative financial instruments (Note 17) | 300 | 394 |
| Total non-current assets | 11,445 | 28,659 |
| Total assets | 143,317 | 220,448 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt (Note 9(a) ) | 7,995 | 9,508 |
| Short-term debt (Note 9(b)) | - | 10,183 |
| Debt from related parties (Note 9(c)) | 4,085 | - |
| Due to related parties (Note 5) | 1,108 | 120 |

| | | |
|---|---|---|
| Accounts payable | 1,902 | 2,799 |
| Accrued liabilities | 2,965 | 1,985 |
| Unearned revenue | 1,978 | 986 |
| Total current liabilities | 20,033 | 25,581 |
| NON-CURRENT LIABILITIES: | | |
| Derivative financial instruments (Note 17) | 3,563 | 3,335 |
| Non-current portion of long term debt (Note 9(a)) | 72,459 | 84,258 |
| Total non-current liabilities | 76,022 | 87,593 |
| COMMITMENTS AND CONTINGENCIES (Note 10) | | |
| Total liabilities | 96,055 | 113,174 |
| MEZZANINE EQUITY: | | |
| Preferred stock; 2,106 and 0 Series B shares issued and outstanding at December 31, 2016 and 2017 with $0.01 par value (Note 19) | 1,741 | - |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, $0.01 par value; 20,000,000 shares authorized; of which 2,106 and 0 Series B shares were outstanding at December 31, 2016 and 2017 (refer to Mezzanine Equity - Note 19); of which 0 and 100,000 Series D shares were outstanding at December 31, 2016 and 2017 (Note 11) | - | 1 |
| Common stock, $0.01 par value; 1,000,000,000 shares authorized; 31 and 8,923,617 shares issued and outstanding at December 31, 2016 and 2017 (Note 11) | - | 89 |
| Additional paid-in capital (Note 11) | 328,762 | 402,644 |
| Accumulated deficit | (283,241) | (296,645) |
| Total stockholders' equity | 45,521 | 106,089 |
| Non-controlling Interests | - | 1,185 |
| Total equity | 45,521 | 107,274 |
| Total liabilities and stockholders' equity | 143,317 | 220,448 |

TOP SHIPS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Expressed in thousands of U.S. Dollars – except share and per share data)

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| REVENUES: | | | |
| Revenues | 13,075 | 28,433 | 39,363 |
| EXPENSES: | | | |
| Voyage expenses (Note 14) | 370 | 736 | 999 |
| Bareboat charter hire expenses (Note 6) | 5,274 | 6,299 | 6,282 |
| Amortization of prepaid bareboat charter hire (Note 6) | 1,431 | 1,577 | 1,657 |
| Vessel operating expenses (Note 14) | 4,789 | 9,913 | 13,444 |
| Vessel depreciation (Note 4b) | 668 | 3,467 | 5,744 |
| Management fees-related parties (Note 5) | 1,621 | 1,824 | 4,730 |
| General and administrative expenses | 2,983 | 2,906 | 5,805 |
| Other operating loss/ (income) (Note 18) | 274 | (3,137) | (914) |
| Impairment on vessel (Note 4) | 3,081 | - | - |
| Operating (loss)/income | (7,416) | 4,848 | 1,616 |
| OTHER EXPENSES: | | | |
| Interest and finance costs (including $20, $509 and $504 respectively, to related party) (Note 15) | (719) | (3,093) | (15,793) |
| Loss on derivative financial instruments (Note 17) | (392) | (698) | (301) |
| Interest income | - | - | 13 |
| Other, net (Note 9) | 20 | (5) | 1,120 |
| Total other expenses, net | (1,091) | (3,796) | (14,961) |
| Net (loss)/income and comprehensive (loss)/income | (8,507) | 1,052 | (13,345) |
| Deemed dividend for beneficial conversion feature of Series B convertible preferred stock (Note 19) | - | (1,403) | - |
| Equity loss in unconsolidated joint ventures | - | - | (27) |
| Net loss attributable to common shareholders | (8,507) | (351) | (13,372) |
| Attributable to: | | | |
| Common stock holders | (8,507) | (351) | (13,404) |
| Non-controlling interests | - | - | 32 |
| Loss per common share, basic and diluted (Note 13) | (773,364) | (15,955) | (12.57) |

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

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TOP SHIPS INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Expressed in thousands of U.S. Dollars – except number of shares and per share data)

| | Preferred Stock | | Common Stock | | Additional Paid in | Accumulated Deficit | | |
|---|---|---|---|---|---|---|---|---|
| | # of Shares | Par Value | # of Shares* | Par Value* | Capital* | attributable to common stockholders | Non-controlling interest | Total |
| BALANCE, December 31, 2014 | | | 10 | - | 318,315 | (275,786) | - | 42,529 |
| Net loss and comprehensive loss | | | - | - | - | (8,507) | - | (8,507) |
| Stock-based compensation (Note 12) | | | 1 | - | 131 | - | - | 131 |
| BALANCE, December 31, 2015 | | | 11 | - | 318,446 | (284,293) | - | 34,153 |
| Net income and comprehensive income | | | - | - | - | 1,052 | - | 1,052 |
| Stock-based compensation (Note 12) | | | | - | 239 | - | - | 239 |
| Common shares issued in exchange of assumption of Delos Termination Fee (Note 5) | | | 8 | - | 3,796 | - | - | 3,796 |
| Issuance of common stock due to exercise of warrants (Note 11) | | | 12 | | 6,281 | - | - | 6,281 |
| Deemed dividend for Series B convertible preferred stock's beneficial conversion feature (Note 19) | | | - | - | (1,403) | - | - | (1,403) |
| Beneficial conversion feature of Series B convertible preferred stock (Note 19) | | | - | - | 1,403 | - | - | 1,403 |
| BALANCE, December 31, 2016 | | | 31 | - | 328,762 | (283,241) | - | 45,521 |
| Net loss | | | - | - | - | (13,404) | 32 | (13,372) |
| Issuance of common stock pursuant to convertible related party loans (Note 9) | | | 4 | | 2,040 | - | - | 2,040 |
| Issuance of common stock pursuant to the Common Stock Purchase Agreement | | | 632,775 | 6 | 38,383 | - | - | 38,389 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (Note 11) | | | | | | | | |
| Issuance of common stock pursuant to the Crede Common Stock Purchase Agreement (Note 11) | | | 7,148,889 | 72 | 28,561 | - | - | 28,633 |
| Issuance of common stock pursuant to Series C convertible preferred shares conversions (Note 9 and 11) | | | 904,646 | 9 | 8,204 | - | - | 8,213 |
| Series C convertible preferred stock's beneficial conversion feature (Note 9) | | | - | - | 7,500 | - | - | 7,500 |
| Issuance of common stock due to exercise of warrants (Note 11) | | | 219,250 | 2 | 1,538 | - | - | 1,540 |
| Stock-based compensation (Note 12) | | | - | - | (25) | - | - | (25) |
| Non-controlling interest on acquisition of Eco Seven Inc (Note 1) | | | | | | | 5,278 | 5,278 |
| Reduction of non-controlling interest arising from Company's purchase of additional ownership interest in Eco Seven In. (Note 1) | | | | | | | (4,125) | (4,125) |
| Excess of consideration over acquired assets (Note 1) | | | - | - | (12,909) | | | (12,909) |
| Cancellation of fractional shares due to reverse stock splits | | | (4) | - | - | - | - | - |
| Issuance of common stock pursuant to Series B convertible preferred stock conversions reflected in Mezzanine equity (Note 19) | | | 18,026 | | 1,743 | - | - | 1,743 |
| Issuance of Series D preferred stock (Note 11) | 100,000 | 1 | - | - | - | - | - | 1 |
| Additional paid-in capital attributed to non-controlling interests | | | - | - | (1,153) | - | | (1,153) |
| BALANCE, December 31, 2017 | 100,000 | 1 | 8,923,617 | 89 | 402,644 | (296,645) | 1,185 | 107,274 |

*Adjusted to reflect the reverse stock splits effected in May 2017, June 2017, August 2017, October 2017,and March 2018 (see Note 11)

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

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TOP SHIPS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017

(Expressed in thousands of U.S. Dollars)

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| Cash Flows from Operating Activities: | | | |
| Net (loss)/ income | (8,507) | 1,052 | (13,372) |
| Adjustments to reconcile net (loss)/ income to net cash (used in)/provided by operating activities: | | | |
| Vessel depreciation (Note 4) | 668 | 3,467 | 5,744 |
| Other fixed assets depreciation | 127 | 121 | 120 |
| Equity losses in unconsolidated joint ventures | - | - | 27 |
| Non-cash debt conversion expenses | - | - | 842 |
| Amortization and write off of deferred financing costs | 538 | 163 | 1,640 |
| Amortization of debt discount | - | - | 7,500 |
| Stock-based compensation expense (Note 12) | 131 | 239 | (25) |
| Change in fair value of derivative financial instruments (Note 17) | 617 | 682 | (175) |
| Write-off of short term debt (Note 9) | - | - | (1,118) |
| Loss on sale of other fixed assets | - | 22 | - |
| Amortization of prepaid bareboat charter hire (Note 6) | 1,431 | 1,577 | 1,657 |
| Impairment on vessel (Note 4) | 3,081 | - | - |
| Other operating income | - | (3,137) | (914) |
| (Increase)/Decrease in: | | | |
| Trade accounts receivable | (57) | 88 | (602) |
| Inventories | (78) | (181) | (62) |
| Prepayments and other | 340 | (429) | 436 |
| Due from related parties | 25 | (34) | 34 |
| Increase/(Decrease) in: | | | |
| Due to related parties | 110 | 14 | (1,034) |
| Accounts payable | 114 | 954 | (207) |
| Other non-current liabilities | (430) | - | - |
| Accrued liabilities | 503 | 128 | 1,196 |
| Unearned revenue | - | 1,978 | (992) |
| Net Cash (used in)/ provided by Operating Activities | (1,387) | 6,704 | 695 |
| Cash Flows from Investing Activities: | | | |
| Advances for vessels under construction and capitalized expenses (Note 4) | (53,410) | (73,383) | (6,757) |
| Vessel acquisitions (Note 4) | - | - | (34,671) |
| Investments in unconsolidated joint ventures (Note 20) | - | - | (17,639) |
| Net proceeds from sale of vessels (Note 4) | 54,152 | - | - |
| Net proceeds from sale of other fixed assets | - | 29 | - |
| Acquisition of other fixed assets | (6) | - | - |
| Net Cash provided by/(used in) Investing Activities | 736 | (73,354) | (59,067) |

| | | | |
|---|---|---|---|
| Cash Flows from Financing Activities: | | | |
| Proceeds from debt (Note 9) | 24,450 | 65,385 | 24,849 |
| Proceeds from short-term notes (Note 9) | - | - | 68,790 |
| Proceeds from related party debt (Note 9) | 3,850 | 235 | 3,148 |
| Principal payments of debt | (500) | (5,085) | (9,546) |
| Proceeds from issuance of Series C convertible preferred stock (Note 9 and 11) | - | - | 7,500 |
| Prepayment of debt | (19,419) | - | - |
| Prepayment of related party debt (Note 9) | (2,250) | - | (7,233) |
| Excess of purchase price over book value of vessels | - | - | (12,909) |
| Proceeds from common stock purchase agreements | - | - | 9,726 |
| Proceeds from warrant exercises | - | 5,765 | 1,567 |
| Proceeds from issuance of Series B convertible preferred stock | - | 2,001 | - |
| Equity offering issuance costs | (237) | (87) | (1,342) |
| Payment of financing costs | (989) | (388) | (1,159 |
| Net Cash provided by Financing Activities | 4,905 | 67,826 | 83,391 |
| Net increase in cash and cash equivalents and restricted cash | 4,254 | 1,176 | 25,019 |
| Cash and cash equivalents and restricted cash at beginning of year | 164 | 4,418 | 5,594 |
| Cash and cash equivalents and restricted cash at end of the year | 4,418 | 5,594 | 30,613 |
| Cash breakdown | | | |
| Cash and cash equivalents | 2,668 | 127 | 24,081 |
| Restricted cash, current | - | 1,257 | 1,283 |
| Restricted cash, non-current | 1,750 | 4,210 | 5,249 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | | |
| Capital expenditures included in Accounts payable/Accrued liabilities | 1,093 | 205 | 43 |
| Interest paid net of capitalized interest | 189 | 2,434 | 5,103 |
| Finance fees included in Accounts payable/Accrued liabilities | 670 | 67 | 372 |
| Common stock purchase agreements, warrant exercise and Series B convertible preferred stock issuance costs included in liabilities | 515 | 792 | 1,108 |
| Shares issued as consideration for the assumption of liabilities | - | 3,796 | - |
| Beneficial conversion feature of Series B convertible preferred stock (Note 19) | - | 1,403 | - |
| Deemed dividend for beneficial conversion feature of Series B convertible preferred stock (Note 19) | - | (1,403) | - |
| Shares issued in exchange for converting debt, interest & finance fees | - | - | 10,890 |
| Settlement of notes with common stock issued (Note 9 and 11) | - | - | 58,794 |

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016 AND 2017
AND FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Expressed in thousands of United States Dollars – except share, per share earnings and rate per day, unless otherwise stated)

1. Basis of Presentation and General Information:

The accompanying consolidated financial statements include the accounts of Top Ships Inc. (formerly Top Tankers Inc. and Ocean Holdings Inc.) and its wholly owned subsidiaries (collectively the "Company"). Ocean Holdings Inc. was formed on January 10, 2000, under the laws of Marshall Islands and was renamed to Top Tankers Inc. and Top Ships Inc. in May 2004 and December 2007, respectively. The Company is an international provider of worldwide oil, petroleum products and chemicals transportation services.

