

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

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 001-33655

PARAGON SHIPPING INC.

(Exact name of Registrant as specified in its charter)

Paragon Shipping Inc.

(Translation of Registrant's name into English)

Republic of the Marshall Islands

(Jurisdiction of incorporation or organization)

15 Karamanli Ave., GR 166 73, Voula, Greece

(Address of principal executive offices)

Aikaterini Stoupa, +30 210 891 4600, k.stoupa@paragonshipping.gr

15 Karamanli Ave., GR 166 73, Voula, 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

Common shares, \$0.001 par value
Preferred stock purchase rights
8.375% Senior Notes due 2021

Name of each exchange on which registered

Nasdaq Global Market
Nasdaq Global Market
Nasdaq Global Market

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

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, 2014, there were 24,809,142 shares of the registrant's Common Stock, par value \$0.001 per share, outstanding.

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

Yes No

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

Yes No

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

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

Yes No

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

U.S. GAAP

International Financial Reporting
Standards as issued by the International
Accounting Standards

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 No

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS		1
PART I		2
Item 1.	Identity of Directors, Senior Management and Advisers	2
Item 2.	Offer Statistics and Expected Timetable	2
Item 3.	Key Information	2
Item 4.	Information on the Company	32
Item 4A.	Unresolved Staff Comments	49
Item 5.	Operating and Financial Review and Prospects	49
Item 6.	Directors, Senior Management and Employees	73
Item 7.	Major Shareholders and Related Party Transactions	78
Item 8.	Financial information	84
Item 9.	Listing Details	85
Item 10.	Additional Information	86
Item 11.	Quantitative and Qualitative Disclosures about Market Risk	96
Item 12.	Description of Securities Other than Equity Securities	97
PART II		98
Item 13.	Defaults, Dividend Arrearages and Delinquencies	98
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	98
Item 15.	Controls and Procedures	98
Item 16.	Reserved	99
Item 16A.	Audit Committee Financial Expert	99
Item 16B.	Code of Ethics	99
Item 16C.	Principal Accountant Fees and Services	100
Item 16D.	Exemptions from the Listing Standards for Audit Committees	100
Item 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	100
Item 16F.	Change in Registrant's Certifying Accountant	100
Item 16G.	Corporate Governance	100
Item 16H.	Mine Safety Disclosure	101
PART III		102
Item 17.	Financial Statements	102
Item 18.	Financial Statements	102
Item 19.	Exhibits	102
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS		F-1

FORWARD-LOOKING STATEMENTS

Paragon Shipping Inc., or the Company, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect" and similar expressions identify forward-looking statements. The Company assumes no obligation to update or revise any forward-looking statements. Forward-looking statements in this annual report on Form 20-F and written or oral forward-looking statements attributable to the Company or its representatives after the date of this Form 20-F are qualified in their entirety by the cautionary statement contained in this paragraph and in other reports hereafter filed by the Company with the Securities and Exchange Commission, or the SEC.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, 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, which 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 important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include: the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the drybulk shipping industry, changes in the Company's operating expenses, including bunker prices, dry-docking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the SEC.

Please note in this annual report, references to "we," "us," "our," and "the Company," all refer to Paragon Shipping Inc. and its subsidiaries, unless otherwise stated or the context otherwise requires.

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

A. Selected Consolidated Financial Data

The following table sets forth our selected consolidated financial data and other operating data, which are stated in U.S. dollars, other than share data, as of and for the years ended December 31, 2010, 2011, 2012, 2013 and 2014. The selected data is derived from our audited consolidated financial statements and notes thereto, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.

Our audited consolidated statements of operations, shareholders' equity and cash flows for the years ended December 31, 2012, 2013 and 2014, and the consolidated balance sheets at December 31, 2013 and 2014, together with the notes thereto, are included elsewhere in this annual report. The following data should be read in conjunction with "Item 5. Operating and Financial Review and Prospects," the consolidated financial statements, related notes and other financial information included elsewhere in this annual report.

Following the 10-for-1 reverse stock split effectuated on November 5, 2012, pursuant to which every ten shares of our common stock issued and outstanding were converted into one share of common stock, all share and per share amounts disclosed in the table below and in our consolidated financial statements included at the end of this annual report have been retroactively restated to reflect this change in capital structure. Please refer to "Item 4. Information on the Company – A. History and development of the Company."

	2010	2011	2012	2013	2014
STATEMENT OF COMPREHENSIVE INCOME / (LOSS) DATA (Expressed in United States Dollars, except for share data)					
Net revenue	\$ 111,700,109	\$ 86,907,967	\$ 50,300,679	\$ 56,256,756	\$ 54,763,678
Operating income / (loss)	34,121,346	(275,225,740)	2,293,932	(2,954,345)	(33,831,017)
Net income / (loss)	22,895,280	(283,498,759)	(17,557,125)	(16,953,032)	(51,796,181)
Comprehensive income / (loss)	22,895,280	(283,498,759)	(18,184,229)	(16,585,739)	(51,687,356)
Earnings / (loss) per Class A common share, basic and diluted	\$ 4.43	\$ (47.61)	\$ (2.84)	\$ (1.31)	\$ (2.18)
Weighted average number of Class A common shares, basic and diluted	4,981,272	5,793,792	6,035,910	12,639,128	23,326,062
Dividends declared per Class A common share	\$ 2.00	\$ 0.50	—	—	—

Year ended December 31,

OTHER FINANCIAL DATA (Expressed in United States Dollars)	2010	2011	2012	2013	2014
Net cash from / (used in) operating activities	\$ 60,613,801	\$ 45,467,429	\$ 13,376,809	\$ 4,563,696	\$ (6,181,843)
Net cash (used in) / from investing activities	(142,151,113)	43,673,793	(15,702,244)	(6,441,495)	(104,546,565)
Net cash (used in) / from financing activities	(17,634,931)	(109,365,640)	5,438,803	15,502,871	86,456,958

As of December 31,

BALANCE SHEET DATA (Expressed in United States Dollars)	2010	2011	2012	2013	2014
Total current assets	\$ 55,503,278	\$ 37,457,564	\$ 31,333,204	\$ 44,220,084	\$ 26,688,017
Total assets	821,276,010	432,073,937	419,974,902	419,545,980	460,965,117
Total current liabilities	45,212,355	40,486,845	21,971,886	23,655,911	28,482,791
Long-term debt	282,757,012	169,096,000	181,114,926	162,857,176	210,064,414
Total liabilities	330,804,343	210,849,790	204,454,389	186,895,203	238,564,574
Capital stock	5,587	6,090	11,001	17,669	24,809
Total shareholders' equity / net assets	490,471,667	221,224,147	215,520,513	232,650,777	222,400,543

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Industry Specific Risk Factors

The drybulk shipping industry is cyclical and volatile, with charter hire rates and profitability currently at depressed levels, and the recent global economic recession has resulted in decreased demand for drybulk shipping, which has and may continue to negatively impact our operations.

The drybulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The degree of charter hire rate volatility among different types of drybulk carriers varies widely; however, the continued downturn in the drybulk charter market has severely affected the entire drybulk shipping industry and charter hire rates for drybulk vessels have declined significantly from historically high levels in 2008. Fluctuations in charter rates result from changes in the supply of and demand for vessel capacity and changes in the supply of and demand for drybulk cargoes carried internationally at sea, including coal, iron ore, grain and minerals. Because the factors affecting the supply of and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable. We cannot assure you that we will be able to successfully charter our vessels in the future or renew existing charters upon their expiration or termination, all of which are scheduled to expire in 2015, assuming the earliest redelivery dates, at rates sufficient to allow us to meet our obligations or at all.

Factors that influence demand for vessel capacity include:

- supply of and demand for energy resources, commodities and drybulk cargoes;
- changes in the exploration or production of energy resources commodities, and drybulk cargoes;
- the location of regional and global exploration, production and manufacturing facilities;
- the location of consuming regions for energy resources, commodities and drybulk cargoes;
- the globalization of production and manufacturing;
- global and regional economic and political conditions, including armed conflicts and terrorist activities, embargoes and strikes;
- developments in international trade;
- changes in seaborne and other transportation patterns, including the distance cargo is transported by sea;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

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

- the number of newbuilding deliveries;
- port and canal congestion;
- the scrapping rate of older vessels;
- vessel casualties; and
- the number of vessels that are out of service, namely those that are laid-up, dry-docked, awaiting repairs or otherwise not available for hire.

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance and insurance coverage, the efficiency and age profile of the existing drybulk fleet in the market and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions.

We anticipate that the future demand for our drybulk carriers will be dependent upon economic growth in the world's economies, including China and India, seasonal and regional changes in demand, changes in the capacity of the global drybulk carrier fleet and the sources and supply of drybulk cargoes to be transported by sea. Given the large number of new drybulk carriers currently on order with the shipyards, the capacity of the global drybulk carrier fleet seems likely to increase and there can be no assurance that economic growth will resume or continue. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

The downturn in the drybulk carrier charter market has had and may continue to have an adverse effect on our revenues, earnings and profitability, and may adversely affect our ability to comply with our debt covenants.

The downturn in the drybulk charter market, from which we derive our revenues, has severely affected the entire drybulk shipping industry and our business. The Baltic Dry Index, or the BDI, an index published by the Baltic Exchange Limited of shipping rates for key drybulk routes, which has long been viewed as the main benchmark to monitor the movements of the drybulk vessel charter market and the performance of the entire drybulk shipping market, declined 94% from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and has remained volatile since that time. During 2014, the BDI remained volatile, ranging from a high of 2,113 to a low of 723. The BDI recorded a 25-year record low of 509 in February 2015 and has since increased to 586 as of April 15, 2015.

The downturn and volatility in drybulk charter rates has had a number of adverse consequences for drybulk shipping, including, among other things:

- an absence of financing for vessels;
- no active second-hand market for the sale of vessels;
- extremely low charter rates, particularly for vessels employed in the spot market;
- widespread loan covenant defaults in the drybulk shipping industry; and
- declaration of bankruptcy by some operators, shipowners, as well as charterers.

The occurrence of one or more of these events could adversely affect our business, results of operations, cash flows and financial condition.

The decline and volatility in charter rates in the drybulk market also affects the value of our drybulk vessels, which follows the trends of drybulk charter rates, and earnings on our charters, and similarly, affects our cash flows, liquidity and ability to comply with the financial and security coverage ratio covenants contained in our debt agreements. There can be no assurance as to how long charter rates and vessel values will remain at their current levels and the market could decline. If charter rates and vessel values in the drybulk market decline and remain at low levels for any significant period in 2015, this will have an adverse effect on our revenues, profitability, cash flows and our ability to maintain compliance with the financial and security coverage ratio covenants contained in our debt agreements.

If economic conditions throughout the world do not improve, it will impede our results of operations, financial condition and cash flows, and could cause the market price of our common shares to further decline.

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. The world economy continues to face a number of challenges, including uncertainty related to the continuing discussions in the United States regarding the federal debt ceiling and turmoil and hostilities in the Middle East, North Africa and other geographic areas and countries and continuing economic weakness in the European Union. The downturn in the global economy has caused, and may continue to cause, a decrease in worldwide demand for certain goods and, thus, shipping. While market conditions have improved since 2008, continuing economic and governmental factors, together with the concurrent decline in charter rates and vessel values, have had a material adverse effect on our results of operations, financial condition and cash flows, have caused the price of our common shares to decline and could cause the price of our common shares to decline further.

The economies of the United States, the European Union and other parts of the world continue to experience relatively slow growth or remain in recession and exhibit weak economic trends. Over the past five years, credit markets in the United States and Europe have experienced significant contraction, deleveraging and reduced liquidity. While credit conditions are improving, global financial markets and economic conditions have been, and continue to be, disrupted and volatile. Since 2008, lending by financial institutions worldwide remains at lower levels compared to the period preceding 2008. As of December 31, 2014, we had total outstanding indebtedness of \$230.8 million under our debt agreements, which include our credit and loan facilities and the indenture governing our 8.375% Senior Notes due 2021, or our Notes.

Continued economic slowdown in the Asia Pacific region, especially in Japan and China, may exacerbate the effect on us of the recent slowdown in the rest of the world. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. The growth rate of China's GDP is estimated to be around 7.4%, down from a growth rate of 7.7% for the year ended December 31, 2013, and remaining below pre-2008 levels. China and other countries in the Asia Pacific region may continue to experience slowed or even negative economic growth in the future. Our results of operations and ability to grow our fleet would be impeded by a continuing or worsening economic downturn in any of these countries.

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 September 2012, the European Council established a permanent stability mechanism, the European Stability Mechanism, or the ESM, 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. Potential adverse developments in the outlook for European countries could reduce the overall demand for drybulk cargoes and for our services. Market perceptions concerning these and related issues could affect our financial position, results of operations and cash flow.

The current state of global financial markets and current economic conditions may adversely impact our ability to obtain additional financing or refinance our existing debt agreements on acceptable terms which may hinder or prevent us from expanding our business.

Global financial markets and economic conditions continue to be volatile. This volatility has negatively affected the general willingness of banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. The current state of global financial markets might adversely impact our ability to issue additional equity at prices which will not be dilutive to our existing shareholders or preclude us from issuing equity at all.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, we cannot be certain that additional financing will be available if needed and to the extent required, or that we will be able to refinance our existing debt agreements, on acceptable terms or at all. If additional financing or refinancing 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.

A decrease in the level of China's export of goods or an increase in trade protectionism could have a material adverse impact on our charterers' business and, in turn, could cause a material adverse impact on our results of operations, financial condition and cash flows.

China exports considerably more goods than it imports. Our vessels may be deployed on routes involving trade in and out of emerging markets, and our charterers' shipping and business revenue may be derived from the shipment of goods from the Asia Pacific region to various overseas export markets including the United States and Europe. Any reduction in or hindrance to the output of China-based exporters could have a material adverse effect on the growth rate of China's exports and on our charterers' business. For instance, the government of China has recently implemented economic policies aimed at increasing domestic consumption of Chinese-made goods. This may have the effect of reducing the supply of goods available for export and may, in turn, result in a decrease of demand for drybulk shipping. Additionally, though in China there is an increasing level of autonomy and a gradual shift in emphasis to a "market economy" and enterprise reform, many of the reforms, particularly some limited price reforms that result in the prices for certain commodities being principally determined by market forces, are unprecedented or experimental and may be subject to revision, change or abolition. The level of imports to and exports from China could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government.

Our operations expose us to the risk that increased trade protectionism will adversely affect our business. If the global economic recovery is undermined by downside risks and the recent economic downturn is prolonged, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing the demand for shipping. Specifically, increasing trade protectionism in the markets that our charterers serve has caused and may continue to cause an increase in: (i) the cost of goods exported from China, (ii) the length of time required to deliver goods from China and (iii) the risks associated with exporting goods from China, as well as a decrease in the quantity of goods to be shipped.

Any increased trade barriers or restrictions on trade, especially trade with China, would have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations and financial condition.

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

Terrorist attacks and the threat of future terrorist attacks around the world may cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. Continuing conflicts and recent developments in the Middle East, including Egypt, and North Africa, and the presence of U.S. or other armed forces in the Middle East, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, such as the attack on the MT Limburg, a vessel unaffiliated with us, in October 2002, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our operating results.

In the highly competitive international shipping industry, we may not be able to compete for charters with new entrants or established companies with greater resources, and as a result, we may be unable to employ our vessels profitably, which may have a material adverse effect on our business, prospects, financial conditions, liquidity and results of operations.

We employ our vessels in a highly competitive market that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than we have. Competition for the transportation of drybulk cargo is 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, many of our competitors with greater resources and access to capital than we have, could enter the drybulk shipping industry and operate larger fleets than we do through consolidations or acquisitions and may be able to offer lower charter rates and higher quality vessels than we are able to offer. If this were to occur, we may be unable to retain or attract new charterers on attractive terms or at all, which may have a material adverse effect on our business, prospects, financial condition, liquidity and results of operations.

Acts of piracy on ocean-going vessels have recently increased in frequency, which could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean, off the coast of West Africa and in the Gulf of Aden off the coast of Somalia. Although the frequency of sea piracy worldwide decreased during 2014 as compared to 2013, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea, with drybulk vessels and tankers particularly vulnerable to such attacks. If these piracy attacks occur in regions in which our vessels are deployed that insurers characterized as "war risk" zones, or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including due to employing onboard security guards, could increase in such circumstances. Furthermore, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not "on-hire" for a certain number of days and is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability, of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

If our vessels call on ports located in countries that are subject to restrictions imposed by the U.S. or other governments, our reputation and the market for our common shares could be adversely affected.

From time to time on our charterers' instructions, our vessels may call on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and countries identified by the U.S. government as state sponsors of terrorism, such as Cuba, Iran, Sudan and Syria. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, amended the Iran Sanctions Act. Among other things, CISADA 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, in 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 will be banned from all contacts with the United States, including conducting business 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 EU would voluntarily suspend certain sanctions for a period of six months. On January 20, 2014, the U.S. and E.U. indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures include, 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 U.S. initially extended the JPOA until November 24, 2014, and it has since extended it until June 30, 2015.

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 shares may adversely affect the price at which our common shares trade. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. 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.

An over-supply of drybulk carrier capacity may lead to a further reduction in charter rates, which may limit our ability to operate our vessels profitably.

The market supply of drybulk carriers has been increasing in large part as a result of the delivery of numerous newbuilding orders over the last few years, and the number of drybulk carriers on order still remains significant. These newbuildings were delivered in significant numbers starting at the beginning of 2006 and continued to be delivered in significant numbers through 2014. As of March 2015, newbuilding orders had been placed for an aggregate of about 20% of the current global drybulk fleet, with deliveries expected during the next three years.

An over-supply of drybulk carrier capacity, particularly in conjunction with the currently reduced level of demand for drybulk shipping, may result in a further reduction of charter hire rates or prolong the period during which low charter hire rates prevail. If the current low charter rate environment persists or worsens and the drybulk global fleet capacity increases due to the delivery of newbuildings or further redeployment of previously idle vessels, we may not be able to recharter our drybulk vessels upon the expiration or termination of our current charters, all of which are scheduled to expire in 2015, assuming the earliest redelivery dates, or charter our drybulk newbuilding vessels that are scheduled to be delivered to us from the second quarter of 2015 through the fourth quarter of 2015 for which we have not yet arranged employment, at rates suitable to meet our obligations or at all.