As of December 31, 2017, the Company was the sole owner of all outstanding shares of the following subsidiary companies. The following list is not exhaustive as the Company has other subsidiaries relating to vessels that have been sold and that remain dormant for the periods presented in these consolidated financial statements as well as intermediary companies that are 100% subsidiaries of the Company that own shipowning companies.

| Companies | Date of Incorporation | Country of Incorporation | Activity |
|---|---|---|---|
| Top Tanker Management Inc. | May 2004 | Marshall Islands | Management company |

| | Wholly owned Shipowning Companies with vessels in operations during years ended December 31, 2015, 2016 and 2017 | Date of Incorporation | Country of Incorporation | Vessel |
|---|---|---|---|---|
| 1 | Monte Carlo 71 Shipping Company Limited | June 2014 | Marshall Islands | M/T Stenaweco Energy (acquired June 2014), sold January 2015 |
| 2 | Monte Carlo One Shipping Company Ltd | June 2012 | Marshall Islands | M/T Stenaweco Evolution (acquired March 2014), sold March 2015 |
| 3 | Monte Carlo Seven Shipping Company Limited | April 2013 | Marshall Islands | M/T Stenaweco Excellence (acquired March 2014) |
| 4 | Monte Carlo Lax Shipping Company Limited | May 2013 | Marshall Islands | M/T Nord Valiant (acquired March 2014) |
| 5 | Monte Carlo 37 Shipping Company Limited | September 2013 | Marshall Islands | M/T Eco Fleet (acquired March 2014) |
| 6 | Monte Carlo 39 Shipping Company Limited | December 2013 | Marshall Islands | M/T Eco Revolution (acquired March 2014 ) |

| | Wholly owned Shipowning Companies with vessels under construction during year ended December 31, 2017 | Date of Incorporation | Country of Incorporation | Vessel |
|---|---|---|---|---|
| 7 | Astarte International Inc | April 2017 | Marshall Islands | M/T Eco Palm Desert (contract acquired April 2017) |
| 8 | PCH77 Shipping Company Limited | | | |

| | | | | |
|---|---|---|---|---|
| | | September 2017 | Marshall Islands | M/T Eco California ( contract acquired November 2017) |

As of December 31, 2017, the Company was the owner of 90% of outstanding shares of the following company.

| | Shipowning Company | Date of Incorporation | Country of Incorporation | Vessel |
|---|---|---|---|---|
| 1 | Eco Seven Inc. | February 2017 | Marshall Islands | M/T Stenaweco Elegance (acquired February, 2017) |

As of December 31, 2017, the Company was the owner of 50% of outstanding shares of the following companies that each owns a vessel under construction.

| | Shipowning Companies | Date of Incorporation | Country of Incorporation | Vessel |
|---|---|---|---|---|
| 1 | City of Athens Inc. | November 2016 | Marshall Islands | M/T Eco Holmby Hills (contract acquired June, 2017) |
| 2 | Eco Nine Inc. | March 2015 | Marshall Islands | M/T Eco Palm Springs (contract acquired June, 2017) |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016 AND 2017
AND FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Expressed in thousands of United States Dollars – except share, per share earnings and rate per day, unless otherwise stated)

On February 20, 2017, the Company acquired a 40% ownership interest in Eco Seven Inc. ("Eco Seven"), a Marshall Islands corporation, from Malibu Shipmanagement Co. ("Malibu"), a Marshall Islands corporation and wholly-owned subsidiary of the Lax Trust, an irrevocable trust established for the benefit of certain family members of Evangelos J. Pistiolis, the Company's President, Chief Executive Officer and Director, for an aggregate purchase price of $6,500, pursuant to a share purchase agreement. On March 30, 2017, the Company acquired another 9% ownership interest in Eco Seven from Malibu for an aggregate purchase price of $1,500. On May 30, 2017, the Company acquired an additional 41% interest in Eco Seven from Malibu, for $6,500, increasing the Company's interest to 90%. The Company controls the board and management of Eco Seven and thus consolidates Eco Seven in its financial statements from February 20, 2017 onwards. Eco Seven owns M/T Stenaweco Elegance, a 50,118 dwt product/chemical tanker that was delivered from Hyundai Vinashin Shipyard Co., Ltd of Vietnam ("Hyundai") on February 28, 2017.

On March 30, 2017, the Company, acquired a 49% ownership interest in City of Athens from Fly Free Company, a Marshall Islands corporation and wholly-owned subsidiary of the Lax Trust, for an aggregate purchase price of $4,200. City of Athens is a party to a newbuilding contract for the construction of M/T Eco Holmby Hills, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery from Hyundai in March 2018. Furthermore on March 30, 2017, the Company, acquired a 49% ownership interest in Eco Nine from Maxima International Co., a Marshall Islands corporation and wholly-owned subsidiary of the Lax Trust, for an aggregate purchase price of $3,500. Eco Nine is a party to a newbuilding contract for the construction of M/T Eco Palm Springs, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery from Hyundai in May 2018. On June 14, 2017 the Company acquired an additional 1% interest in City of Athens and in Eco Nine for an aggregate consideration of $157, increasing the Company's interest in both companies to 50%.

On April 26, 2017, the Company acquired a 100% ownership interest in Astarte International Inc. ("Astarte") from Indigo Maritime Ltd, a Marshall Islands corporation and wholly-owned subsidiary of the Lax Trust, for an aggregate purchase price of $6,000. Astarte is party to a newbuilding contract for the construction of M/T Eco Palm Desert, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery from Hyundai in September 2018.

On November 24, 2017, the Company acquired all of the outstanding shares of PCH77 Shipping Company Limited, a Marshall Islands company that owns a new building contract for M/T Eco California, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery from Hyundai Mipo Dockyard Co., Ltd. in Korea from an entity affiliated with Evangelos J. Pistiolis. The Company paid $3,600 for the outstanding shares and the vessel is scheduled for delivery during January 2019.

The above transactions were approved by a special committee of the Company's board of directors, or the Transaction Committee, of which the majority of the directors were independent. In the course of its deliberations, the Transaction Committee hired and obtained fairness opinions from an independent financial advisor.

The Company accounted for the abovementioned acquisitions as a transfer of assets between entities under common control and has recognized the vessels at their historical carrying amounts at the date of transfer.

The amount of the consideration given in excess of the net assets acquired is recognized as a reduction to the Company's capital and presented as Excess of consideration over acquired assets in the Company's consolidated statement of stockholders' equity for the twelve months ended December 31, 2017. An analysis of the consideration paid is presented in the table below:

| | |
|---|---|
| Consideration in cash | 24,100 |
| Less: Net assets of companies acquired | 11,191 |
| Excess of consideration over acquired assets | 12,909 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016 AND 2017
AND FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Expressed in thousands of United States Dollars – except share, per share earnings and rate per day, unless otherwise stated)

2. Significant Accounting Policies:

(a) Principles of Consolidation: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts and operating results of Top Ships Inc. and its subsidiaries referred to in Note 1. Intercompany balances and transactions have been eliminated on consolidation. Non-controlling interests are stated at the non-controlling interest's proportion of the net assets of the subsidiaries where the Company has less than 100% interest. Subsequent to initial recognition the carrying amount of non-controlling interest is increased or decreased by the non-controlling interest's share of subsequent changes in the equity of such subsidiaries. Total comprehensive income is attributed to a non-controlling interest even if this results in the non-controlling interest having a deficit balance. Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

(b) Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Critical estimates mainly include impairment of vessels, vessel useful lives and residual values and fair values of derivative instruments.

(c) Foreign Currency Translation: The Company's functional currency is the U.S. Dollar because all vessels operate in international shipping markets, and therefore primarily transact business in U.S. Dollars. The Company's books of account are maintained in U.S. Dollars. Transactions involving other currencies during the year 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 to U.S. Dollars based on the year-end exchange rates and any gains and losses are included in the statement of comprehensive loss.

(d) Cash and Cash Equivalents: The Company considers highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

(e) Restricted Cash: The Company considers amounts that are pledged, blocked, held as cash collateral, required to be maintained with a specific bank or be maintained by the Company as minimum cash under the terms of a loan agreement, as restricted and these amounts are presented separately on the balance sheets. In the event original maturities are shorter than twelve months, such deposits are presented as current assets while if original maturities are longer than twelve months, such deposits are presented as non-current assets.

(f) Trade Accounts Receivable, net: The amount shown as trade accounts receivable, net at each balance sheet date, includes estimated recoveries from charterers for hire billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually, combined with the application of a historical recoverability ratio, for purposes of determining the appropriate provision for doubtful accounts. The Company assessed that it had no potentially uncollectible accounts and hence formed no provision for doubtful accounts at December 31, 2016 and 2017 respectively.

(g) Inventories: Inventories consist of lubricants and paints on board the vessels. Inventories may also consist of bunkers when vessels are unemployed or are operating in the spot market. Inventories are stated at the lower of cost or market value. Cost, which consists of the purchase price, is determined by the first in, first out method.

(h) Vessel Cost: Vessels are stated at cost, which consists of the contract price, pre-delivery costs and capitalized interest incurred during the construction of new building vessels, and any material expenses incurred upon acquisition (improvements and delivery costs). Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Repairs and maintenance are charged to expense as incurred and are included in Vessel operating expenses in the accompanying consolidated statements of comprehensive loss.

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(i) Impairment of Long-Lived Assets: The Company evaluates the existence of impairment indicators whenever events or changes in circumstances indicate that the carrying values of the Company's long lived assets are not recoverable. Such indicators of potential impairment include, vessel sales and purchases, business plans and overall market conditions. If there are indications for impairment present, the Company determines undiscounted projected net operating cash flows for each vessel and compares it to the vessel's carrying value. If the carrying value of the related vessel exceeds its undiscounted future net cash flows, the carrying value is reduced to its fair value, and the difference is recognized as an impairment loss.

(j) Vessel Depreciation: Depreciation is calculated using the straight-line method over the estimated useful life of the vessels, after deducting the estimated salvage value. Each vessel's salvage value is equal to the product of its lightweight tonnage and estimated scrap rate, of $300 per lightweight ton. Management estimates the useful life of the Company's 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 over the ability of a vessel to trade on a worldwide basis, its useful life is adjusted at the date such regulations are adopted.

(k) Long Lived Assets Held for Sale: The Company classifies vessels as being held for sale when the following criteria are met: (a) management, having the authority to approve the action, commits to a plan to sell the asset, (b) the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets, (c) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated, (d) the sale of the asset is probable and transfer of the asset is expected to qualify for recognition as a completed sale, within one year, (e) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, (f) 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.

Long-lived assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. These vessels are not depreciated once they meet the criteria to be classified as held for sale.

Long-lived assets previously classified as held for sale that are classified as held and used are revalued at the lower of (a) the carrying amount of the asset before it was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the asset been continuously classified as held and used and (b) the fair value of the asset at the date that the Company decided not to sell the asset.

(l) Other Fixed Assets, Net: Other fixed assets, net, consist of furniture, office equipment, cars and leasehold improvements, stated at cost, which consists of the purchase/contract price less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as presented below:

| Description | Useful Life (years) |
|---|---|
| Leasehold improvements | Until the end of the lease term (December 2024) |
| Cars | 6 |
| Office equipment | 5 |
| Furniture and fittings | 5 |

| | |
|---|---|
| Computer equipment | 3 |

(m) Accounting for Dry-Docking Costs: All dry-docking and special survey costs are expensed in the period incurred.

(n) Financing Costs: Fees incurred and paid to the lenders for obtaining new loans or refinancing existing ones are recorded as a contra to debt and such fees are amortized to interest and finance costs over the life of the related debt using the effective interest method. Unamortized fees relating to loans repaid or refinanced are expensed when a repayment or refinancing is made and charged to interest and finance costs.

(o) Accounting for Revenue and Expenses: Revenues are generated from time charter arrangements. A time charter is a contract for the use of a vessel for a specific period of time and a specified daily charter hire rate, which is generally payable monthly in advance. Vessel operating expenses are expensed as incurred. Unearned revenue represents cash received prior to year-end related to revenue applicable to periods after December 31 of each year.

When vessels are acquired with time charters attached and the rates on such charters are below or above market on the acquisition date, the Company allocates the total cost between the vessel and the fair value of below market time charter based on the relative fair values of the vessel and the liability or asset acquired. The fair value of the attached time charter is computed as the present value of the difference between the contractual amount to be received over the term of the time charter and management's estimates of the market time charter rate at the time of acquisition. The fair value of below or above market time charter is recognized as an intangible liability or asset respectively and is amortized over the remaining period of the time charter as an increase or decrease to revenues.

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The Company pays commissions to ship brokers associated with arranging the Company's charters. These commissions are recognized over the related charter period and are included in voyage expenses.

(p) Stock Incentive Plan: All share-based compensation related to the grant of restricted and/or unrestricted shares provided to employees and to non-employee directors as well as to third party consultants and service providers for their services provided is included in general and administrative expenses in the consolidated statements of comprehensive loss. The shares that do not contain any future service vesting conditions are considered vested shares and recognized in full on the grant date. The shares that contain a time-based service vesting condition are considered non-vested shares on the grant date and recognized on a straight-line basis over the vesting period. The shares granted to employees or directors, vested and non-vested, are measured at fair value which is equal to the market value of the Company's common stock on the grant date. In addition, unvested awards granted to non-employees are measured at their then-current fair value as of the financial reporting dates (Note 12).

(q) Earnings / (Loss) per Share: Basic earnings/(loss) per share are computed by dividing net income or loss available to common stockholders by the weighted average number of common shares deemed outstanding during the year. Diluted earnings/(loss) per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised. For purposes of calculating diluted earnings per share the denominator of the diluted earnings per share calculation includes the incremental shares assumed issued under the treasury stock method weighted for the period the non-vested shares were outstanding. The computation of diluted earnings per share also reflects the potential dilution that could occur if warrants to issue common stock were exercised, to the extent that they are dilutive, using the treasury stock method, as well as the potential dilution that could occur if convertible preferred stock were converted, using the if-converted method. Finally net income or loss available to common stockholders is reduced to reflect any deemed dividends on convertible preferred stock, weighted for the period the convertible preferred shares were outstanding.

(r) Derivatives and Hedging: The Company records every derivative instrument (including certain derivative instruments embedded in other contracts) on the balance sheet as either an asset or liability measured at its fair value, with changes in the derivatives' fair value recognized in earnings unless specific hedge accounting criteria are met. The Company has not applied hedge accounting for its derivative instruments during the periods presented.

(s) Financial liabilities: Financial liabilities are classified as either financial liabilities at 'fair value through the profit and loss' ("FVTPL") or 'other financial liabilities'. Financial instruments classified as FVTPL are recognized at fair value in the balance sheet when the Company has an obligation to perform under the contractual provisions of those instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Changes in the financial instruments are recognized in earnings, except in the cases where these financial instruments fall under the guidance in ASC 815-40, where they are initially classified in equity and are initially measured at fair value in permanent equity and subsequent changes in fair value are not subsequently measured. Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest rate method.

(t) Segment Reporting: The Chief Operating Decision Maker ("CODM"), Mr. Evangelos J. Pistiolis, receives financial information and evaluates the Company's operations by charter revenues and not by the length, type of vessel or type of ship employment for its customers (i.e. time or bareboat charters) or by geographical region as the charterer is free to trade the vessel worldwide and as a result, the disclosure of geographic information is impracticable. The CODM does not use discrete financial information to evaluate the operating results for each such type of charter or vessel. Although revenue can be identified for these types of charters or vessels, management cannot and does not identify expenses, profitability or other financial information for these various types of charters or vessels. As a result, management, including the CODM, reviews operating results solely by revenue per day and operating results of the fleet, and thus the Company has determined that it operates as one reportable segment.

(u) Leasing: Leases are classified as capital leases if they meet at least one of the following criteria: (i) the leased asset automatically transfers title at the end of the lease term; (ii) the lease contains a bargain purchase option; (iii) the lease term equals or exceeds 75% of the remaining estimated economic life of the leased asset; (iv) or the present value of the minimum lease payments equals or exceeds 90% of the excess of fair value of the leased property. If none of the above criteria is met, the lease is accounted for as an operating lease. Operating lease payments are recognized as an operating expense in the consolidated statements of comprehensive loss on a straight-line basis over the lease term. For sale and lease back transactions, when the lease qualifies as an operating lease and the lease back is considered "more than minor but less than substantially all" i.e. the seller-lessee retains more than a minor part but less than substantially all of the use of the asset, the resulting gains or losses are deferred and amortized to income over the lease period.

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(v) Beneficial conversion feature: A beneficial conversion feature is defined as a non detachable conversion feature that is in the money at the commitment date. The beneficial conversion feature guidance requires recognition of the conversion option's in-the-money portion, the intrinsic value of the option, in equity, with an offsetting reduction to the carrying amount of the instrument. The resulting discount is amortized as a dividend over either the life of the instrument, if a stated maturity date exists, or to the earliest conversion date, if there is no stated maturity date. If the earliest conversion date is immediately upon issuance, the dividend must be recognized at inception. When there is a subsequent change to the conversion ratio based on a future occurrence, the new conversion price may trigger the recognition of an additional beneficial conversion feature on occurrence.

(w) Investments in unconsolidated joint ventures: The Company's investments in unconsolidated joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, investments are stated at initial cost and are adjusted for subsequent additional investments and the Company's proportionate share of earnings or losses and distributions. The Company evaluates its investments in unconsolidated joint ventures for impairment when events or circumstances indicate that the carrying value of such investments may have experienced other than temporary decline in value below their carrying value. If the estimated fair value is less than the carrying value and is considered other than a temporary decline, the carrying value is written down to its estimated fair value and the resulting impairment is recorded in the Consolidated Statements of comprehensive loss.

(x) Recent Accounting Pronouncements:

On May 28, 2014, the FASB issued the ASU No 2014-09 Revenue from Contracts with Customers. ASU 2014-09, as amended, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This standard is effective for public entities with reporting periods beginning after December 15, 2017. The Company elected to use the modified retrospective transition method for the implementation of this standard. The implementation of this standard will not have a material impact on the financial statements since the Company's revenues are generated from long term charters which will be subject to ASU 2016-02.

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASU 2016-02"). ASU 2016-02. as amended, is intended to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Accounting by lessors will remain largely unchanged from current U.S. GAAP. The requirements of this standard include an increase in required disclosures. The new standard is effective for public companies for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. Lessees and lessors will be required to apply the new standard at the beginning of the earliest period presented in the financial statements in which they first apply the new guidance, using a modified retrospective transition method. The Company is currently evaluating the effect that adopting this standard will have on the financial statements and related disclosures. Management expects that the Company will recognize increases in reported amounts for vessels and other fixed assets and related lease liabilities upon adoption of the new standard on January 1, 2019 for arrangements where the Company is the lessee. The impact to the Company's financial statements will depend on the vessels the Company has chartered in, as well as the length and nature of such charters. Refer to Note 6 for disclosure about the Company's time charter and lease commitments as of December 31, 2017.

In August 2016, the FASB issued the ASU 2016-15, Classification of certain cash receipts and cash payments. This ASU addresses certain cash flow issues with the objective of reducing the existing diversity in practice. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted, including adoption in an interim period. It must be applied retrospectively to all periods presented but may be applied prospectively from the earliest date practicable, if retrospective application would be impracticable. The Company evaluated the impact of this ASU on its financial statements and determined that there is no impact as the classification of the related cash payments and cash receipts has always been reported as described in the ASU.

During November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows - Restricted Cash, which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. This standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The implementation of this update affects disclosures only and has no impact on the Company's consolidated balance sheets and statements of comprehensive income/(loss). ASU 2016-18 was early adopted by the Company in the period ended December 31, 2017 with retrospective application. The implementation of this update affected the presentation in the statement of cash flows relating to changes in restricted cash which are presented as part of Cash whereas the Company previously presented these within investing activities, and has no impact on the Company's balance sheet and statement of operations.

In January 2017, the Financial Accounting Standards Board ("FASB") issued the ASU 2017-01 Business Combinations to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition (or disposals) of assets or businesses. Under current implementation guidance the existence of an integrated set of acquired activities (inputs and processes that generate outputs) constitutes an acquisition of business. This ASU provides a screen to determine when a set of assets and activities does not constitute a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. The amendments of this ASU should be applied prospectively on or after the effective date. Early adoption is permitted, including adoption in an interim period 1) for transactions for which the acquisition date occurs before the issuance date or effective date of the ASU, only when the transaction has not been reported in financial statements that have been issued or made available for issuance and 2) for transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occur before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. The Company as of January 1, 2017 early adopted this new standard for the new acquisitions. The ASU 2017-01 may have a material impact to the Company's consolidated financial statements and related disclosures, as it may result in more transactions being accounted for as asset acquisitions rather than business combinations.

3. Going Concern:

At December 31, 2017, the Company had positive working capital of $3,474 and cash and cash equivalents of $24,081. As of December 31, 2017, the Company has remaining contractual commitments for the acquisition of its fleet totaling $79,964. On January 31, 2018 the Company entered into a series of newbuilding vessel acquisitions (Note 21) that resulted in the Company adding another $151,485 of contractual commitments, resulting in an amount of total commitments of $231,449. Of this amount, $88,381 are payable in 2018, $65,773 in the first quarter of 2019 and $77,295 in the second quarter of 2019. Of the amount payable in 2018, an amount of $17,091 has been settled as of the date of issuance of these financial statements.

As of December 31, 2017, the Company had available committed undrawn balances of $51,801. The Company expects to finance its unfinanced capital commitments with cash on hand, operational cash flow , debt or equity issuances, or a combination thereof and other sources such as funds from the Company's controlling shareholder and CEO, Mr Pistiolis, if required. If the Company is unable to arrange debt or equity financing for its newbuilding vessels, it is probable that the Company may also consider selling the respective newbuilding contracts. Therefore, there is no substantial doubt about the Company's ability to continue as a going concern, for a reasonable period of time. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities, or any other adjustments that might result in the event the Company is unable to continue as a going concern.

4(a) Advances for Vessels Acquisitions / Under Construction:

An analysis of Advances for vessels acquisitions / under construction is as follows:

| | Advances for vessels acquisitions / under construction | |
|---|---|---|
| Balance, December 31, 2015 | 25,098 | |
| — Additions | 72,495 | |
| — Transferred to Vessels | (97,593 | ) |
| Balance, December 31, 2016 | - | |
| — Advances paid | 5,995 | |
| —Capitalized expenses | 762 | |
| Balance, December 31, 2017 | 6,757 | |

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On January 21, May 20 and August 10, 2016 the Company took delivery of M/T Eco Revolution, M/T Stenaweco Excellence and M/T Nord Valiant respectively. Advances for the construction of newbuilding vessels M/T Eco Palm Desert and M/T Eco California two 50,000 dwt product/chemical tanker that the Company acquired on April 26, 2017 and on November 24, 2017 (see Note 1) amounted to $6,743 and $14 respectively.

4(b) Vessels, net:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

| | Vessel Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| Balance, December 31, 2015 | 32,592 | (548 ) | 32,044 |
| — Transferred from advances for vessels acquisitions / under construction | 97,593 | - | 97,593 |
| — Depreciation | - | (3,467 ) | (3,467 ) |
| Balance, December 31, 2016 | 130,185 | (4,015 ) | 126,170 |
| — Acquisitions | 34,509 | - | 34,509 |
| — Depreciation | - | (5,744 ) | (5,744 ) |
| Balance, December 31, 2017 | 164,694 | (9,759 ) | 154,935 |

On January 29, 2015 and March 31, 2015, the Company sold and leased-back M/T Stenaweco Energy and M/T Stenaweco Evolution respectively (see Note 6) for an aggregate sale price of $28,500 per vessel. The M/T Stenaweco Evolution was sold upon its delivery from the Hyundai Mipo Vinashin shipyard. The sale and leaseback agreements were entered into with non-related parties. Prior to the sale of the M/T Stenaweco Energy, the Company wrote down the vessel to its fair market value, resulting in an impairment charge of $3,081. The fair value of the impaired vessel was determined based on a market approach, which consisted of quotations from well-respected brokers regarding vessels with similar characteristics as compared to the Company's vessel.

In 2016 and 2017 the Company took delivery of the following vessels:

| Vessel Name | Delivery Date | Yard Installments | Capitalized Expenses | Final Carrying Amount | Time Charter |
|---|---|---|---|---|---|
| M/T Eco Revolution | January 21, 2016 | 31,400 | 1,409 | 32,809 | BP Shipping Limited |
| M/T Stenaweco Excellence | May 20, 2016 | 30,778 | 1,475 | 32,253 | Stena Weco A/S |
| M/T Nord Valiant | August 10, 2016 | 30,667 | 1,864 | 32,531 | Dampskibsselskabet NORDEN A/S |
| M/T Stenaweco Elegance | February 28, 2017 | 33,935 | 574 | 34,509 | Stena Weco A/S |

The Company's vessels have been mortgaged as security under it loan facilities (see Note 9).

5. Transactions with Related Parties:

(a) Central Mare– Executive Officers and Other Personnel Agreements: On September 1, 2010, the Company entered into separate agreements with Central Mare pursuant to which Central Mare provides the Company with its executive officers (Chief Executive Officer, Chief Financial Officer, Chief Technical Officer and Executive Vice President).

As of December 31, 2016 the amount due from Central Mare was $34 and as of December 31, 2017 the amount due to Central Mare was $46. These amounts are presented in Due from/to related parties, on the accompanying consolidated balance sheets.

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The fees charged by and expenses relating to Central Mare for the years ended December 31, 2015, 2016 and 2017 are as follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | Presented in: |
| Executive officers and other personnel expenses | 1,560 | 1,530 | 2,400 | General and administrative expenses - Statement of comprehensive loss |
| Amortization of awarded shares* | 131 | 47 | (25) | Management fees - related parties - Statement of comprehensive loss |
| Total | 1,691 | 1,577 | 2,375 | |

*As per the Company's equity incentive plan, or the 2015 plan, (see Note 12), the Company incurred an amortization expense/(gain) of $131, $47 and $(25) relating to shares vesting to Central Mare's nominee, Tankers Family on June 30, 2015, 2016 and 2017 respectively.

On March 27, 2017, our board of directors granted to our Chief Executive Officers a bonus of $1,500 as incentive compensation, in consideration of the successful completion of the company's newbuilding program in 2016.

(b) Central Shipping Monaco SAM ("CSM") – Letter Agreement and Management Agreements: On March 10, 2014, the Company entered into a letter agreement, or the Letter Agreement, with CSM, a related party affiliated with the family of the Company's President, Chief Executive Officer and Director, Evangelos J. Pistiolis, and on March 10, 2014 and June 18, 2014 the Company entered into management agreements, or Management Agreements, between CSM and the Company's vessel-owning subsidiaries respectively. The Letter Agreement can only be terminated subject to an eighteen-month advance notice, subject to a termination fee equal to twelve months of fees payable under the Letter Agreement.

Pursuant to the Letter Agreement, as well as the Management Agreements concluded between CSM and the Company's vessel-owning subsidiaries, the Company pays a technical management fee of $583 per day per vessel for the provision of technical, operation, insurance, bunkering and crew management, commencing three months before the vessel is scheduled to be delivered by the shipyard and a commercial management fee of $318 per day per vessel, commencing from the date the vessel is delivered from the shipyard. In addition, the Management Agreements provide for payment to CSM of: (i) $530 per day for superintendent visits plus actual expenses; (ii) a chartering commission of 1.25% on all freight, hire and demurrage revenues; (iii) a commission of 1.00% on all gross vessel sale proceeds or the purchase price paid for vessels and (iv) a financing fee of 0.2% on derivative agreements and loan financing or refinancing. CSM also performs supervision services for all of the Company's newbuilding vessels while the vessels are under construction, for which the Company pays CSM the actual cost of the supervision services plus a fee of 7% of such supervision services.