The market value of our vessels has declined and may further decline, which could limit the amount of funds that we can borrow and has triggered and could in the future trigger breaches of certain financial and security coverage ratio covenants contained in certain of our current and future debt agreements and we may incur a loss if we sell vessels following a decline in their market value.

The fair market value of our vessels has generally experienced high volatility and has declined significantly. The fair market value of our vessels may continue to fluctuate depending on a number of factors, including:

prevailing level of charter rates;

general economic and market conditions affecting the shipping industry, including competition from other shipping companies;

types, sizes and ages of vessels;
supply of and demand for vessels;
other modes of transportation;
cost of newbuildings;
governmental or other regulations;
the need to upgrade secondhand and previously owned vessels as a result of charterer requirements, technological advances in vessel design or equipment or otherwise; and
competition from other shipping companies and the availability of other modes of transportation.

In addition, as vessels grow older, they generally decline in value. If the fair market value of our vessels declines further, we may not be in compliance with certain covenants contained in our debt agreements and we may not be able to refinance our debt or obtain additional financing. If we are not able to comply with the covenants in our debt agreements, and are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our vessels. Furthermore, if we sell any of our owned vessels at a time when prices are depressed, our business, results of operations, cash flow and financial condition could be adversely affected. Moreover, if we sell vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at a price less than the vessel's carrying amount in our financial statements, resulting in a loss and a reduction in earnings. In addition, if vessel values persist or decline further, we may have to record an impairment adjustment in our financial statements which could adversely affect our financial results.

Charter rates are subject to seasonal fluctuations, which could affect our operating results and the amount of available cash with which we can pay dividends, if any, in the future.

All of our vessels are currently employed on fixed rate time charters or voyage charters with expirations ranging from April 2015 to April 2016. Our vessels operate in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in volatility in our operating results to the extent that we enter into new charter agreements, renew existing agreements during a time when charter rates are weaker or operate our vessels on the spot market, which could affect the amount of dividends, if any, that we pay to our shareholders from quarter to quarter. The drybulk carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns during these months tend to disrupt vessel scheduling and supplies of certain commodities. While this seasonality has not materially affected our operating results, it could materially affect our operating results and cash available for distribution to our shareholders as dividends, if any, in the future.

Rising fuel, or bunker prices, may adversely affect profits.

While we generally will not bear the cost of fuel, or bunkers, for vessels operating on time charters, fuel is a significant factor in negotiating charter rates. As a result, an increase in the price of fuel beyond our expectations may adversely affect our profitability at the time of charter negotiation. Fuel is also a significant, if not the largest, expense in our shipping operations when vessels are under voyage charter. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of Petroleum Exporting Countries, or OPEC, and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns.

Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

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

The hull and machinery of every commercial vessel must be certified as being "in class" 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 Safety of Life at Sea Convention.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be dry-docked every two and a half to five years for inspection of its underwater parts.

Compliance with the above requirements may result in significant expense. If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable and uninsurable, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

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

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These regulations include, but are not limited to, European Union Regulations, U.S. Oil Pollution Act of 1990, or OPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, the U.S. Clean Air Act, the U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002, and regulations of the International Maritime Organization, or the IMO, including the International Convention for the Prevention of Pollution from Ships of 1975, the International Convention for the Prevention of Marine Pollution of 1973, the IMO International Convention for the Safety of Life at Sea of 1974 and the International Convention on Load Lines of 1966. 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. Furthermore, 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, including 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, criminal liability, remediation costs and 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 we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to pay dividends, if any, in the future.

Risks associated with operating ocean-going vessels could affect our business and reputation, which could adversely affect our revenues and stock price.

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

marine disaster;

environmental accidents;

cargo and property losses or damage;

business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions; and

piracy.

These hazards may result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates, damage to our customer relationships, delay or rerouting. 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. The involvement of our vessels in an environmental disaster may also harm our reputation as a safe and reliable vessel owner and operator.

We are subject to international safety regulations and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in our vessels being denied access to, or detained 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 shipowners, 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. If we fail to comply with the ISM Code, we may be subject to increased liability, may invalidate existing insurance or decrease available insurance coverage for our affected vessels and such failure may result in a denial of access to, or detention in, certain ports. Each of the vessels that has been delivered to us is ISM Code-certified. However, if we are subject to increased liability for non-compliance or if our insurance coverage is adversely impacted as a result of non-compliance, it may negatively affect our ability to pay dividends, if any, in the future. If any of our vessels are denied access to, or are detained in, certain ports, our revenues may be adversely impacted.

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

The operation of our vessels is also affected by other government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries of their registration. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with such conventions, laws and regulations or the impact thereof on the resale prices or useful lives of our vessels. Additional conventions, laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates, and financial assurances with respect to our operations.

Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and disrupt our business.

International shipping is subject to various security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. These security procedures can result in cargo seizure, delays in the loading, offloading, trans-shipment or delivery and the levying of customs duties, fines or other penalties against us.

It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. 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.

The operation of drybulk carriers has certain unique operational risks, which could adversely affect our earnings and cash flow.

The operation of drybulk carriers has certain unique risks. With a drybulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, drybulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, drybulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach to the sea. Hull breaches in drybulk carriers may lead to the flooding of the vessels' holds. If a drybulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads leading to the loss of a vessel. If we are unable to adequately maintain our vessels we may be unable to prevent these events. Any of these circumstances or events could negatively impact our business, financial condition, results of operations and ability to pay dividends, if any, in the future. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

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

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by "arresting" or "attaching" a vessel through foreclosure proceedings. For example, in November 2012, one of our vessels was arrested due to a prior sub-charterer's unsettled bunkering expenses. The respective vessel was detained for approximately 19 days and was released in December 2012, after the issuance of a letter of guarantee from Allseas Marine S.A., or Allseas, a company controlled by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, that is responsible for the commercial and technical management functions for our fleet and provides the services of our executive officers, and continued its employment. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of money to have the arrest or attachment lifted. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could attempt to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our vessels.

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

A government could requisition one or more of our vessels for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we would be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment would be uncertain. Government requisition of one or more of our vessels may negatively impact our revenues and reduce the amount of cash we have available for distribution as dividends, if any, to our shareholders.

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

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

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

All of our vessels are currently employed on fixed rate time charters or voyage charters with expirations ranging from April 2015 to April 2016. Some of our vessels may be chartered to Chinese customers or from time to time, on our charterers' instructions, our vessels may call on Chinese ports. Such charters and any additional charters that we enter into may be subject to new regulations in China that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Chinese government new taxes or other fees. Changes in laws and regulations, including with regards to tax matters, and their implementation by local authorities could affect our vessels chartered to Chinese customers as well as our vessels calling to Chinese ports and could have a material adverse impact on our business, financial condition and results of operations.

Company Specific Risk Factors

We have not been in compliance with certain of the financial and other covenants contained in certain of our loan and credit facilities, for which we have obtained waivers or amendments or refinanced the affected debt. If we are not in compliance with the original covenants when our existing waivers expire and if we are not successful in obtaining additional waivers or amendments or refinancing the affected debt, our lenders may declare an event of default and accelerate our outstanding indebtedness, which would impact our ability to continue to conduct our business.

Our loan and credit facilities, which are secured by mortgages on our vessels, require us to maintain specified financial ratios mainly to ensure that the market value of the mortgaged vessels under the applicable credit facility, as determined in accordance with the terms of that agreement, does not fall below a certain percentage of the outstanding amount of the loan, which we refer to as a security cover ratio, and to satisfy certain other financial covenants. In general, these other financial covenants require us to maintain (i) minimum liquidity; (ii) a maximum leverage ratio; (iii) a minimum interest coverage ratio; (iv) a minimum market adjusted net worth; (v) a minimum debt service coverage ratio; (vi) a minimum equity ratio; and (vii) a minimum working capital.

A violation of the security cover ratio, unless cured as set forth under the applicable loan or credit facility, or a violation of any of the financial covenants contained in our debt agreements constitutes an event of default, which, unless waived or modified by our lenders, provides our lenders with the right to 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, or may cause us to reclassify our indebtedness as current liabilities, which would impair our ability to continue to conduct our business. As a result of intense fluctuations in the drybulk charter market and the related fluctuation in vessel values, we were not in compliance with certain financial and security cover ratio covenants contained in certain of our loan and credit facilities in the past, and as such, we obtained waivers of the relevant covenant breaches, entered into amendments to the relevant facilities or refinanced the affected debt and deposited additional security to cure the shortfall in the security cover required to be maintained under the relevant facilities. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Long-Term Debt."

As of December 31, 2014, we had \$230.8 million of outstanding indebtedness, including \$25.0 million related to our Notes. As of that date, we were in compliance with all of our debt covenants contained in our debt agreements, with the exception of the security cover ratio covenant contained in one of our loan agreements, for which we subsequently obtained a waiver until December 31, 2015. However, given the current drybulk charter rates, it is probable that we will not be in compliance with several financial covenants contained in certain of our loan and credit facilities on the applicable measurement dates in 2015. We are currently in negotiations with such lenders, but we may not be successful in obtaining additional waivers of covenant breaches or amendments to covenants contained in our debt agreements or refinancing the affected debt if we are not in compliance with the original covenants in our debt agreements when our existing waivers expire.