CSM provides, at cost, all accounting, reporting and administrative services. Finally, the Letter Agreement provides for a performance incentive fee for the provision of management services to be determined at the discretion of the Company. The Management Agreements have an initial term of five years, after which they will continue to be in effect until terminated by either party subject to an eighteen-month advance notice of termination. Pursuant to the terms of the Management Agreements, all fees payable to CSM are adjusted annually according to the US Consumer

Price Inflation of the previous year.

As of December 31, 2016 and 2017 the amounts due to CSM were $579 and $74 respectively and are presented in Due to related parties, on the accompanying consolidated balance sheets.

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The fees charged by and expenses relating to CSM for the years ended December 31, 2015, 2016 and 2017 are as follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | Presented in: |
| Management fees | 140 | 118 | 34 | Capitalized in Vessels, net / Advances for vessels acquisitions / under construction –Balance sheet |
| | 701 | 1,598 | 2,242 | Management fees - related parties -Statement of comprehensive loss |
| Supervision services fees | 72 | 43 | 31 | Capitalized in Vessels, net / Advances for vessels acquisitions / under construction –Balance sheet |
| Superintendent fees | 66 | 104 | 136 | Vessel operating expenses -Statement of comprehensive loss |
| | 114 | 67 | 22 | Capitalized in Vessels, net / Advances for vessels acquisitions / under construction –Balance sheet |
| Accounting and reporting cost | 189 | 179 | 183 | Management fees - related parties -Statement of comprehensive loss |
| Financing fees | 44 | 131 | 139 | Net in Current and Non-current portions of long-term debt – Balance sheet |
| Commission for sale and purchase of vessels | 570 | - | 1,081 | Management fees - related parties -Statement of comprehensive loss |
| Commission on charter hire agreements | 161 | 358 | 487 | Voyage expenses - Statement of comprehensive loss |
| Performance incentive fee | 600 | - | 1,250 | Management fees - related parties - Statement of comprehensive loss |
| Total | 2,657 | 2,598 | 5,605 | |

For the years ended December 31, 2015, 2016 and 2017, CSM charged the Company newbuilding supervision related pass-through costs amounting to $1,037, $618 and $454 respectively.

(c) Navis Finance AS. ("Navis") – Sale and Purchase Brokerage Agreement: On October 2, 2014, the Company entered into a sale and leaseback brokerage agreement with Navis Finance AS, a company in which Per Christian Haukeness, a member of the Company's Board of Directors, was one of the founding partners and a shareholder until January 2016, when he left Navis and is no longer a shareholder. Pursuant to this agreement, the Company agreed to pay a brokerage commission of 2% on any vessel sale and leaseback for which Navis Finance AS acted as broker. In connection with the sale and leaseback of M/T Stenaweco Energy and M/T Stenaweco Evolution in January and March of 2015, respectively, the Company paid to Navis a total of $1,140 in sale and leaseback brokerage commissions.

(d) Atlantis Ventures Ltd. ("Atlantis") - Unsecured Credit Facility: On January 2, 2015 the Company entered into an unsecured credit facility with Atlantis Ventures Ltd, a related party affiliated with the family of Evangelos J. Pistiolis, for $2,250. The drawdown of the loan took place on January 5, 2015 and it was repaid on January 30, 2015.

(e) Family Trading Inc. ("Family Trading") - Revolving Credit Facility and Assumption of Liabilities: On October 1, 2010, the Company entered into a bareboat charter agreement to lease the vessel M/T Delos until September 30, 2015 for a variable rate per year. On October 15, 2011, the Company terminated the bareboat charter agreement resulting in a termination fee of $5,750 "(the Delos Termination Fee") that remained outstanding until December 31, 2012. On January 1, 2013, the Company entered into an agreement with the owner of M/T Delos for the repayment of the remaining balances of the Delos Termination Fee. On December 10, 2015, the owner of M/T Delos notified the Company that the outstanding balance of the Delos Termination Fee was immediately due and payable, since the Company had been delaying the installments as per the agreed repayment schedule. On January 12, 2016, Family Trading, a related party owned by the Lax Trust, assumed the outstanding balance of the Delos Termination Fee that amounted to $3,796 (the "Family Trading transaction"). As consideration for the assumption of this liability, Family Trading on January 12, 2016 received 7 of the Company's common shares. This transaction was approved by a special committee of the independent directors of the Company. Furthermore on December 23, 2015 the Company entered into an agreement for an unsecured revolving credit facility with Family Trading for up to $15,000 to be used to fund the Company's newbuilding program and working capital relating to the Company's operating vessels. On February 21, 2017, the Company amended and restated the Family Trading Credit Facility (the "Amended Family Trading Credit Facility") (see Note 9). As of December 31, 2016 and 2017 the amounts due to Family Trading were $529 and $0, representing $306 and $0 of interest payable and $223 and $0 of commitment fees payable respectively and are presented in Due to related parties, on the accompanying consolidated balance sheets.

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(f) Vessel Acquisitions from affiliated entities: From February 20 to November 24, 2017 the Company entered into a series of transactions with a number of entities affiliated with Evangelos J. Pistiolis that led to the purchase of M/T Eco Palm Desert and M/T Eco California, 90% interest in M/T Stenaweco Elegance and 50% interests in M/T Eco Holmby Hills and M/T Eco Palm Springs (see Notes 1, 3, 4 and 20).

(g) Charter Party with Central Tankers Chartering Inc ("Central Tankers Chartering"): On September 1, 2017 the Company entered into a time charter party with Central Tankers Chartering, a related party affiliated with the family of Evangelos J. Pistiolis, for the vessel M/T Eco Palm Desert to be delivered from Hyundai in September 2018. The time charter is for a firm period of three years at a daily rate of $14,750 with two optional years at daily rates of $15,250 and $15,750 respectively, at Central Tankers Chartering's option. The time charter carries a 1.25% address commission payable to Central Tankers Chartering. Total revenue backlog from this time charter for the firm period is $15,949, assuming no off-hire days.

6. Leases

A. Lease arrangements, under which the Company acts as the lessee

Bareboat Chartered-in Vessels:

On January 29, 2015 and March 31, 2015, the Company sold and leased back M/T Stenaweco Energy and M/T Stenaweco Evolution respectively (Note 4). The vessels were chartered back on a bareboat basis for 7 years at a bareboat hire of $8,586 and $8,625 per day respectively. In addition, the Company has the option to buy back each vessel from the end of year 3 up to the end of year 7 at purchase prices stipulated in the bareboat agreement depending on when the option is exercised.

The abovementioned sale and leaseback transactions contain, customary covenants and event of default clauses, including cross-default provisions and restrictive covenants and performance requirements. The Company must maintain a consolidated leverage ratio of not more than 75% and maintain minimum free liquidity of $750 per vessel owned and $500 per bareboat chartered-in vessel at all times which is certified quarterly. As of December 31, 2017, the Company is in compliance with the consolidated leverage ratio and the minimum free liquidity covenants.

As of December 31, 2017, cash and cash equivalents amounted to $ 30,613 of which an amount of $4,750 is presented as restricted cash due to the abovementioned minimum liquidity covenant.

The Company has treated the sale and leaseback of the abovementioned vessels as an operating lease. Losses from the sale of these two vessels amounted to $11,600 which are amortized over the duration of the leases. The amortization for the year is presented under Amortization of prepaid bareboat charter hire in the accompanying statement of consolidated loss and amounted to $1,577 and $1,657 for the years ended December 31, 2016 and 2017 respectively.

As at December 31, 2017, the outstanding balance of the Prepaid bareboat charter hire was $6,934, presented in the accompanying consolidated balance sheets as follows:

| | |
|---|---|
| Current portion of Prepaid bareboat charter hire | 1,656 |

| | |
|---|---|
| Non-current portion of Prepaid bareboat charter hire | 5,278 |
| Total | 6,934 |

Future minimum lease payments:

The Company's future minimum lease payments required to be made after December 31, 2017, relating to bareboat chartered-in vessels M/T Stenaweco Energy and M/T Stenaweco Evolution are as follows:

| Year ending December 31, | Bareboat Charter Lease Payments |
|---|---|
| 2018 | 6,282 |
| 2019 | 6,282 |
| 2020 | 6,299 |
| 2021 | 6,282 |
| 2022 | 1,034 |
| Total | 26,179 |

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B. Lease arrangements, under which the Company acts as the lessor

Charter agreements:

In 2017, the Company operated all of its vessels under time charters with Stena Bulk AB, ex Stena Weco AS, (M/T Stenaweco Energy, M/T Stenaweco Evolution, M/T Stenaweco Excellence and M/T Stenaweco Elegance), BP Shipping (M/T Eco Fleet and M/T Eco Revolution) and Dampskibsselskabet NORDEN A/S (M/T Nord Valiant). In arriving at the minimum future charter revenues of the non-cancellable time charter contracts an estimated 15 days off-hire time to perform scheduled dry-docking on each vessel has been deducted, and it has been assumed that no additional off-hire time is incurred, although there is no assurance that such estimate will be reflective of the actual off-hire in the future. In addition, the vessels owned by the Company's joint ventures have been excluded.

As of December 31, 2017, the minimum future charter revenues are as follows:

| Year ending December 31, | Time Charter receipts |
|---|---|
| 2018 | 39,290 |
| 2019 | 39,352 |
| 2020 | 39,030 |
| 2021 | 13,627 |
| Total | 131,299 |

7. Prepayments and other:

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

| | December 31, 2016 | December 31, 2017 |
|---|---|---|
| Prepaid expenses | 670 | 140 |
| Guarantees | 15 | 17 |
| Advances to various creditors | 63 | 119 |
| Other receivables | 116 | 152 |
| Total | 864 | 428 |

8. Inventories:

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

| | December 31, 2016 | December 31, 2017 |
|---|---|---|
| Lubricants | 542 | 574 |
| Consumable stores | 41 | 71 |

| | | |
|---|---|---|
| Total | 583 | 645 |

9. Debt:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

| Bank / Vessel(s) | December 31, 2016 | December 31, 2017 |
|---|---|---|
| Total long term debt: | | |
| ABN (M/T Eco Fleet, M/T Eco Revolution and M/T Nord Valiant) | 59,838 | 53,538 |
| NORD/LB (M/T Stenaweco Excellence) | 22,162 | 20,116 |
| Alpha Bank (M/T Stenaweco Elegance) | - | 22,150 |
| Total long term debt | 82,000 | 95,804 |
| Less: Deferred finance fees | (1,546 ) | (2,038 ) |
| Total long term debt net of deferred finance fees | 80,454 | 93,766 |
| | | |
| Out of which: | | |
| Current portion of long term debt | 7,995 | 9,508 |
| Long term debt | 72,459 | 84,258 |

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| | | |
|---|---|---|
| Short term debt from related parties: | | |
| Family Trading facility | 4,085 | - |
| Less deferred finance fees | - | - |
| Current portion of loans from related parties net of deferred finance fees | 4,085 | - |
| | | |
| Short Term Debt: | | |
| Unsecured Notes | - | 8,878 |
| AT Bank predelivery facility | - | 1,499 |
| Less deferred finance fees | - | (194) |
| Current portion of loans net of deferred finance fees | - | 10,183 |
| | | |
| Total Debt net of deferred finance fees | 84,539 | 103,949 |

(a). LONG-TERM DEBT

ABN Amro Facility

On July 9, 2015, the Company entered into a credit facility with ABN Amro Bank of Holland for $42,000 ("the ABN Amro facility") for the financing of the vessels M/T Eco Fleet and M/T Eco Revolution ($21,000 per financed vessel). This facility was amended on September 28, 2015 and was increased to $44,400 ($22,200 per vessel), with all other terms remaining the same except for the margin which was increased by 0.15%. The credit facility is repayable in 4 consecutive quarterly installments of $500, 4 consecutive quarterly installments of $512.5, 4 consecutive quarterly installments of $525 and 12 consecutive quarterly installments of $387.5 for each of the financed vessels, commencing on October 13, 2015 for M/T Eco Fleet and on April 15, 2016 for M/T Eco Revolution plus a balloon installment of $11,400 for each of the financed vessels, payable together with the last installment in July 2021 and in January 2022, respectively. On August 1, 2016, the Company amended the ABN Facility to increase the borrowing limit to $64,400 and added another tranche to the loan, "Tranche C", which is secured by vessel M/T Nord Valiant. Tranche C is repayable in 12 consecutive quarterly installments of $550 each and 12 consecutive quarterly installments of $363 each, commencing on November 2016, plus a balloon installment of $9,050 payable together with the last installment in August 2022. Apart from the inclusion of M/T Nord Valiant as a collateralized vessel and the reduction of the margin to 3.75% (applicable only to Tranche C), no other material changes were made to the ABN Facility.

The Company drew down $21,000 under the ABN Amro facility on July 13, 2015 to finance the last shipyard installment of M/T Eco Fleet and another $1,200 on September 30, 2015. Furthermore, the Company drew down $22,200 under the ABN facility on January 15, 2016 to finance the last shipyard installment of M/T Eco Revolution. Finally, on August 5, 2016 the Company drew down $20,000 under the Tranche C of the ABN facility to partly finance the last shipyard installments of M/T Nord Valiant.

The facility contains various covenants, including (i) an asset cover ratio of 130%, (ii) a ratio of total net debt to the aggregate market value of the Company's fleet, current or future, of no more than 75% and (iii) minimum free liquidity of $750 per collateralized vessel. Additionally, the facility contains restrictions on the shipowning company incurring further indebtedness or guarantees. It also restricts the shipowning company from paying dividends if such a payment would result in an event of default or in a breach of covenants under the loan agreement.

The facility is secured as follows:

- First priority mortgage over M/T Eco Fleet, M/T Eco Revolution and M/T Nord Valiant;
- Assignment of insurance and earnings of the mortgaged vessels;
- Specific assignment of any time charters with duration of more than 12 months;
- Corporate guarantee of Top Ships Inc.;
- Pledge of the shares of the shipowning subsidiaries;
- Pledge over the earnings account of the vessels.