All of our debt agreements contain a cross-default provision that may be triggered by a default under one of our other debt agreements. Because of the presence of cross default provisions in all of our debt agreements, the refusal of any one lender to grant or extend a waiver could result in all of our indebtedness being accelerated even if our other lenders have waived covenant defaults under the respective debt agreements. As a result of the cross-default provisions included in our debt agreements, actual breaches existing under our debt agreements could result in defaults under all of our debt and the acceleration of such debt by our lenders and the foreclosure of their liens on our vessels, which would impair our ability to conduct our business and continue as a going concern. If our outstanding indebtedness, which amounted to \$230.8 million as of December 31, 2014, is accelerated in full or in part, in the current financing environment we may not be able to refinance our debt or obtain additional financing. Moreover, any refinancing or additional financing may be more expensive and carry more onerous terms than those in our existing debt agreements. In addition, if we find it necessary to sell our vessels at a time when vessel prices are low, we will recognize losses and a reduction in our earnings, which could affect our ability to raise additional capital necessary for us to comply with our debt agreements.

Our debt agreements contain restrictive covenants that may limit our liquidity and corporate activities and if we receive additional waivers and/or amendments to our debt agreements, our lenders may impose additional operating and financial restrictions on us and/or modify the terms of our existing debt agreements.

Our debt agreements, including our 8.375% Senior Notes due 2021, impose operating and financial restrictions on us. These restrictions may limit our ability to:

- incur additional indebtedness;
- create liens on our assets;
- sell capital stock of our subsidiaries;
- make investments;
- engage in mergers or acquisitions;
- pay dividends;

make capital expenditures;

compete effectively to the extent our competitors are subject to less onerous financial restrictions;

adjust and alter existing charters;

change the management of our vessels or terminate or materially amend the management agreement relating to each vessel; and

sell our vessels.

In addition, under these covenants, we are required to maintain minimum liquidity as discussed in Note 9 to our consolidated financial statements included at the end of this annual report.

Therefore, our discretion is limited because we may need to obtain consent from our lenders in order to engage in certain corporate actions and commercial actions that we believe would be in the best interest of our business, and a denial of permission may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. In addition, certain of our other debt agreements contain additional restrictions and impose maximum limits on the per share dividend that we may pay per annum and require that we maintain certain minimum liquidity following the payment of any dividends. Our lenders' interests may be different from ours, and we cannot guarantee that we will be able to obtain our lenders' consent when needed. In addition to the above restrictions, our lenders may 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. These potential restrictions and requirements may further limit our ability to pay dividends, if any, in the future to you, finance our future operations, make acquisitions or pursue business opportunities.

Moreover, in connection with any additional waivers of or amendments to our debt agreements that we obtain, our lenders may impose additional operating and financial restrictions on us or modify the terms of our existing debt agreements. 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 ability to comply with the covenants and restrictions contained in our debt agreements may be affected by economic, financial and industry conditions and other factors beyond our control. Any default under our debt agreements that is not waived or amended by the required lenders could prevent us from paying dividends in the future. If we are unable to repay indebtedness, the lenders under our loan and credit facilities could proceed against the collateral securing that indebtedness. In such case, we may be unable to repay the amounts due under our loan and credit facilities. This could have serious consequences for our financial condition and results of operations and could cause us to become bankrupt or insolvent. Our ability to comply with these covenants in future periods will also depend substantially on the value of our assets, the rates we earn under our charters, our ability to obtain charters, our success at keeping our costs low and our ability to successfully implement our overall business strategy. Any future credit agreement or amendment or debt instrument may contain similar or more restrictive covenants.

We will need to procure additional financing in order to complete the construction of our newbuilding vessels, which may be difficult to obtain on acceptable terms or at all.

As of the date of this annual report, our newbuilding program was comprised of two Ultramax drybulk carriers under construction at Yangzhou Dayang Shipbuilding Co. Ltd., or Dayang, scheduled for delivery in the third quarter of 2015, and three Kamsarmax drybulk carriers under construction at Jiangsu Yangzijiang Shipbuilding Co., or Yangzijiang, scheduled for delivery between the second and fourth quarter of 2015. The estimated total contractual cost of our newbuilding vessels amounted to \$148.2 million, of which an aggregate of \$101.7 million was outstanding as of the date of this annual report and is due upon delivery of the vessels.

In order to complete the construction of our newbuilding program, we will need to procure additional financing. We have entered into a senior secured loan facility with a syndicate of major European Banks led by Nordea Bank Finland Plc, or Nordea, to finance up to 60% of the market value of our two Ultramax newbuilding drybulk carriers, the Hull numbers DY4050 and DY4052, and two of our Kamsarmax newbuilding drybulk carriers, the Hull numbers YZJ1144 and YZJ1145, that are expected to be delivered between the second and third quarter of 2015. We have not yet secured financing for our remaining Kamsarmax drybulk newbuilding that is expected to be delivered in the fourth quarter of 2015. If for any reason we fail to take delivery of the newbuilding vessels described above, we would be prevented from realizing potential revenues from these vessels, we may be required to forego deposits on construction, which amounted to an aggregate of \$46.5 million as of the date of this annual report, and we may incur additional costs and liability to the shipyard under the construction contracts.

In addition, 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 in order to meet our capital commitments, or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing at all or at a higher level than the anticipated cost, may materially affect our results of operation and our ability to implement our business strategy, including our ability to take delivery of our vessels under construction. Should additional financing not be available on favorable terms or at all, this would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our earnings may be adversely affected if we do not successfully employ our vessels or employ our vessels at low charter rates.

We primarily employ our vessels in the spot charter market, on short-term time charters or on voyage charters, ranging from 10 days to three months. However, depending on the time charter market, we may decide from time to time to employ our vessels on medium to long-term time charters. As of the date of this annual report, all of our vessels are currently employed on fixed rate time charters or voyage charters with expirations ranging from April 2015 to April 2016. We have not yet secured employment for our two Ultramax drybulk carriers and for our three Kamsarmax drybulk carriers under construction, which are scheduled to be delivered to us between the second and fourth quarter of 2015. As of the date of this annual report, prevailing drybulk carrier charter rates are below historical averages. In the past, charter rates for vessels have declined below operating costs of vessels. If our vessels become available for employment in the spot market or under new time charters during periods when charter rates are at depressed levels, we may have to employ our vessels at depressed charter rates, if we are able to secure employment for our vessels at all, which would lead to reduced or volatile earnings. Future charter rates may not be at a level that will enable us to operate our vessels profitably to allow us to repay our debt and meet our other obligations.

We may not be able to raise equity and debt financing sufficient to meet our capital and operating needs and to comply with the covenants contained in our debt agreements, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We cannot assure you that the net proceeds from any future equity offering or debt financing would be sufficient to satisfy our capital and operating needs and enable us to comply with our various debt covenants. In such case, we may not be able to raise additional equity capital or obtain additional debt financing or refinance our existing indebtedness, if necessary. If we are not able to comply with the covenants contained in our debt agreements and our lenders choose to accelerate our indebtedness and foreclose their liens, we could be required to sell vessels in our fleet and our ability to continue to conduct our business would be impaired.

Certain existing stockholders, who hold approximately 28.3% of our outstanding common shares, may have the power to exert control over us, which may limit your ability to influence our actions.

As of the date of this annual report, Mr. Michael Bodouroglou, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, beneficially owned a total of 7,056,064 common shares, or approximately 28.3% of our outstanding common shares, all of which are held indirectly through Innovation Holdings S.A., or Innovation Holdings, a company beneficially owned and controlled by Mr. Bodouroglou, and Loretto Finance Inc., or Loretto, a wholly owned subsidiary of Allseas, that is controlled by Mr. Bodouroglou and members of his family. Due to the number of shares he owns, Mr. Bodouroglou 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 Mr. Bodouroglou may be different from your interests.

We depend upon a few charterers for a significant part of our revenues and the failure of one or more of these charterers to meet their obligations under our time charter agreements could cause us to suffer losses or otherwise adversely affect our business and ability to comply with covenants in our debt agreements.

We derive a significant part of our charter hire from a small number of customers. For the year ended December 31, 2014, we derived 11.6% of our voyage revenues from one charterer, as presented in our audited consolidated financial statements, included elsewhere in this annual report. All of our vessels are currently employed on fixed rate time charters or voyage charters with expirations ranging from April 2015 to April 2016. If one or more of these charterers is unable to perform under one or more charters with us, or if a charterer exercises certain rights it may have to terminate the charter before its scheduled termination date, we could suffer a loss of revenues that could materially adversely affect our business, financial condition, results of operations and cash available for distribution as dividends to our shareholders.

The ability and willingness of each of our charterers to perform its obligations under a time charter agreement with us depends on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the drybulk shipping industry, the overall financial condition of the charterer, the loss of the relevant vessel, prolonged off-hire periods or the seizure of the relevant vessel for more than a specified number of days. In addition, charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities, such as iron ore, coal, grain, and other minor bulks. Moreover, in depressed market conditions, there have been reports of charterers renegotiating their charters or defaulting on their obligations under charters, and our customers may fail to pay charter hire or attempt to renegotiate charter rates.

If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, and compliance with covenants in our debt agreements, certain of which specifically require the maintenance of minimum charter rate levels and consider the termination of a charter to be an event of default. For further discussion of our charterers, please see "Item 4. Information on the Company—B. Business Overview—Our Customers."

A drop in spot charter rates may provide an incentive for some charterers to default on their charters.