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On April 21, 2017, the Company was informed by ABN Amro that the Company was in breach of a loan covenant that requires that any member of the family of Mr. Evangelos J. Pistiolis maintain an ownership interest (either directly and/or indirectly through companies beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) of 30% of the Company's outstanding common shares. ABN Amro requested that either the family of Mr. Evangelos J. Pistiolis maintain an ownership interest of at least 30% of the outstanding common shares or maintain a voting rights interest of above 50% in the Company. In order to regain compliance with the loan covenant, the Company issued the Series D preferred shares (see Note 11). On July 28, 2017 ABN Amro by way of a supplemental agreement removed the loan covenant that required that any member of the family of Mr. Evangelos J. Pistiolis maintains an ownership interest of 30% of the Company's issued and outstanding common shares and replaced it with a covenant that states that no other party other than a member of the family of Mr. Evangelos J. Pistiolis (either directly and/or indirectly through companies beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) acquires a voting interest of more than 50% of the Company's share capital, without ABN Amro's prior written approval.

The ABN Amro facility bears interest at LIBOR plus a margin of 3.90%, except for the Tranche C part of the facility that bears interest at LIBOR plus a margin of 3.75%. The applicable three-month LIBOR as of December 31, 2017 was about 1.7%. As of December 31, 2017, the outstanding balance of the ABN Amro facility is $53,538.

NORD/LB Facility

On May 11, 2016, the Company entered into a credit facility with NORD/LB Bank of Germany for $23,185 ("the NORD/LB facility") for the financing of the vessel M/T Stenaweco Excellence. The credit facility is repayable in 12 consecutive quarterly installments of $511 and 16 consecutive quarterly installments of $473, commencing in August 2016, plus a balloon installment of $9,480 payable together with the last installment in May 2023.

The Company drew down $23,185 under the NORD/LB facility on May 13, 2016 to finance the last shipyard installment of the M/T Stenaweco Excellence.

The facility contains various covenants, including (i) an asset cover ratio of 125% for the first three years and 143% thereafter, (ii) a ratio of total net debt to the aggregate market value of the Company's fleet, current or future, of no more than 75% and (iii) minimum free liquidity of $750 per collateralized vessel and $500 per bareboated chartered-in vessel. Additionally, the facility contains restrictions on the shipowning company incurring further indebtedness or guarantees. It also restricts the shipowning company from paying dividends if such a payment would result in an event of default or in a breach of covenants under the loan agreement.

The facility is secured as follows:

- First priority mortgage over M/T Stenaweco Excellence;
- Assignment of insurance and earnings of the mortgaged vessel;
- Specific assignment of any time charters with duration of more than 12 months;
- Corporate guarantee of Top Ships Inc.;
- Pledge of the shares of the shipowning subsidiary;

•Pledge over the earnings account of the vessel.

On May 16, 2017 NORD/LB by way of a supplemental agreement provided a waiver until December 31, 2017 for the breach of the loan covenant that requires that any member of the family of Mr. Evangelos J. Pistiolis maintains an ownership interest (either directly and/or indirectly through companies beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) of 20% of the Company's issued and outstanding common shares. In addition NORD/LB agreed to reduce the abovementioned minimum percentage to 10%. In January 8, 2018 NORD/LB agreed to replace said covenant with a covenant that states that no other party other than a member of the family of Mr. Evangelos J. Pistiolis (either directly and/or indirectly through companies beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) acquires a voting interest of more than 50% of the Company's share capital, without NORD/LB's prior written approval.

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The NORD/LB facility bears interest at LIBOR plus a margin of 3.43%. The applicable three-month LIBOR as of December 31, 2017 was about 1.7%. As of December 31, 2017, the outstanding balance of the NORD/LB facility is $20,116.

Alpha Bank Facility

On July 20, 2016, Eco Seven that was later acquired by the Company entered into a credit facility with Alpha Bank of Greece for $23,350 ("the Alpha facility") for the financing of the vessel M/T Stenaweco Elegance. The credit facility is repayable in 12 consecutive quarterly installments of $400 and 20 consecutive quarterly installments of $303, commencing in May 2017, plus a balloon installment of $12,500 payable together with the last installment in February 2025.

The Company drew down $23,350 under the Alpha facility on February 24, 2017 to finance the last shipyard installment of the M/T Stenaweco Elegance.

The facility contains various covenants, including (i) an asset cover ratio of 125%, (ii) a ratio of total net debt to the aggregate market value of the Company's fleet, current or future, of no more than 75%, (iii) minimum free liquidity of $750 per collateralized vessel, (iv) EBITDA is required to be greater than 120% of fixed charges and (v) market value adjusted net worth is required to be greater than or equal to $20,000. It also restricts the shipowning company from incurring further indebtedness or guarantees and from paying dividends if such a payment would result in an event of default or in a breach of covenants under the loan agreement.

The facility is secured as follows:

- First priority mortgage over M/T Stenaweco Elegance;
- Assignment of insurance and earnings of the mortgaged vessel;
- Specific assignment of any time charters with duration of more than 12 months;
- Corporate guarantee of Top Ships Inc.;
- Pledge of the shares of the shipowning subsidiary;
- Pledge over the earnings account of the vessel.

The Alpha facility bears interest at LIBOR plus a margin of 3.50%. The applicable three-month LIBOR as of December 31, 2017 was about 1.7%. As of December 31, 2017, the outstanding balance of the Alpha facility is $22,150.

AT Bank Facility

On September 5, 2017, the Company entered into a credit facility with AT Bank for $23,500 to fund the delivery of M/T Eco Palm Desert (the "AT Bank Senior Facility"), due for delivery in the third quarter of 2018. This facility is repayable in 20 consecutive quarterly installments of $325, commencing three months from draw down, and a balloon payment of $17,000 payable together with the last installment.

The facility contains various covenants, including (i) an asset cover ratio of 115% for the first year, 120% for the second year, 125% for the third year and 140% thereafter, (ii) a ratio of total net debt to the aggregate market value of the Company's fleet, current or future, of no more than 75% and (iii) minimum free liquidity of $750 per collateralized vessel and $500 per bareboated chartered-in vessel. Additionally, the facility contains restrictions on the shipowning company incurring further indebtedness or guarantees and paying dividends.

The facility is secured as follows:

- First priority mortgage over M/T Eco Palm Desert;
- Assignment of insurance and earnings of the mortgaged vessel;
- Specific assignment of any time charters with duration of more than 12 months;
- Corporate guarantee of Top Ships Inc.;
- Pledge of the shares of the shipowning subsidiary;
- Pledge over the earnings account of the vessel.

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The AT Bank Senior Facility bears interest at LIBOR plus a margin of 4% and a commitment fee of 2% per annum is payable quarterly in arrears over the committed and undrawn portion of the facility, starting from the date of signing the commitment letter. The applicable three-month LIBOR as of December 31, 2017 was about 1.7%. As of December 31, 2017, the Company has not drawn down any amounts under the AT Bank Senior Facility.

(b). SHORT-TERM DEBT

Unsecured Notes

On November 13 and on December 14, 2017 the Company entered into two unsecured notes with Crede Capital Group LLC (the "Crede Notes") as follows:

| Agreement date | Amount drawn | Undrawn Amount | Fees | Interest | Amount settled | Outstanding Amount | Maturity |
|---|---|---|---|---|---|---|---|
| November 13, 2017 | 17,500 | - | - | 11 | (17,500) | - | November 13, 2019 |
| December 14, 2017 | 12,500 | 10,000 | - | 8 | (3,622) | 8,878 | December 14, 2019 |
| | 30,000 | 10,000 | - | 19 | (21,122) | 8,878 | |

The first Crede Note carried a single revolving option for additional $5.0 million that the Company exercised on November 20, 2017, bringing the total drawn amount to $17,500. The second Crede Note carries two revolving options for an additional $5.0 million each. An amount of $21,122 was settled with proceeds from the First and Second Crede Purchase Agreement (Note 11).

The proceeds from the sales of the Crede Notes were used for vessel acquisitions and general corporate purposes. The Notes bear interest at a rate of 2.0% for the period of ninety days starting on the closing date, (ii) 10.0% for the period of ninety days starting on the date that is ninety days immediately following the closing date and (iii) 15.0% starting on the date that is one hundred eighty days immediately following the closing date.

The Crede Notes carry customary covenants and restrictions, including the covenant that all net proceeds that the Company receives from the sale of any equity securities of the Company shall be utilized exclusively to repay any outstanding amounts under the Crede Notes until the Crede Notes are repaid in full. The Crede Notes also restrict the Company from redeeming, repurchasing or declaring any cash dividend or distribution on any of its capital stock (other than any obligations to do so outstanding as of the issuance dates of the Notes), as long as there were outstanding amounts under the Crede Notes.

Unsecured Notes

From February 6 to September 15, 2017 the Company entered into a series of unsecured short term notes (the "Notes") with Kalani Investments Ltd and Xanthe Holdings Ltd as follows:

| Agreement date | Amount drawn | Fees | Interest | Amount settled | Amounts forgiven | Outstanding Amount | Maturity | Counterparty |
|---|---|---|---|---|---|---|---|---|
| February 6, 2017 | 3,500 | 210 | 22 | (3,500) | - | - | May 15, 2017 | Kalani |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| March 22, 2017 | 5,000 | 200 | 7 | (5,000 ) | - | - | October 7, 2017 | Kalani |
| March 28, 2017 | 10,000 | - | 24 | (10,000) | - | - | August 25, 2017 | Kalani |
| April 5, 2017 | 7,700 | - | 42 | (7,700 ) | - | - | September 4, 2017 | Kalani |
| May 15, 2017 | 5,000 | - | 28 | (3,882 ) | (1,118 ) | - | August 23, 2017 | Xanthe |
| June 26, 2017 | 3,000 | - | 2 | (3,000 ) | - | - | October 24, 2017 | Kalani |
| July 12, 2017 | 3,060 | 60 | 16 | (3,060 ) | - | - | November 7, 2017 | Xanthe |
| September 15, 2017 | 2,020 | 20 | 6 | (2,020 ) | - | - | December 14, 2017 | Xanthe |
| | 39,280 | 490 | 147 | (38,162) | (1,118 ) | - | | |

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As of December 31, 2017 all the Notes have been settled except an amount of $1,118 which has been written-off, following discussions with the noteholder Xanthe and is included in "Other, net" in the accompanying consolidated statements of comprehensive loss. All the above, fees, interest and principal were settled with proceeds from the Common stock purchase agreement (Note 11).

The proceeds from the sales of the Notes were used for vessel acquisitions and general corporate purposes. The Notes bore interest at a rate of 6% and carried customary covenants and restrictions, including the covenant that all net proceeds that the Company received from the sale of any equity securities of the Company shall be utilized exclusively to repay any outstanding amounts under the Notes until the Notes are repaid in full. The Notes also restrict the Company from redeeming, repurchasing or declaring any cash dividend or distribution on any of its capital stock (other than any obligations to do so outstanding as of the issuance dates of the Notes), as long as there were outstanding amounts under the Notes.

Series C preferred convertible shares

On February 17, 2017, the Company completed a private placement of 7,500 Series C convertible preferred shares (the "Series C shares") for an aggregate principal amount of $7,500 with Xanthe Holdings Ltd ("Xanthe") a non-U.S. institutional investor, non-affiliated with the Company but affiliated with Kalani Investments Limited ("Kalani") (see Note 11). The Company has accounted for the sale of the Series C shares as a debt issuance since its characteristics are more akin to debt rather than equity and dividends of the Series C shares were accounted as interest. Pursuant to the issuance of the Series C Shares, the Company recognized the beneficial conversion feature ("BCF") by allocating the intrinsic value of the conversion option, which is the number of shares of common stock available upon conversion multiplied by the difference between the effective conversion price per share and the fair value of the Company's common stock per share on the commitment date, to additional paid-in capital. Since the intrinsic value of the BCF at the commitment date was greater than the proceeds allocated to the convertible instrument, the amount of the discount assigned to the BCF was limited to the amount of the proceeds allocated to the convertible instrument. The Company initially recognized $7,500 of debt discount, which it fully amortized in the year ended December 31, 2017, included in Interest and finance costs in the accompanying Statement of comprehensive loss. Series C shares were fully converted into common stock by October 31, 2017 and dividends amounting to $600 were included in Interest and finance costs in the accompanying Statement of comprehensive loss.

AT Bank Predelivery Facility

On September 5, 2017, the Company entered into a credit facility with AT Bank for $8,993 for the pre-delivery financing of M/T Eco Palm Desert (the "AT Bank Predelivery Facility"). This facility can be drawn down in five tranches to finance in full the last five pre-delivery instalments of M/T Eco Palm Desert due for payment between August 2017 and May 2018 and will be repaid from the proceeds of the AT Bank Senior Facility on the drawdown of the latter.

The facility contains various covenants, including a ratio of total net debt to the aggregate market value of the Company's fleet, current or future, of no more than 75% and minimum free liquidity of $750 per collateralized vessel and $500 per bareboated chartered-in vessel. Additionally, the facility contains restrictions on the subsidiary that owns the newbuilding contract from incurring further indebtedness or guarantees and from paying any dividends.

The facility is secured as follows:

- Assignment to the bank of the newbuilding contract and of the respective refund guarantee of M/T Eco Palm Desert;
- Corporate guarantee of Top Ships Inc.;
- Pledge of the shares of the subsidiary owning the newbuilding contract;

The AT Bank Predelivery Facility bears interest at LIBOR plus a margin of 8.5% and a commitment fee of 4.25% per annum is payable quarterly in arrears over the committed and undrawn portion of the facility, starting from the date of signing the commitment letter. The applicable three-month LIBOR as of December 31, 2017 was about 1.7%. The Company drew down $1,499 under the AT Bank Predelivery Facility in September 2017, to finance one shipyard installment of M/T Eco Palm Desert and as of December 31, 2017 the outstanding balance of the facility is $1,499 and has an undrawn balance of $7,494.