When we enter into a time charter, charter rates under that charter are fixed for the term of the charter. All of our vessels are currently employed on fixed rate time charters or voyage charters with expirations ranging from April 2015 to April 2016. If the spot charter rates or short-term time charter rates in the drybulk shipping industry become significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our 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 recharter our vessels at lower charter rates, which would affect our ability to operate our vessels profitably and may affect our ability to comply with covenants contained in our debt agreements.

We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

We have entered into contracts with Dayang and Yangzijiang for the construction of two Ultramax drybulk carriers and three Kamsarmax drybulk carriers scheduled for delivery between the second and fourth quarter of 2015. The estimated total contractual cost of our newbuilding vessels amounted to \$148.2 million, of which an aggregate of \$101.7 million was outstanding as of the date of this annual report and is due upon delivery of the vessels.

In the event our counterparty under the construction contracts discussed above does not perform under its agreements with us and we are unable to enforce certain refund guarantees with third party banks due to an outbreak of war, bankruptcy or otherwise, we may lose all or part of our investment, which would have a material adverse effect on our results of operations, financial condition and cash flows.

In addition, we enter into, among other things, charter parties, credit facilities with banks and interest rate swap agreements. Such agreements also 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 shipping sector, the overall financial condition of the counterparty, charter rates received for specific types of drybulk carriers, the supply and demand for commodities such as iron ore, coal, grain, and other minor bulks, and various expenses. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be required to recognize additional losses relating to our investment in Box Ships if the stock price of Box Ships' common share declines further.

As of the date of this annual report, we own 3,437,500 common shares, or approximately 11.0% of the outstanding common shares of Box Ships Inc. (NYSE: TEU), or Box Ships, a related party. As of March 31, 2014, June 30, 2014 and December 31, 2014, we considered the decline of the fair value of the investment in Box Ships as other than temporary and therefore, the investment was impaired and an aggregate loss of \$8.6 million was recorded. The fair value of our investment in Box Ships based on the closing price of Box Ships' common shares on the NYSE on December 31, 2014, or \$0.86, was \$3.0 million.

If the stock price of Box Ships' common share declines further due to other than temporary reasons, we will be required to recognize additional losses. The fair value of our investment in Box Ships, based on the closing price of Box Ships' common share on the NYSE on April 15, 2015, of \$1.06, was \$3.6 million.

We may have difficulty properly managing our planned growth through acquisitions of our newbuilding vessels and additional vessels.

We intend to grow our business through the acquisition of our five contracted newbuilding vessels and we may make selective acquisitions of other additional secondhand and newbuilding vessels. Our future growth will primarily depend on our ability to locate and acquire suitable additional vessels, enlarge our customer base, operate and supervise newbuilding vessels we may order, and obtain required debt or equity financing on acceptable terms.

A delay in the delivery to us of any vessel we contract to acquire, including our five newbuilding vessels, or the failure of the seller or shipyard to deliver a vessel to us at all, could cause us to breach our obligations under a related charter and could adversely affect our earnings. In addition, the delivery of any of these vessels with substantial defects could have similar consequences.

A shipyard could fail to deliver a newbuilding on time or at all because of:

work stoppages or other hostilities, political or economic disturbances that disrupt the operations of the shipyard;

quality or engineering problems;

bankruptcy or other financial crisis of the shipyard;

a backlog of orders at the shipyard;

weather interference or catastrophic events, such as major earthquakes or fires;

our requests for changes to the original vessel specifications or disputes with the shipyard; or

shortages of or delays in the receipt of necessary construction materials, such as steel, or equipment, such as main engines, electricity generators and propellers.

In addition, we may seek to terminate a newbuilding contract due to market conditions, financing limitations, significant delay in the delivery of the vessels or other reasons. If for any reason we fail to take delivery of our five newbuilding vessels, we would be prevented from realizing potential revenues from these vessels, we may be required to forego deposits on construction, which amounted to an aggregate of \$46.5 million as of the date of this annual report, and we may incur additional costs and liability to the shipyard under the construction contracts.

The delivery of any secondhand vessel we may agree to acquire could be delayed because of, among other things, hostilities or political disturbances, non-performance of the purchase agreement with respect to the vessels by the seller, our inability to obtain requisite permits, approvals or financing or damage to or destruction of the vessels while being operated by the seller prior to the delivery date.

During periods in which charter rates are high, vessel values generally are high as well, and it may be difficult to consummate vessel acquisitions or enter into newbuilding contracts at favorable prices. During periods when charter rates are low, we may be unable to fund the acquisition of newbuilding vessels, whether through lending or cash on hand. For these reasons, we may be unable to execute our growth plans or avoid significant expenses and losses in connection with our future growth efforts.

Our Board of Directors has determined to suspend the payment of cash dividends as a result of market conditions in the international shipping industry and, until such conditions improve, it is unlikely that we will reinstate the payment of dividends.

As a result of the market conditions in the international shipping industry, our Board of Directors, beginning with the first quarter of 2011, has suspended payment of our common share quarterly dividend. Our dividend policy is assessed by the Board of Directors from time to time. The suspension allows us to retain cash and increase our liquidity so we are in a better position to capitalize on investment opportunities during the weakened market conditions. Until market conditions improve, it is unlikely that we will reinstate the payment of dividends. In addition, other external factors, including restrictions on our ability to pay dividends under the terms of our loan and credit facilities, limit our ability to pay dividends.

For example, certain of our other loan and credit facilities restrict the amount of dividends we may pay to \$0.50 per share per annum and limit the amount of quarterly dividends we may pay to 100% of our net income for the immediately preceding financial quarter. We are also required to maintain minimum liquidity after payment of dividends equal to the greater of the next six months' debt service, 8% of the total financial indebtedness or \$1.0 million per vessel. Furthermore, according to the supplemental agreement we entered into with Unicredit Bank AG ("Unicredit") on March 27, 2015, we are not permitted to declare or pay any dividends until all the deferred amounts of the facility's repayment installments have been repaid in full.

Furthermore, we may not be permitted to pay dividends if we are in breach of the covenants contained in our debt agreements. The terms of our debt agreements contain a number of financial covenants and general covenants that require us to, among other things, maintain security cover ratios, minimum cash balances and insurance including, but not limited to, hull and machinery insurance in an amount at least equal to the fair market value of the vessels financed, as determined by third party valuations. We may not be permitted to pay dividends in any amount under our debt agreements if we are in default of any of these covenants or if we do not meet specified debt coverage ratios and minimum charter rate levels.

Moreover, the declaration and payment of dividends, if any, in the future will depend on the provisions of Marshall Islands law affecting the payment of dividends. Marshall Islands law generally prohibits the payment of dividends if the company is insolvent or would be rendered insolvent upon payment of such dividend and under Marshall Islands law, dividends may only be declared and paid out of surplus or, under certain circumstances, net profits.

The derivative contracts we have entered into to hedge our exposure to fluctuations in interest rates could result in higher than market interest rates and charges against our income.

We have entered into interest rate swaps for purposes of managing our exposure to fluctuations in interest rates applicable to indebtedness under certain of our credit facilities, which were advanced at a floating rate based on LIBOR. Our hedging strategies, however, may not be effective and we may incur substantial losses if interest rates move materially differently from our expectations. Since our existing interest rate swaps do not, and future derivative contracts may not, qualify for treatment as hedges for accounting purposes, we recognize fluctuations in the fair value of such contracts in our statement of comprehensive income / (loss). In addition, our financial condition could be materially adversely affected to the extent we do not hedge our exposure to interest rate fluctuations under our financing arrangements. Any hedging activities we engage in may not effectively manage our interest rate exposure or have the desired impact on our financial conditions or results of operations. As of December 31, 2014, the fair value of our interest rate swaps was a liability of \$0.5 million.

Substantial debt levels could limit our flexibility to obtain additional financing and pursue other business opportunities.

As of December 31, 2014, we had outstanding indebtedness of \$230.8 million. We expect to incur additional indebtedness in order to fund the aggregate remaining purchase commitments for our five newbuilding vessels amounting to \$101.7 million as of the date of this annual report, and any further growth of our fleet. This level of debt could have significant adverse consequences to our business and future prospects, including the following:

our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may be unavailable on favorable terms or at all;

we may need to use a substantial portion of our cash from operations to make principal and interest payments on our debt, reducing the funds that would otherwise be available for operations, future business opportunities and future dividend payments to shareholders, if any;

we could become more vulnerable to general adverse economic and industry conditions, including increases in interest rates, particularly given our substantial indebtedness, some of which bears interest at variable rates;

we may not be able to meet financial ratios included in our debt agreements due to market conditions or other events beyond our control, which could result in a default under these agreements and trigger cross-default provisions in our other debt agreements;

our debt level could make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and

our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating income is not sufficient to service our current or future indebtedness, we will be forced to take actions, such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may not be able to affect any of these remedies on satisfactory terms, or at all. In addition, a lack of liquidity in the debt and equity markets could hinder our ability to refinance our debt or obtain additional financing on favorable terms in the future.

We may not be able to refinance indebtedness incurred under our debt agreements if we are not able to meet our debt service requirements relating to such indebtedness, or we may be unable to borrow under our existing or future debt agreements, which may adversely affect our business, financial condition, results of operations and cash flows.