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(c). SHORT-TERM DEBT FROM RELATED PARTIES

Amended Family Trading Credit Facility

On December 23, 2015, the Company entered into an unsecured revolving credit facility with Family Trading ("the Family Trading facility"), a related party owned by the Lax Trust, for up to $15,000 to be used to fund the Company's newbuilding program and working capital relating to the Company's operating vessels. This facility was repayable in cash no later than December 31, 2016, but the Company had the option to extend the facility's repayment up to December 31, 2017. On December 28, 2016 the maturity of the Family Trading facility was extended to January 31, 2017 and on January 27, 2017 the maturity of the Family Trading loan was extended to February 28, 2017 with all terms remaining the same.

On February 21, 2017, the Company amended and restated the Family Trading Credit Facility (the "Amended Family Trading Credit Facility") in order to, among other things, remove any limitation in the use of funds drawn down under the facility, reduce the mandatory cash payment due under the facility when the Company raises capital through the issuance of certain securities, remove the revolving feature of the facility, and extend the facility for up to three years. Additionally, the interest rate of the facility increased to 10% (from 9%) and the commitment fee decreased to 2.5% (from 5%). Further, under the terms of the Amended Family Trading Credit Facility, if the Company raises capital via the issuance of warrants, debt or equity, it is obliged to repay any amounts due under the Amended Family Trading Credit Facility and any accrued interest and fees up to the time of the issuance in cash or in common shares at Family Trading's option. Family Trading retains the right to delay this mandatory repayment at its absolute discretion. For the first six months after the execution of the facility, no more than $3,500 could be mandatorily prepaid in cash. Subject to certain adjustments pursuant to the terms of the Amended Family Trading Credit Facility, the number of common shares to be issued as repayment of the amounts outstanding under the facility will be calculated by dividing the amount redeemed by 80% of the lowest daily Volume-Weighted Average Price ("VWAP") of the Company's common shares on the Nasdaq Capital Market during the twenty consecutive trading days ending on the trading day prior to the payment date (the "Applicable Price"), provided, however, that at no time shall the Applicable Price be lower than $0.60 per common share (the "Floor Price").

Further, in the case where the Company raises capital (whether publicly or privately) and the Applicable Price is higher than the lowest of (henceforth the "Issuance Price"):

a. the price per share issued upon an equity offering of the Company;
b. the exercise price of warrants or options for common shares;
c. the conversion price of any convertible security into common shares; or
d. the implied exchange price of the common shares pursuant to an asset to equity or liability to equity swap,

then the Applicable Price will be reduced to the Issuance Price. Finally, in case the Applicable Price is higher than the exercise price of the Company's warrants, the Applicable Price will be reduced to the exercise price of such outstanding warrants.

As of December 31, 2016 and 2017, the outstanding amount under the Amended Family Trading Credit Facility is $4,085 and $0, respectively. The Company during 2017 has drawn $3,148 and repaid $7,233 and has an undrawn balance of $11,852 under the Amended Family Trading Credit Facility.

The Company during the year ended December 31, 2017 issued 4 common shares as payment for $1,198 of accrued fees and interest under the Amended Family Trading Credit Facility, that resulted in additional non-cash debt conversion expenses amounting to $842, included in Interest and finance costs in the accompanying Statement of comprehensive loss.

Related party interest expense for the year ended December 31, 2015, 2016 and 2017 incurred in connection with this credit facility, amounted to $4, $302 and $111 respectively and is included in interest and finance costs in the accompanying consolidated statements of comprehensive loss. Related party commitment fees for the year ended December 31, 2015, 2016 and 2017 incurred in connection with this credit facility, amounted to $16, $207 and $366 respectively and are included in interest and finance costs in the accompanying consolidated statements of comprehensive loss. Deferred financing costs of $341 are included in the line item "Deferred financing costs" in accompanying consolidated balance sheets for December 31, 2017.

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Scheduled Principal Repayments: The Company's annual principal payments required to be made after December 31, 2017 on its loan obligations, are as follows (assuming that the Company will not draw any additional funds under the Family Trading or the AT Bank Predelivery Facilities):

| Years | |
|---|---|
| December 31, 2018 | 19,099 |
| December 31, 2019 | 10,118 |
| December 31, 2020 | 9,050 |
| December 31, 2021 | 19,965 |
| December 31, 2022 | 26,326 |
| December 31, 2023 and thereafter | 43,624 |
| Total | 128,182 |

As of December 31, 2017, the Company was in compliance with all debt covenants with respect to its loans and credit facilities.

Financing Costs: The net additions in deferred financing costs amounted to $812 and $2,667 during the years ended December 31, 2016 and 2017 respectively. For 2016, the respective amount relates to $533 of arrangement fees, $131 of financing fees paid to CSM as per the provisions of the Letter Agreement between the latter and the Company (see Note 5) and $111 of legal fees and $37 of commitment fees, all relating to the ABN Amro and NORD/LB facilities. For 2017, the respective amount relates to $646 of arrangement fees, commitment fees and legal fees relating to the AT Bank facilities, $625 of fees relating to the extension of the Family Trading Facility, $490 of arrangement fees relating to the Notes, $470 of arrangement fees, commitment fees and legal fees relating to the Alpha Bank Facility, $297 of arrangement fees, commitment fees and legal fees relating to the Series C shares and $139 of financing fees paid to CSM as per the provisions of the Letter Agreement between the latter and the Company.

10. Commitments and Contingencies:

<u>Legal proceedings:</u>

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. As part of the normal course of operations, the Company's customers may disagree on amounts due to the Company under the provision of the contracts which are normally settled through negotiations with the customer. Disputed amounts are normally reflected in revenues at such time as the Company reaches agreement with the customer on the amounts due.

On August 23, 2017, a purported securities class action complaint was filed in the United States District Court for the Eastern District of New York (No. 2:17-cv-04987(JMA)(SIL)) by Christopher Brady on behalf of himself and all others similarly situated against (among other defendants) the Company and two of its executive officers. The complaint is brought on behalf of an alleged class of those who purchased common stock of the Company between January 17, 2017 and August 22, 2017, and alleges that the Company and two of its executive officers violated Sections 9, 10(b) and/or 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On August 24, 2017, a second purported securities class action complaint was filed in the same court against the same defendants (No. 2:17-cv-05016(LDW)(AYS)) which makes similar allegations and purports to allege violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. Other similar complaints may be filed in the future. The Company will respond to these complaints (or an amended and/or consolidated complaint) by the appropriate deadline to be set in the future. The Company and its management believe that the allegations in the complaints are without merit and plan to vigorously defend themselves against the allegations.

Other than the cases mentioned above, the Company is not a party to any material litigation where claims or counterclaims have been filed against the Company other than routine legal proceedings incidental to its business.

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Capital Expenditures under the Company's Newbuilding program:

From March 30, 2017 to November 14, 2017 the Company entered into a series of transactions with a number of entities affiliated with Evangelos J. Pistiolis that led to the purchase of 50% interest in two newbuilding vessels (M/T Eco Holmby Hills and M/T Eco Palm Springs) and 100% interest in another two newbuilding vessels (M/T Eco Palm Desert and M/T Eco California). As a result of these transactions, the Company has remaining contractual commitments for the acquisition of its fleet totaling $79,964, including $9,970, $12,213, $23,981 and $33,800 pursuant to newbuilding agreements for M/T Eco Holmby Hills, M/T Eco Palm Springs, M/T Eco Palm Desert and M/T Eco California respectively. Of these contractual commitments, $59,684 is payable in 2018 and $20,280 in 2019.

On January 31, 2018 the Company entered into a series of newbuilding vessel acquisitions (note 21) that resulted in the Company adding another $151,485 of contractual commitments, out of which $28,697 is payable in 2018 and $122,788 in 2019.

Environmental Liabilities:

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.

11. Common and Preferred Stock, Additional Paid-In Capital and Dividends:

Reverse stock split: On May 11 2017, June 23 2017, August 3 2017, October 6 2017 and March 26 2018, the Company effected a 1-for-20, a 1-for-15, a 1-for-30, a 1-for-2 and a 1-for-10 reverse stock split of its common stock respectively. There was no change in the number of authorized common shares of the Company. All number of share and earnings per share amounts, as well as warrant shares eligible for purchase under the Company's Warrants, in these financial statements have been retroactively adjusted to reflect these reverse stock splits.

Series C preferred convertible shares: On February 17, 2017, the Company completed a private placement of 7,500 Series C convertible preferred shares (the "Series C shares") for an aggregate principal amount of $7,500 with Xanthe. The Series C shares were convertible at the lesser of the following two prices: (i) $ 675,000.00 and (ii) 75% of the lowest daily VWAP of the Company's common shares over the twenty-one (21) consecutive trading day period ending on the trading day immediately prior to such date of determination, but in no event could the conversion price be less than $0.25. The Series C shares could not be converted if, after giving effect to the conversion, a holder together with certain related parties would beneficially own in excess of 4.99% of the Company's outstanding common shares. Holders of Series C shares had no voting rights. The Company at its option had the right to redeem the outstanding Series C shares at an amount equal to 120% of the Conversion Amount being redeemed. The Series C shares were subject to redemption in cash at the option of the holders thereof at any time after the occurrence and continuance of a Triggering Event. A Triggering Event included, among other things, certain bankruptcy proceedings, the delisting of the Company's common shares from Nasdaq, failure to timely deliver common shares upon conversion, failure to pay cash upon redemption, or failure to observe or perform certain covenants. Further, at any time after the tenth business day before the first year anniversary of the issuance of the Series C shares, the holders had the right to require the

Company to redeem all or any number of Series C shares held at a purchase price equal to 100% of the Conversion Amount of such shares. The holders of Series C shares were entitled to receive quarterly dividends at a rate of 8% per annum payable in common shares, except that any dividend not paid in common shares would be payable in cash. Capitalized terms are defined in the Statement of Designations of the Series C shares. During the year ended December 31, 2017 the Company issued 904,646 common shares upon the conversion of 7,500 Series C shares and the payment of $600 in dividends. Also in consideration for entering into the agreement, the Company has issued $113 of its common stock to Xanthe as a commitment fee. As of December 31, 2017 all Series C shares have been converted to common stock.

Series D preferred shares: On May 8, 2017, the Company issued 100,000 shares of Series D preferred shares (the "Series D shares") to Tankers Family Inc., a company controlled by Lax Trust for $1 pursuant to a stock purchase agreement. The Series D shares are not convertible into common shares and each Series D share has the voting power of 1,000 common shares. The Series D shares have no dividend or distribution rights and shall expire and all outstanding Series D shares shall be redeemed by the Company for par value on the date the currently outstanding loans with ABN Amro and NORD/LB, or loans with any other financial institution, which contain covenants that require that any member of the family of Mr. Evangelos J. Pistiolis maintain a specific minimum ownership or voting interest (either directly and/or indirectly through companies or other entities beneficially owned by any member of the Pistiolis family and/or trusts or foundations of which any member of the Pistiolis family are beneficiaries) of the Company's issued and outstanding common shares, respectively, are fully repaid or reach their maturity date. The Series D shares shall not be otherwise redeemable and upon any liquidation, dissolution or winding up of the Company, the Series D shares shall have a liquidation preference of $0.01 per share.

Common stock purchase agreement: On February 2, 2017, the Company, entered into an agreement with Kalani, under which the Company could sell up to $40,341 of its common stock to Kalani over a period of 24 months, subject to certain limitations (the "Common stock purchase agreement"). Proceeds from sales of common stock were used for general corporate purposes. Kalani had no right to require any sales and was obligated to purchase the common stock as directed by the Company, subject to certain limitations set forth in the agreement. In consideration for entering into the agreement, the Company has issued $606 of its common stock to Kalani as a commitment fee. No warrants, derivatives, or other share classes are associated with this agreement. As of December 31, 2017, the Company had received proceeds (net of 1% commitment fees), amounting to $39,937 and issued 632,775 common shares, out of which 6 shares refer to commitment fees. During the year ended December 31, 2017, the Common stock purchase agreement was amended four times in order to increase the amount of the offering and the commitment fee and on October 12, 2017 the Common stock purchase agreement was completed.

First Crede Purchase Agreement: On November 7, 2017, the Company, entered into an agreement with Crede, pursuant to which the Company could sell up to $25,000 of shares of its common stock, to Crede over a period of 24 months, subject to certain limitations (the "First Crede Purchase Agreement"). In consideration for entering into the First Crede Purchase Agreement, the Company agreed to issue up to $500 of shares of its common stock, to Crede as a commitment fee. Crede had no right to require any sales and was obligated to purchase the common stock as directed by the Company, subject to certain limitations set forth in the agreement. Proceeds from sales of common stock were used for general corporate purposes. No warrants, derivatives, or other share classes are associated with this agreement. As of December 31, 2017, the Company had received proceeds, amounting to $25,000 and issued 5,382,972 common shares, out of which 150,000 shares refer to commitment fees. On December 14, 2017 the First Crede Purchase Agreement was completed.

Second Crede Purchase Agreement: On December 11, 2017, the Company, entered into a second agreement with Crede, pursuant to which the Company can sell another $25,000 of shares of its common stock, to Crede over a period of 24 months, subject to certain limitations (the "Second Crede Purchase Agreement"). In consideration for entering into the Second Crede Purchase Agreement, the Company agreed to issue up to $500 of shares of its common stock, to Crede as a commitment fee. Crede has no right to require any sales and is obligated to purchase the common stock as directed by the Company, subject to certain limitations set forth in the agreement. Proceeds from sales of common stock are to be used for general corporate purposes. No warrants, derivatives, or other share classes are associated with this agreement. As of December 31, 2017, the Company had received proceeds, amounting to $4,072 and issued 1,765,915 common shares, out of which 115,915 shares refer to commitment fees.