As of December 31, 2014, we had outstanding indebtedness of \$230.8 million. We cannot assure you that we will be able to refinance our indebtedness on terms that are acceptable to us or at all. For so long as we have outstanding indebtedness under our debt agreements, we will have to dedicate a portion of our cash flow from operations to pay the principal and interest of this indebtedness. We may not be able to generate cash flow in amounts that are sufficient for these purposes. If we are not able to satisfy these obligations, we may have to undertake alternative financing plans or sell our assets. The actual or perceived credit quality of our charterers, any defaults by them, and the market value of our fleet, among other things, may materially affect our ability to obtain alternative financing. In addition, debt service payments under our debt agreements or alternative financing may limit funds otherwise available for working capital, capital expenditures and other purposes. If we are unable to meet our debt obligations, our lenders could declare the debt, together with accrued interest and fees, to be immediately due and payable and foreclose on our fleet, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders. In addition, if the recent financial difficulties experienced by financial institutions worldwide lead to such institutions being unable to meet their lending commitments, that inability could have a material adverse effect on our ability to meet our obligations and grow our fleet. If we are not able to borrow under our existing or future debt agreements and are unable to find alternative sources of financing on terms that are acceptable to us or at all, our business, financial condition, results of operations and cash flows may be materially adversely affected.

We may have difficulty effectively managing our planned growth.

Since the completion of our initial public offering in August 2007, we have increased the size of fleet from six drybulk carriers to sixteen drybulk carriers. In addition, as of the date of this annual report, our current newbuilding program consists of two Ultramax drybulk carriers and three Kamsarmax drybulk carriers that are scheduled to be delivered in 2015.

The addition to our fleet of the vessels described above has resulted in a significant increase in the size of our fleet and imposes significant additional responsibilities on our management and staff. While we expect our fleet to grow further, this may require us to increase the number of our personnel. We will also have to increase our customer base to provide continued employment for the new vessels.

Our future growth will primarily depend on our ability to:

- locate and acquire suitable vessels;
- identify and consummate acquisitions or joint ventures;
- integrating any acquired vessels successfully with our existing operations;
- enhance our customer base;
- manage our expansion; and
- obtain required financing on acceptable terms.

We may not be successful in executing our growth plans and we may incur significant expenses and losses in connection with our future growth. If we are not able to successfully grow the size of our company or increase the size of our fleet, our financial condition and results of operations may be adversely affected.

The expansion of our fleet may impose significant additional responsibilities on our management and the management and staff of Allseas and Seacommercial Shipping Services S.A., or Seacommercial, a company controlled by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, which, together with Allseas, is responsible for the commercial and technical management functions for our fleet. The expansion of our fleet may necessitate that we and Allseas and Seacommercial, together, the Managers, increase the number of personnel employed. The Managers may have to increase their customer base to provide continued employment of our fleet, and such costs will be passed on to us by the Managers.

We are dependent on Allseas and Seacommercial for the commercial and technical management of our fleet, and are dependent on Allseas to provide us with our executive officers, and the failure of either of our Managers to satisfactorily perform their services may adversely affect our business.

We have entered into an executive services agreement with Allseas, pursuant to which Allseas provides the services of our executive officers, which include strategy, business development, marketing, finance and other services, who report directly to our Board of Directors. In connection with the respective agreement, Allseas is entitled to an executive services fee, plus incentive compensation. The agreement has an initial term of five years and automatically renews for successive five year terms unless sooner terminated in accordance with the agreement.

In addition, as we subcontract the commercial and technical management of our fleet, including crewing, maintenance and repair, to Allseas and Seacommercial, the loss of either of the Managers services or their failure to perform their obligations to us could materially and adversely affect the results of our operations. Although we may have rights against the Managers if they default on their obligations to us, you will have no recourse directly against either of the Managers. Further, our loan and credit facilities require the approval from our lenders to change our commercial and technical manager.

Since Allseas and Seacommercial are privately held companies and there is little or no publicly available information about our Managers, an investor could have little advance warning of potential problems that might affect the Managers that could have a material adverse effect on us.

The ability of the Managers to continue providing services for our benefit will depend in part on their own financial strength. Circumstances beyond our control could impair the Managers' financial strength, and because the Managers are privately held, it is unlikely that information about their financial strength would become public unless either of the Managers began to default on their obligations. As a result, an investor in our shares might have little advance warning of problems affecting the Managers, even though these problems could have a material adverse effect on us.

Our executive officers have affiliations with Allseas, Seacommercial and Box Ships, which may create conflicts of interest that may permit them to favor the interests of Allseas, Seacommercial and Box Ships and their affiliates above our interests and those of our shareholders.

Our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodourogrou, is the beneficial owner of all of the issued and outstanding capital stock of Allseas, Seacommercial and Crewcare Inc., or Crewcare, our manning agent, and our Chief Operating Officer, Mr. George Skrimizeas, is the President and director of Allseas and Seacommercial. These responsibilities and relationships could create conflicts of interest between us, on the one hand, and the Managers, on the other hand. These conflicts may arise in connection with the chartering, purchase, sale and operations of the vessels in our fleet versus other vessels managed by the Managers or other companies affiliated with the Managers and Mr. Bodourogrou. To the extent that entities affiliated with Mr. Bodourogrou, other than us, or the Managers own or operate vessels that may compete for employment or management services in the future, the Managers may give preferential treatment to vessels that are beneficially owned by related parties because Mr. Bodourogrou and members of his family may receive greater economic benefits. Mr. Bodourogrou granted to us a right of first refusal over future vessels that he or entities affiliated with him may seek to acquire in the future. However, we may not exercise our right to acquire all or any of these vessels in the future, and such vessels may compete with our fleet.

In addition, the Managers currently provide management services to vessels in Box Ships' fleet as well as our fleet. We have entered into an agreement with Box Ships and Mr. Michael Bodourogrou that provides that so long as (i) Mr. Bodourogrou is a director or executive officer of both our Company and Box Ships and (ii) we own at least 5% of the total issued and outstanding common shares of Box Ships, Box Ships will not, directly or indirectly, acquire or charter any drybulk carrier without our prior written consent and we will not, directly or indirectly, acquire or charter any containership without the prior written consent of Box Ships. To the extent that we believe it is in our interest to grant such consent and Box Ships acquires drybulk vessels, such vessels may compete with our fleet. The Managers are not parties to the non-competition agreement described above and, under the terms of the agreement, may provide vessel management services to drybulk vessels other than ours. These conflicts of interest may have an adverse effect on our results of operations.

Furthermore, other conflicts of interest may arise between Box Ships, the Managers, and their affiliates, on the one hand, and us and our shareholders, on the other hand. For example, notwithstanding our non-competition agreement with Box Ships described above, Box Ships may claim other business opportunities that would benefit us, such as the hiring of employees, the acquisition of other businesses, or the entry into joint ventures, and in each case other than business opportunities in the drybulk shipping industry, and this could have a material adverse effect on our business, results of operations and cash flows.

Moreover, Mr. Bodouroglou also serves as the Chairman, President and Chief Executive Officer of Box Ships. Therefore, Mr. Bodouroglou, who advises our Board of Directors on the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances of additional capital stock and cash reserves, each of which can affect the amount of the cash available for distribution to our shareholders, may favor the interests of Box Ships or its affiliates and may not provide us with business opportunities that would benefit us. In addition, our executive officers and those of our Managers will not spend all of their time on matters related to our business.

Furthermore, Mr. Bodouroglou has fiduciary duties to manage our business in a manner that is beneficial to us and our shareholders and he has fiduciary duties to manage the business of Box Ships and its affiliates in a manner beneficial to such entities and their shareholders. Consequently, he may encounter situations in which his fiduciary obligations to Box Ships and us are in conflict. We believe the principal situations in which these conflicts may occur are in the allocation of business opportunities to Box Ships or us, such as with respect to the allocation and hiring of employees, the acquisition of other businesses or the entry into joint ventures, and in each case other than business opportunities in the drybulk shipping industry. The resolution of these conflicts may not always be in our best interest or that of our shareholders and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Although we have entered into a non-competition agreement with Box Ships and Mr. Michael Bodouroglou, as a result of the conflicts discussed above, the Managers may favor its own interests, the interests of Box Ships and the interests of its affiliates, and our executive officers may favor the interests of the Managers, Box Ships and its affiliates, over our interests and those of our shareholders, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Purchasing and operating secondhand vessels may result in increased operating costs and reduced fleet utilization.

While we have the right to inspect previously owned vessels prior to our purchase of them and we intend to inspect all secondhand vessels that we acquire in the future, such an inspection does not provide us with the same knowledge about their condition that we would have if these vessels had been built for and operated exclusively by us. A secondhand vessel may have conditions or defects that we were not aware of when we bought the vessel and which may require us to incur costly repairs to the vessel. These repairs may require us to put a vessel into dry-dock which would reduce our fleet utilization. Furthermore, we usually do not receive the benefit of warranties on secondhand vessels.

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

Our success depends to a significant extent upon the abilities and efforts of our management team, including our ability to retain key members of our management team and to hire new members as may be necessary. As of the date of this annual report, we have two shoreside salaried employees and we reimburse Allseas for the services of our executive officers. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining replacement personnel could adversely affect our business, results of operations and ability to pay dividends. We do not intend to maintain "key man" life insurance on any of our officers or other members of our management team.

We may not have adequate insurance to compensate us if we lose our vessels or to compensate third parties.

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

We are insured against tort claims and some contractual claims (including claims related to environmental damage and pollution) through memberships in protection and indemnity associations or clubs, or P&I Associations. As a result of such membership, the P&I Associations provide us coverage for such tort and contractual claims. We also carry hull and machinery insurance and war risk insurance for our fleet. We insure our vessels for third-party liability claims subject to and in accordance with the rules of the P&I Associations in which the vessels are entered. We also maintain insurance against loss of hire, which covers business interruptions that result in the loss of use of a vessel. We can give no assurance that we will be adequately insured against all risks and we cannot guarantee that any particular claim will be paid.

In addition, we may not be able to obtain adequate insurance coverage for our fleet in the future or renew our insurance policies on the same or commercially reasonable terms, or at all. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, protection and indemnity insurance against risks of environmental damage or pollution. Any uninsured or underinsured loss could harm our business, results of operations, cash flows, financial condition and ability to pay dividends in amounts anticipated or at all. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our ships failing to maintain certification with applicable maritime self-regulatory organizations. Furthermore, our insurance policies may not cover all losses that we incur, or that disputes over insurance claims will not arise with our insurance carriers. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. In addition, our insurance policies are subject to limitations and exclusions, which may increase our costs or lower our revenues, thereby possibly having a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends in amounts anticipated or at all.

The aging of our fleet may result in increased operating costs or loss of hire 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 of the date of this annual report, our fleet was comprised of eight Panamax drybulk carriers, two Ultramax drybulk carriers, two Supramax drybulk carriers and four Handysize drybulk carriers with an aggregate capacity of 980,380 dwt and an average age of 7.6 years. In addition, our newbuilding program consists of two Ultramax drybulk carriers and three Kamsarmax drybulk carriers that are scheduled to be delivered in 2015. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also 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 vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

In addition, charterers actively discriminate against hiring older vessels. For example, Rightship, the ship vetting service maintained by Rio Tinto, Cargill and BHP-Billiton which has become the major vetting service in the drybulk shipping industry, ranks the suitability of vessels based on a scale of one to five stars. Most major carriers will generally not charter a vessel that Rightship has vetted with fewer than three stars. Rightship automatically downgrades any vessel over 18 years of age to two stars, which significantly decreases its chances of entering into a charter. Therefore, as our vessels approach and exceed 18 years of age, we may not be able to operate these vessels profitably during the remainder of their useful lives.

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

We generate substantially all of our revenues in U.S. dollars but certain of our expenses are incurred in currencies other than the U.S. dollar. This difference could lead to fluctuations in net income due to changes in the value of the U.S. dollar relative to these other currencies, in particular the Euro. Expenses incurred in foreign currencies against which the U.S. dollar falls in value could increase, decreasing our net income and cash flow from operations.

If the recent volatility in LIBOR continues, it could affect our profitability, earnings and cash flow.

We have entered into interest rate swap agreements converting floating interest rate exposure into fixed interest rates in order to economically hedge our exposure to fluctuations in prevailing market interest rates. However, our exposure to floating interest rate is only partially hedged. For more information on our interest rate swap agreements, refer to Note 10 to our consolidated financial statements included at the end of this annual report.

Historically, LIBOR has been volatile, with the spread between LIBOR and the prime lending rate widening significantly at times. These conditions are the result of the recent disruptions in the international credit markets. Because the interest rates borne by our outstanding indebtedness fluctuate with changes in LIBOR, if this volatility were to continue, it would affect the amount of interest payable on our debt, which in turn, could have an adverse effect on our profitability, earnings and cash flow.

Furthermore, interest in most loan agreements in our industry has been based on published LIBOR rates. Recently, however, lenders have insisted on provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. If we are required to agree to such a provision in future loan agreements, our lending costs could increase significantly, which would have an adverse effect on our profitability, earnings and cash flow.

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, as amended, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States is characterized as U.S. source shipping income and such income is subject to a 4% U.S. federal income tax without allowance for deductions, unless that corporation qualifies for exemption from tax under section 883 of the Code, or Section 883, and the Treasury Regulations promulgated thereunder.

We and each of our subsidiaries qualify for this statutory tax exemption and we take this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to U.S. federal income tax on our U.S. source shipping income. For example, we would no longer qualify for exemption under Section 883 for a particular taxable year if shareholders resident in certain jurisdictions with a 5% or greater interest in our common shares owned, in the aggregate, 50% or more of our outstanding common shares for more than half the days during the taxable year. Due to the factual nature of the issues involved, we can give no assurances with regard to our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to the tax exemption under Section 883 for any taxable year, we or our subsidiaries would be subject during those years to a 4% U.S. federal income tax on our gross U.S. source shipping income (without allowance for deduction) under section 887 of the Code. The imposition of this tax could have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders. In the absence of exemption from tax under Section 883, we would have been subject to a 4% tax on our gross U.S.-source shipping income equal to approximately \$0.2 million for the year ended December 31, 2014.

U.S. 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. For purposes of these tests, income derived from the performance of services does not constitute "passive income." 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.

Based on our current and proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that 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 assets that produce, or are held for the production of, "passive income."

There is, however, no direct legal authority under the PFIC rules addressing our proposed method of operation. We believe there is substantial legal authority supporting our position consisting of case law and U.S. Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, we note that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, 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 of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders would face adverse U.S. federal income tax consequences and information reporting obligations. Under the PFIC rules, unless those U.S. shareholders make an election available under the Code (which election could itself have adverse consequences for such U.S. shareholders), such U.S. shareholders would be liable to pay U.S. federal income tax at the then prevailing U.S. federal income tax rates on ordinary income plus interest upon "excess distributions" and upon any gain from the disposition of our common shares, as if such "excess distribution" or gain had been recognized ratably over the U.S. shareholder's holding period of our common shares. See "Item 10. Additional Information—E. Taxation—Material U.S., Marshall Islands Income Tax Considerations—U.S. Federal Income Taxation of U.S. Holders—Passive Foreign Investment Company Status and Significant Tax Consequences" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. shareholders if we are treated as a PFIC.

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

We are a holding company and our subsidiaries, which are wholly-owned by us, conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to make dividend payments, if any, in the future depends on our subsidiaries and their ability to distribute funds to us. We do not intend to obtain funds from other sources to pay dividends, if any, in the future.

In addition, the declaration and payment of dividends by us and our Marshall Islands and Liberian subsidiaries will depend on the provisions of Marshall Islands and Liberian law affecting the payment of dividends. Marshall Islands and Liberian law generally prohibits the payment of dividends other than from surplus or net profits or while a company is insolvent or would be rendered insolvent upon payment of such dividend.

Our ability to pay dividends, if any, in the future will also be subject to our satisfaction of certain financial covenants contained in our debt agreements. Certain of our other loan and credit facilities restrict the amount of dividends we may pay to \$0.50 per share per annum and limit the amount of quarterly dividends we may pay to 100% of our net income for the immediately preceding financial quarter. We are also required to maintain minimum liquidity after payment of dividends equal to the greater of the next six months' debt service, 8% of the total financial indebtedness or \$1.0 million per vessel. Furthermore, according to the supplemental agreement we entered into with Unicredit on March 27, 2015, we are not permitted to declare or pay any dividends until all the deferred amounts of the facility's repayment installments have been repaid in full.

As we expand our business, our Managers may need to improve our operating and financial systems and will need to recruit suitable employees and crew for our vessels on our behalf. If we are unable to do so, those systems may become ineffective, which could adversely affect our financial performance.

Our current operating and financial systems may not be adequate as we expand the size of our fleet and our attempts to improve those systems may be ineffective. In addition, as we expand our fleet, our Managers will need to recruit suitable additional seafarers and shoreside administrative and management personnel on our behalf. While our Managers have not experienced any difficulty in recruiting to date, we cannot guarantee that our Managers will be able to continue to hire suitable employees as we expand our fleet. If we or our crewing agent encounter business or financial difficulties, we may not be able to adequately staff our vessels. If our Managers are unable to grow our financial and operating systems or to recruit suitable employees on our behalf as we expand our fleet, our financial performance may be adversely affected.

Because our seafaring employees are covered by industry-wide collective bargaining agreements, failure of industry groups to renew those agreements may disrupt our operations and adversely affect our earnings.

As of December 31, 2014, 345 seafarers were employed, mainly by Crewcare, our manning agent, to crew our vessels. All of the seafarers employed on the vessels in our fleet are covered by industry-wide collective bargaining agreements that set basic standards. These agreements may not prevent labor interruptions. Any labor interruption could disrupt our operations and harm our financial performance.

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

We and all our subsidiaries are incorporated in jurisdictions outside the United States and substantially all of our assets and those of our subsidiaries are located outside the United States. In addition, all of our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for U.S. investors to serve process within the United States upon us, 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 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.

We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

We may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties, and other litigation that arises in the ordinary course of our business. Although we intend to defend these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases and/or insurers may not remain solvent which may have a material adverse effect on our financial condition.

The Public Company Accounting Oversight Board is currently unable to inspect the audit work and practices of auditors operating in Greece, including our auditor.