Warrants: During the year ended December 31, 2017 the Company issued 219,251 common shares upon the exercise of 697,017 Warrants. As of December 31, 2017 the Company had 1,976,389 Warrants outstanding relating to the follow-on offering of June 6, 2014 (the "Warrants"), which entitle their holders to purchase 2,134,501 of the Company's common shares at an exercise price of $2.30, as it may be further adjusted. Furthermore the issuance of the Series C shares constituted an issuance of Variable Price Securities (as defined in the Warrant Agreement) and that, pursuant to Section 2(d) of the Warrant Agreement, each holder shall have the right, but not the obligation, to, in any exercise of Warrants, designate the Variable Price (as defined in the Warrant Agreement) at which the Series C shares are convertible, namely the lesser of: (i) $675,000 and (ii) 75% of the lowest daily VWAP of the Company's common shares over the twenty-one (21) consecutive trading day period ending on the trading day immediately prior to such date of determination, but in no event will the conversion price be less than $0.25.

The Warrants have a number of round down protection measures embedded in the warrant agreement. These measures provide for a downward adjustment of the exercise price of each warrant in the following cases:

- Issuance of common shares: if the Company issues, sells or is deemed to have issued or sold any common shares for a consideration per share less than the exercise price of the Warrants then the latter shall be reduced to match the reduced consideration per share.
- Issuance of options or convertible securities: if the Company issues or sells any options at a strike price that is lower than the exercise price of the Warrants then the latter will be reduced to match the strike price of the options. If the Company issues convertibles that end up converting at a price per share that is lower than the exercise price of the Warrants then the latter will be reduced to match the conversion price per share.
- Holder's right of alternative exercise price following issuance of certain options or convertible securities: if the Company issues or sells any options or convertible securities that are convertible into or exchangeable or exercisable for common shares at a price which varies or may vary with the market price of the common shares (Variable Price), the warrant holder shall have the right, but not the obligation, to substitute the Variable Price for the exercise price of the Warrants.
- Other events: if the Company takes any action that results in the dilution of the warrant holder not covered by the abovementioned round down protection measures (including, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company shall determine and implement an appropriate adjustment in the exercise price so as to protect the rights of the warrant holder.

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The above list is not exhaustive and for a more comprehensive and complete list of round down protection measures one should read the warrant agreement.

Issuance of Warrants as part of the underwriting agreement: On June 6, 2014, the Company entered into an underwriting agreement in connection with the Company's follow-on offering with AEGIS, an unaffiliated party. Pursuant to this agreement, the Company granted to AEGIS 300,000 Warrants. Each warrant grants AEGIS the option to purchase one common share of the Company, at an exercise price of $4,500,000 (per share), which is exercisable at any time (American style option) from June 6, 2015 onwards and expires five years from the grant date.

Dividends: No dividends were paid to common stock holders in the years ended December 31, 2015, 2016 and 2017. An amount of $600 in common shares was paid to holders of Series C shares during year ended December 31, 2017.

12. Stock Incentive Plan:

On April 15, 2015, the Company's Board of Directors adopted the 2015 Stock Incentive Plan, or the 2015 Plan, under which the Company's directors, officers, key employees, consultants and service providers to the Company may be granted non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, unrestricted stock and other-equity based-related awards. One common share was reserved for issuance under the 2015 Plan, which is administered by the Compensation Committee of the Board of Directors.

On April 15, 2015, the Company granted and issued one restricted share to a nominee of Central Mare (Tankers Family Inc), a related party owned by the Lax Trust, under the 2015 Plan. The share will vest equally over a period of eight years from the date of grant. The fair value of each share on the grant date was $1,962,000.

On February 25, 2016, the Company granted and issued 0.3 restricted common shares to Sovereign Holdings Inc, a company owned by the Lax Trust. The fair value of the Company's share price at the time of the grant was $504,000. The Company recognized an expense of $192 pursuant to this grant. This expense has been included in General and administrative expenses in the consolidated statements of comprehensive loss for the year ended December 31, 2016.

A summary of the status of the Company's non-vested shares relating to the 2015 Plan as of December 31, 2017 and movement during the years ended December 31, 2016 and 2017, is presented below:

| | Non-vested Shares | Fair value |
|---|---|---|
| As of December 31, 2015 | 0.8 | 576,000 |
| Vested shares on June 30, 2016 | 0.125 | 304,200 |
| As of December 31, 2016 | 0.675 | 405,000 |
| Vested shares on June 30, 2017 | 0.125 | 252 |
| As of December 31, 2017 | 0.55 | 2.50 |

For the years ended December 31, 2015, 2016, and 2017 the equity compensation expense that has been charged in the consolidated statements of comprehensive loss was $131, $47 and $(25) for the Non-Employee awards, respectively. This expense has been included in Management fees-related parties in the consolidated statements of comprehensive loss for each respective year. As of December 31, 2017 the total compensation benefit related to non vested awards is $153 (assuming that all future share vestings under the 2015 plan would be effected at the Company's closing stock price on December 31, 2017, i.e. at $2.50 per share, here used as an estimate of the Company's future stock price on the respective future vesting dates) and is expected to be recognized over a weighted average period of 4.5 years. The Company uses the straight-line method to recognize the cost of the awards.

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13. Loss Per Common Share:

All shares issued (including non-vested shares issued under the Company's stock incentive plans) are included in the Company's common stock and have equal rights to vote and participate in dividends and in undistributed earnings. Non-vested shares do not have a contractual obligation to share in the losses. Dividends declared during the period for non-vested common stock as well as undistributed earnings allocated to non-vested stock are deducted from net income or loss attributable to common shareholders for the purpose of the computation of basic earnings per share in accordance with two-class method as required by relevant guidance.

For purposes of calculating diluted earnings per share the denominator of the diluted earnings per share calculation includes:

- any incremental shares assumed issued under the treasury stock method weighted for the period the non-vested shares were outstanding,
- the potential dilution that could occur if warrants to issue common stock (see Note 11) were exercised, to the extent that they are dilutive, using the treasury stock method,
- the potential dilution that could occur if Series B convertible preferred shares were converted, using the if-converted method weighted for the period the Series B convertible preferred shares were outstanding,
- the potential dilution that could occur if Series C shares were converted (see Note 11), using the if-converted method weighted for the period the Series C shares were outstanding,
- the potential dilution that could occur if the outstanding balance of principal, interest and fees of the Family Trading facility were converted (see Note 9), using the if-converted method,
- the potential dilution that could occur if the Company completes all sales pursuant to its Common stock purchase agreement, using the if-converted method, and
- any shares granted and vested but not issued up to the reporting date.

The components of the calculation of basic and diluted earnings per share for the years ended December 2015, 2016 and 2017 are as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2016 | 2017 |
| Income: | | | |
| Net loss attributable to common shareholders | (8,507) | (351) | (13,404) |
| | | | |
| Earnings per share: | | | |
| Weighted average common shares outstanding, basic and diluted | 11 | 22 | 1,063,381 |
| Loss per share, basic and diluted | (773,364) | (15,955) | (12.57) |

For the years ended December 31, 2015, 2016 and 2017 no dilutive shares were included in the computation of diluted earnings per share because to do so would have been antidilutive for the period presented.

14. Voyage and Vessel Operating Expenses:

The amounts in the accompanying consolidated statements of comprehensive loss are as follows:

| Voyage Expenses | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2016 | 2017 |
| Port charges / other voyage expenses | 27 | - | 10 |
| Bunkers | 27 | 20 | 15 |
| Commissions | 316 | 716 | 974 |
| Total | 370 | 736 | 999 |

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| Vessel Operating Expenses | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2016 | 2017 |
| Crew wages and related costs | 3,090 | 6,885 | 9,228 |
| Insurance | 268 | 542 | 777 |
| Repairs and maintenance | 297 | 520 | 973 |
| Spares and consumable stores | 1,109 | 1,923 | 2,374 |
| Registration and tonnage taxes (Note 16) | 25 | 43 | 92 |
| Total | 4,789 | 9,913 | 13,444 |

15. Interest and Finance Costs:

The amounts in the accompanying consolidated statements of comprehensive loss are analyzed as follows (expressed in thousands of U.S. Dollars):

| Interest and Finance Costs | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2016 | 2017 |
| Gross interest on debt (including $4, $302 and $138, respectively, to related party) (Note 9) | 503 | 3,208 | 5,724 |
| Delos termination fee interest (Note 5) | 101 | 3 | - |
| Bank charges and loan commitment fees (including $16, $207 and $366, respectively, to related party) | 26 | 262 | 440 |
| Amortization and write-off of financing fees | 538 | 291 | 1,640 |
| Amortization of Debt Discount (Note 9) | - | - | 7,500 |
| Non-cash debt conversion expenses | - | - | 842 |
| Total | 1,168 | 3,764 | 16,146 |
| Less interest capitalized | (449 ) | (671 ) | (353 ) |
| Total | 719 | 3,093 | 15,793 |

16. Income Taxes:

Marshall Islands, Cyprus and Liberia do not impose a tax on international shipping income. Under the laws of Marshall Islands, Cyprus and Liberia, the countries of the companies' incorporation and vessels' registration, the companies are subject to registration and tonnage taxes, which have been included in Vessel operating expenses in the accompanying consolidated statements of comprehensive loss.

The Company and its subsidiaries were not subject to United States federal income taxation in respect of income that is derived from the international operation of ships and the performance of services directly related as they qualified for the exemption of Section 883 of the Internal Revenue Code of 1986, as amended.

17. Financial Instruments:

The principal financial assets of the Company consist of cash on hand and at banks, restricted cash, prepaid expenses and other receivables. The principal financial liabilities of the Company consist of short and long term loans, related party loans, accounts payable due to suppliers, amounts due from/to related parties, accrued liabilities, interest rate swaps, convertible preferred shares and warrants granted to third parties.

a) Interest rate risk: The Company is subject to market risks relating to changes in interest rates relating to debt outstanding under its bank loan facilities on which it pays interest based on LIBOR plus a margin. In order to manage part or whole of its exposure to changes in interest rates due to this floating rate indebtedness, the Company has entered into three interest rate swap agreements with ABN Amro Bank, another interest rate swap agreement with NORD/LB Bank and might enter into more interest rate swap agreements in the future.

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b) Credit risk: Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash. The Company places its temporary cash investments, consisting mostly of deposits, with high credit qualified financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions with which it places its temporary cash investments.

c) Fair value:

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents and restricted cash are considered Level 1 items as they represent liquid assets with short term maturities. The Company considers its creditworthiness when determining the fair value of the credit facilities.

The fair value of bank debt approximates the recorded value due to its variable interest rate, being the LIBOR. LIBOR rates are observable at commonly quoted intervals for the full term of the loans and, hence, bank loans are considered Level 2 items in accordance with the fair value hierarchy.

The fair value of interest rate swaps is determined using a discounted cash flow method taking into account current and future interest rates and the creditworthiness of both the financial instrument counterparty and the Company and, hence, they are considered Level 2 items in accordance with the fair value hierarchy.

The fair value of Warrants is determined using the Cox, Ross and Rubinstein Binomial methodology and hence are considered Level 3 items in accordance with the fair value hierarchy.

The Company follows the accounting guidance for Fair Value Measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The guidance requires assets and liabilities carried at fair value to be classified and disclosed in one of the following three 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.

Interest rate swap agreements
The Company has entered into interest rate swap transactions to manage interest costs and the risk associated with changing interest rates with respect to its variable interest rate credit facilities. These interest rate swap transactions fixed the interest rates based on predetermined ranges in LIBOR rates. The Company has entered into the following agreements with ABN Amro Bank and Nord/LB Bank relating to interest rate swaps, the details of which were as follows:

| Agreement Date | Counterparty | Effective (start) date: | Termination Date: | Notional amount on effective | Interest rate payable |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| | | | | date | |
| June 3, 2016 | ABN Amro Bank | April 13, 2018 | Ju1y 13, 2021 | $ 16,575 | 1.4425 % |
| December 19, 2016 | ABN Amro Bank | December 21, 2016 | January 13, 2022 | $ 20,700 | 2.0800 % |
| December 19, 2016 | ABN Amro Bank | December 21, 2016 | August 10, 2022 | $ 19,450 | 2.1250 % |
| March 29, 2017 | NORD/LB Bank | May 17, 2017 | May 17, 2023 | $ 21,139 | 2.1900 % |

The fair value of the swaps was considered by the Company to be classified as Level 2 in the fair value hierarchy since their value was being derived by observable market based inputs. The Company pays a fixed rate and receives a floating rate for these interest rate swaps. The fair values of these derivatives determined through Level 2 of the fair value hierarchy were derived principally from, or corroborated by, observable market data. Inputs included quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allowed values to be determined.

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Warrant liability

The Company's derivatives outstanding as of December 31, 2016 and 2017, are recorded at their fair values. As of December 31, 2017 the Company's derivatives consisted of 2,134,501 warrant shares outstanding, issued in connection with the Company's follow-on offering that closed on June 11, 2014 (see Note 11), as depicted in the following table:

| Warrants Outstanding December 31, 2016 | Warrant Shares Outstanding December 31, 2016 | Term | Warrant Exercise Price* | Fair Value – Liability December 31, 2016 |
|---|---|---|---|---|
| 2,673,406 | 347,543 | 5 years | $19.70 | 3,222 |

* Applying the Variable Exercise Price

| Warrants Outstanding December 31, 2017 | Warrant Shares Outstanding December 31, 2017 | Term | Warrant Exercise Price | Fair Value – Liability December 31, 2017 |
|---|---|---|---|---|
| 1,976,389 | 2,134,501 | 5 years | $2.30 | 3,332 |

Fair value of financial liabilities

The following table presents the fair value of those financial assets and liabilities measured at fair value on a recurring basis and their locations on the accompanying consolidated balance sheets, analyzed by fair value measurement hierarchy level:

| | | Fair Value Measurement at Reporting Date Using | | |
|---|---|---|---|---|
| As of December 31, 2016 | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
| Non-current asset | 300 | - | 300 | - |
| Non-current liability | 3,563 | - | 341 | 3,222 |
| As of December 31, 2017 | | | | |
| Non-current asset | 394 | - | 394 | - |
| Non-current liability | 3,335 | - | 3 | 3,332 |

The following table sets forth a summary of changes in fair value of the Company's level 3 fair value measurements for the years ended December 31, 2016 and 2017:

| | |
|---|---|
| Closing balance – December 31, 2015 | 3,216 |
| Change in fair value of Warrants, included in the consolidated statements of comprehensive loss | 641 |
| Adjustment for cashless exercise of Warrants, included in Additional paid-in capital line item of consolidated balance sheets | (635 ) |

| | |
|---|---|
| Closing balance – December 31, 2016 | 3,222 |
| Change in fair value of Warrants, included in the consolidated statements of comprehensive loss | 256 |
| Adjustment for cashless exercise of Warrants, included in Additional paid-in capital line item of consolidated balance sheets | (146 ) |
| Closing balance – December 31, 2017 | 3,332 |

Derivative Financial Instruments not designated as hedging instruments:
The Company's interest rate swaps did not qualify for hedge accounting. The Company estimates the fair value of its derivative financial instruments at the end of every period and reflects the resulting unrealized gain or loss during the period in Loss on derivative financial instruments in the statement of comprehensive loss as well as presenting the fair value at the end of each period in the balance sheet.

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The major unobservable input in connection with the valuation of the Company's Warrants is the volatility used in the valuation model, which is approximated by using 2-year weekly historical observations of the Company's share price. The annualized 2-year weekly historical volatility that has been applied in the warrant valuation as of December 31, 2017 was 233%. A 5% increase in the volatility applied would lead to an increase of 4.0% in the fair value of the Warrants. The fair value of the Company's Warrants is considered by the Company to be classified as Level 3 in the fair value hierarchy since it is derived by unobservable inputs.

Quantitative information about Level 3 Fair Value Measurements

| Derivative type | Fair Value at December 31, 2016 | Fair Value at December 31, 2017 | Balance Sheet Location | Valuation Technique | Significant Unobservable Input | Value December 31, 2016 | Value December 31, 2017 |
|---|---|---|---|---|---|---|---|
| Warrants | 3,222 | 3,332 | Non-Current liabilities –Derivative financial instruments | Cox, Ross and Rubinstein Binomial | Volatility | 104.70 % | 233 % |

Information on the location and amounts of derivative financial instruments fair values in the balance sheet and derivative financial instrument losses in the statement of comprehensive loss are presented below:

| | Amount of gain/(loss) recognized in Statement of comprehensive loss located in Loss on derivate financial instruments | | |
|---|---|---|---|
| | 2015 | 2016 | 2017 |
| Interest rate swaps- change in fair value | - | (41 ) | 431 |
| Interest rate swaps– realized gain/(loss) | 225 | (16 ) | (476) |
| Warrants- change in fair value | (617) | (641) | (256) |
| Total | (392) | (698) | (301) |

18. Other operating (loss)/ income

During the year ended December 31, 2017 the Company wrote-off $914 of accrued liabilities of vessels sold in 2009, mainly relating to unearned revenue.

During the year ended December 31, 2016 the Company wrote-off $3,137 of accrued liabilities of vessels sold from 2006 to 2008, mainly relating to $2,043 of unearned revenue and $1,094 of related brokerage commissions, as the time frame for the Company's counterparties to claim these amounts had expired.

19. Mezzanine Equity

Issuance of convertible preferred stock: On November 22, 2016, the Company, entered into a securities purchase agreement with YA II CD, LTD., or Yorkville for the sale of 2,106 newly designated Series B convertible preferred stock. Yorkville purchased 1,579 Series B convertible preferred stock on November 22, 2016 and 527 Series B convertible preferred stock on November 28, 2016. The preferred stock was issued to Yorkville through a registered direct offering. The total net proceeds from the offering, after deducting offering fees and expenses, were $1,741. The holders of Series B convertible preferred shares were entitled to such number of votes as would have been equal to the number of the Company's common shares then issuable upon a conversion of each Series B convertible preferred share (subject to an ownership limitation of 4.99%) on all matters submitted to a vote of the stockholders of the Company. The Series B convertible preferred stock were convertible into a number of the Company's common shares equal to the quotient of $1 divided by the lesser of the following two prices: (i) $504,000 (per share) and (ii) 85% of the lowest daily VWAP of the Company's common shares over the 10 consecutive trading days expiring on the trading day immediately prior to the date of delivery of a conversion notice, but in no event will this conversion price be less than $1.00 (per share). The holders of Series B convertible preferred stock are not entitled to dividends or a redemption in cash except in the case of an event of default (a "Triggering Event"). A Triggering Event includes, among other things, certain bankruptcy proceedings, the delisting of the Company's common shares from Nasdaq, failure to timely deliver common shares upon conversion, failure to pay cash upon redemption, or failure to observe or

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perform certain covenants. All the issued Series B convertible preferred stock were converted in 2017. The Company retained the right at all times to redeem a portion or all of the outstanding Series B Convertible Preferred Shares. The Company would have paid an amount equal to $1 per each Series B Convertible Preferred Share, or the Liquidation Amount, plus a redemption premium equal to twenty percent (20%) of the Liquidation Amount being redeemed. Pursuant to the issuance of the convertible preferred stock, the Company recognized the beneficial conversion feature by allocating the intrinsic value of the conversion option, which is the number of shares of common stock available upon conversion multiplied by the difference between the effective conversion price per share and the fair value of the Company's common stock per share on the commitment date, to additional paid-in capital, resulting in a discount of $1,403 on the Series B convertible preferred stock. The Company has accreted the whole discount in the year ended December 31, 2016. As the Company was in an accumulated deficit position, the offsetting amount was amortized as a deemed dividend charged against additional paid-in-capital for common shares, as there were no retained earnings from which to declare a dividend.

The following table summarizes the activity in mezzanine equity since issuance of the preferred shares:

| Series B convertible preferred stock | Total |
|---|---|
| BALANCE, December 31, 2015 | - |
| Net Proceeds from Issuance of Series B convertible preferred stock | 1,741 |
| Deemed dividend for beneficial conversion feature | 1,403 |
| Beneficial conversion feature | (1,403) |
| Balance December 31, 2016 | 1,741 |
| Conversions of Series B convertible preferred stock | (1,741) |
| Balance December 31, 2017 | - |

During the year ended December 31, 2017 the Company issued 18,026 common shares upon the conversion of 2,106 Series B convertible preferred shares. As of December 31, 2017 all Series B convertible shares have been converted to common stock.

20. Investments in unconsolidated joint ventures

On March 30, 2017, the Company, acquired a 49% ownership interest in City of Athens from Fly Free Company, a Marshall Islands corporation and wholly-owned subsidiary of the Lax Trust, for an aggregate purchase price of $4,200. City of Athens is a party to a newbuilding contract for the construction of M/T Eco Holmby Hills, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery from Hyundai in March 2018. Furthermore on March 30, 2017, acquired a 49% ownership interest in Eco Nine from Maxima International Co., a Marshall Islands corporation and wholly-owned subsidiary of the Lax Trust, for an aggregate purchase price of $3,500. Eco Nine is a party to a newbuilding contract for the construction of M/T Eco Palm Springs, a 50,000 dwt newbuilding product/chemical tanker scheduled for delivery from Hyundai in May 2018. On June 14, 2017 the Company acquired an additional 1% interest in City of Athens and in Eco Nine for an aggregate consideration of $157, increasing the Company's interest in both companies to 50%. Fees and costs related to the investments amounting to $353 were accounted for as part of the investment.

On June 30, 2017 the Lax Trust sold its 50% remaining interest in City of Athens and in Eco Nine to Gunvor S.A. ("Gunvor"), a non-affiliated company and on July 7, 2017 the Company entered into a joint venture agreement with Gunvor. Furthermore, upon the delivery of both vessels from Hyundai, each of the two vessels will enter into time charter employments with Clearlake Shipping Pte Ltd, a subsidiary of Gunvor, for three years firm plus two additional optional years. The Company's exposure is limited to its share of the net assets of City of Athens and Eco Nine proportionate to its 50% equity interest in these companies. Generally, the Company will share the profits and losses, cash flows and other matters relating to its investments in City of Athens and in Eco Nine in accordance with its ownership percentage. The vessels will be managed by CSM, pursuant to management agreements. The Company accounts for investments in joint ventures using the equity method since it has joint control over the investment. The Company is obligated to contribute funds for yard installments in relation to the construction of the newbuilding vessels of the companies, as needed and proportionate to its 50% equity interest in these companies.

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During the year ended December 31 2017 the Company advanced $5,233 to City of Athens and $3,738 to Eco Nine respectively to cover upcoming newbuilding installments and $324 to City of Athens and $135 to Eco Nine respectively to cover predelivery expenses. Furthermore on September 25, 2017 City of Athens and Eco Nine signed an indicative term sheet with ABN Amro Bank for a senior facility of $38,280 for the financing of the delivery installments of M/T Eco Holmby Hills and M/T Eco Palm Springs.

A condensed summary of the financial information for equity accounted investments 50% owned by the Company shown on a 100% basis are as follows:

| | December 31, 2017 | |
|---|---|---|
| | City of Athens | Eco Nine |
| Current assets | 218 | 4 |
| Non-current assets | 12,664 | 7,840 |
| Current liabilities | 68 | - |
| Long-term liabilities | - | - |
| Net operating revenues | - | - |
| Net loss | (20 ) | (35 ) |

21. Subsequent Events

On January 2, 2018, the Compensation Committee recommended to the Board of Directors (the "Board") of the Company and the Board approved an award of $2,250, in cash as incentive compensation to Mr. Evangelos J. Pistiolis, or his nominee, to be distributed at his own discretion amongst executives pursuant to an employment agreement between the Company and Central Mare Inc. dated September 1, 2010.

On January 2, 2018, the Compensation Committee recommended to the Board and the Board approved an award of $1,250, in cash as incentive compensation to CSM, pursuant to the management agreement between the Company and CSM dated March 10, 2014.

On January 5, 2018, the Company entered into an Amendment to the Note Purchase Agreement with Crede, pursuant to which the Company issued an unsecured promissory note in the original principal amount of $5,369 with a single revolving option for additional $4,631. On February 9, 2018 the Note Purchase Agreement was further amended to increase the last revolving option to $6,400 and on the same date the Company exercised said option in full.

On January 31, 2018 the Company acquired:

a. 100% of the issued and outstanding shares of PCH Dreaming Inc., a Marshall Islands company that has entered into a new building contract for a high specification 50,000 dwt Medium Range ("MR") product/chemical tanker under construction at Hyundai Mipo Dockyard Co., Ltd. in South Korea and scheduled for delivery during March 2019. The Company has acquired the shares from Ships International Inc., an entity affiliated with the Company's Chief Executive Officer, for an aggregate purchase price of $3,950. Following its delivery, the vessel will enter into a time charter with an entity affiliated with the seller for a firm duration of one year at a gross daily rate of $16,000, with a charterer's option to extend for two additional years at $17,000 and $18,000, respectively. The acquisition of PCH Dreaming Inc. created contractual commitments to the Company amounting to $35,800, as no amounts had been previously paid to the shipyard by the seller.

b. 100% of the issued and outstanding shares of South California Inc., a Marshall Islands company that has entered into a new building contract for a high specification, scrubber-equipped, 157,000 dwt Suezmax Crude Oil Carrier under construction at Hyundai Samho Heavy Industries Co. Ltd. in South Korea and scheduled for delivery during April 2019. The Company has acquired the shares from the seller for an aggregate purchase price of $8,950. Following its delivery, the vessel will enter into a time charter with an entity affiliated with the Seller for a firm duration of one year at a gross daily rate of $25,000, with a charterer's option to extend for two additional years at $26,000 and $27,000, respectively. The acquisition of South California Inc. created contractual commitments to the Company amounting to $57,843, as no amounts had been previously paid to the shipyard by the seller.

c. 100% of the issued outstanding shares of Malibu Warrior Inc., a Marshall Islands company that has entered into a new building contract for a high specification, scrubber-equipped, 157,000 dwt Suezmax Crude Oil Carrier under construction at Hyundai Samho Heavy Industries Co. Ltd. in South Korea and scheduled for delivery during May 2019. The Company has acquired the shares from the seller for an aggregate purchase price of $8,950. Following its delivery, the vessel will enter into a time charter with an entity affiliated with the Seller for a firm duration of one year at a gross daily rate of $25,000, with a charterer's option to extend for two additional years at $26,000 and $27,000, respectively. The acquisition of Malibu Warrior Inc. created contractual commitments to the Company amounting to $57,842, as no amounts had been previously paid to the shipyard by the seller.

d. 10% of the issued and outstanding shares of Eco Seven Inc., a Marshall Islands company that owns M/T Stena Elegance, a high specification 50,000 dwt MR product/chemical tanker delivered in February 2017 at Hyundai Vinashin. The Company has acquired the shares from an entity affiliated with the Company's Chief Executive Officer for an aggregate purchase price of $1,600. As a result of the transaction the Company will own 100% of the issued and outstanding shares of Eco Seven Inc.

Each of the acquisitions was approved by a special committee of the Company's board of directors, (the "Transaction Committee"), of which all of the directors were independent. In the course of its deliberations, the Transaction Committee hired and obtained an opinion on the fairness of the consideration of this transaction from two independent financial advisors.

On March 12, 2018 our 50% owned subsidiaries City of Athens and in Eco Nine entered into a loan agreement with ABN Amro Bank for a senior debt facility of up to $35,896 to fund, the delivery of M/T Eco Holmby Hills and M/T Eco Palm Springs ($17,948 for each vessel). The loan will be payable in 20 consecutive quarterly installments of $299 per vessel, commencing three months from draw down, and a balloon payment of $11,968 per vessel payable together with the last installment. The credit facility will bear interest at LIBOR plus a margin of 2.90%.

On March 15, 2018, our 50% owned subsidiary City of Athens took delivery of M/T Eco Holmby Hills, a 50,000 dwt newbuilding product/chemical tanker constructed at the Hyundai Mipo Vinashin shipyard. On March 20, 2018 the vessel commenced its' time charter agreement with Clearlake Shipping Pte Ltd.