Auditors of U.S. public companies are required by law to undergo periodic Public Company Accounting Oversight Board, or PCAOB, inspections that assess their compliance with U.S. law and professional standards in connection with the performance of audits of financial statements filed with the SEC. Certain European Union, or EU, countries, including Greece, do not permit the PCAOB to conduct inspections of accounting firms established and operating in EU countries, even if they are part of major international firms. Accordingly, unlike for most U.S. public companies, the PCAOB is currently prevented from evaluating our auditor's performance of audits and its quality control procedures, and, unlike the shareholders of most U.S. public companies, our shareholders are deprived of the possible benefits of such inspections. The PCAOB continues to pursue cooperative agreements with audit oversight authorities in other EU member states and jurisdictions around the world.

Risks Relating to Our Common Shares

The continued downturn in the drybulk carrier charter market has had a significant adverse impact on the market price of our common shares and may affect our ability to maintain our listing on NASDAQ or other securities exchange on which our common shares may be traded.

The continued downturn in the drybulk carrier charter market has caused the price of our common shares to decline significantly since 2008. On November 25, 2011, we received notification from the NYSE, on which we were then listed, that we were no longer in compliance with the NYSE's continued listing requirements because the average closing price of our common shares had fallen below \$1.00 for a consecutive 30-trading day period. In November 2012, with the approval of shareholders at our 2012 annual general meeting of shareholders, we conducted a 10-for-1 reverse stock split of our issued and outstanding common shares in order to continue to meet the minimum continued listing standards of the NYSE. Subsequently, the NYSE notified us that we had regained compliance on December 19, 2012. In April of 2013, we voluntarily transferred the listing of our common stock to NASDAQ. Further declines in the trading price of our common shares may cause us to fail to meet certain of the continuing listing standards of NASDAQ, which could result in the delisting of our common shares. If our shares cease to be traded on the NASDAQ or on another national securities exchange, the price at which you may be able to sell your common shares of the company may be significantly lower than their current trading price or you may not be able to sell them at all. The failure of our common shares to be listed on the NASDAQ may also result in defaults under our credit facilities. We are currently in compliance with all applicable NASDAQ listing standards.

The market price of our common shares has fluctuated widely and may continue to fluctuate in the future.

The market price of our common shares has fluctuated widely since we became a public company in August 2007 and may continue to do so as a result of many factors, including our actual results of operations and perceived prospects, the prospects of our competition and of the shipping industry in general and in particular the drybulk sector, differences between our actual financial and operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general valuations for companies in the shipping industry, particularly the drybulk sector, changes in general economic or market conditions and broad market fluctuations.

The public market for our common shares may not continue to be active and liquid enough for you to resell our common shares in the future.

An active or liquid public market for our common shares may not continue going forward. Volatility in the stock market could have an adverse effect on the market price of our common shares and could impact a potential sale price if holders of our common shares decide to sell their shares.

The seaborne transportation industry has been highly unpredictable and volatile. The market for common shares in this industry may be equally volatile. The market price of our common shares may be influenced by many factors, many of which are beyond our control, including those already described above, as well as the following:

actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;

announcements by us or our competitors of significant contracts, acquisitions or capital commitments;

mergers and strategic alliances in the shipping industry;

terrorist acts;

future sales of our common shares or other securities;

market conditions in the shipping industry;

economic and regulatory trends;

shortfalls in our operating results from levels forecast by securities analysts;

announcements concerning us or our competitors;

the general state of the securities market; and

investors' perception of us and the drybulk shipping industry.

As a result of these and other factors, investors in our common shares may not be able to resell their shares at or above the price they paid for such shares. These broad market and industry factors may materially reduce the market price of our common shares, regardless of our operating performance.

Future sales of our common shares could cause the market price of our common shares to decline and our shareholders may experience dilution as a result of our on-going agreement to issue of shares of our common shares to Loretto Finance Inc.

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

In addition, in order to incentivize Allseas' continued services to us, we have entered into a tripartite agreement with Allseas and Loretto, a wholly-owned subsidiary of Allseas, pursuant to which in the event of a capital increase, an equity offering or the issuance of common shares to a third party or third parties in the future, other than common shares issued pursuant to our equity incentive plan, we have agreed to issue, at no cost to Loretto, additional common shares to Loretto in an amount equal to 2% of the total number of common shares issued pursuant to such capital increase, equity offering or third party issuance, as applicable. As of the date of this annual report, we had issued a total of 469,958 of our common shares to Loretto pursuant to this agreement.

Furthermore, our shareholders may incur additional dilution from any future equity offering and upon the issuance of additional shares of our common shares upon the exercise of options we have granted to certain of our officers and directors or upon the issuance of additional restricted common shares pursuant to our equity incentive plan.

Since we are incorporated in the Marshall Islands, which does not have a well-developed body of corporate law, you may have more difficulty protecting your interests than shareholders of a U.S. corporation.

Our corporate affairs are governed by our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws and by the Marshall Islands Business Corporations Act, or the 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 Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the laws 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 the United States. The rights of shareholders of the Marshall Islands may differ from the rights of shareholders of companies incorporated in the United States. While the BCA provides that it is to be interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Marshall Islands, and we cannot predict whether Marshall Islands courts would reach the same conclusions as U.S. courts. Thus, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction which has developed a relatively more substantial body of case law.

Anti-takeover provisions in our organizational documents could make it difficult for our shareholders to replace or remove our current Board of Directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common shares.

Several provisions of our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws could make it difficult for our shareholders to change the composition of our Board of Directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable. These provisions:

authorize our Board of Directors to issue "blank check" preferred stock without shareholder approval;

provide for a classified Board of Directors with staggered, three year terms;

prohibit cumulative voting in the election of directors;

authorize the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66 ²/₃% of our outstanding common shares entitled to vote for the directors;

limit the persons who may call special meetings of shareholders;

establish 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; and

restrict business combinations with interested shareholders.

In addition, we have adopted a shareholder rights plan pursuant to which our Board of Directors may cause the substantial dilution of any person that attempts to acquire us without the approval of our Board of Directors. See "Item 10. Additional Information—B. Memorandum and Articles of Association—Stockholder Rights Plan."

The above anti-takeover provisions, including the provisions of our shareholder rights plan, could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common shares and your ability to realize any potential change of control premium.

Item 4. Information on the Company

A. History and development of the Company

We are Paragon Shipping Inc. We were incorporated under the laws of the Republic of the Marshall Islands on April 26, 2006. Our executive offices are located at 15 Karamanli Ave, GR 166 73, Voula, Greece. Our telephone number at that address is +30 210 891 4600.

Business Development

Effective as of the close of trading on November 5, 2012, we effectuated a 10-for-1 reverse stock split of our issued and outstanding common shares. Our common shares commenced trading on the NYSE on a split-adjusted basis upon the open of trading on November 6, 2012. The reverse stock split was approved by shareholders at the 2012 annual general meeting of shareholders held on October 24, 2012 and by our Board of Directors on October 24, 2012. The reverse stock split reduced the number of our issued and outstanding common shares and affected all issued and outstanding common shares, as well as common shares underlying stock options outstanding immediately prior to the effectiveness of the reverse stock split. The number of our authorized common shares was not affected by the reverse split. No fractional shares were issued in connection with the reverse stock split. Shareholders who would have otherwise held a fractional share of our common stock as a result of the reverse stock split received a cash payment in lieu of such fractional share. The reverse stock split was completed in response to a notification we received on November 25, 2011 from the NYSE that we were no longer in compliance with the NYSE's continued listing requirements because the average closing price of our common shares had fallen below \$1.00 for a consecutive 30-trading day period. Subsequent to the reverse stock split, the NYSE notified us that we had regained compliance with its continued listing criteria on December 19, 2012. Effective with the opening on April 12, 2013, our common shares ceased trading on the NYSE and commenced trading on NASDAQ.

On December 24, 2012, we entered into an agreement to sell 4,901,961 newly-issued common shares to Innovation Holdings, an entity beneficially owned by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, for total consideration of \$10.0 million. The transaction closed on December 24, 2012. In connection with the transaction, we were granted the right to repurchase the common shares issued to Innovation Holdings in the private placement for the same price at which the shares were sold, which expired without being exercised upon our execution of definitive documentation relating to the restructuring of our debt, as discussed below. In addition, Innovation Holdings also received customary registration rights in respect of the common shares it received in the private placement. The documentation entered into in connection with the private placement was approved by the independent members of our Board of Directors.

As our common shares become eligible for re-sale under Rule 144, or if Innovation Holdings exercises its registration rights pursuant to the registration rights agreement discussed above, the volume of sales of our common shares on the Nasdaq Global Market or such other securities exchange on which our common shares are listed may increase, which could reduce the market value of our common shares.

On September 27, 2013, we completed a public offering of 6,000,000 of our common shares at \$5.75 per share, including the full exercise of the over-allotment option granted to the underwriters to purchase up to 782,609 additional common shares. The net proceeds from the offering, which amounted to \$31.9 million, net of underwriting discounts and commissions of \$2.0 million and offering expenses of \$0.5 million, were used to fund the initial deposits and other costs associated with the purchase of two Ultramax newbuilding drybulk carriers, the Hull numbers DY152 and DY153, as discussed below, and general corporate purposes.

On February 18, 2014, we completed a public offering of 6,785,000 of our common shares at \$6.25 per share, including the full exercise of the over-allotment option granted to the underwriters to purchase up to 885,000 additional common shares. The net proceeds from the offering amounted to \$39.7 million, net of underwriting discounts and commissions and offering expenses payable by us.

On May 12, 2014, our Board of Directors authorized a share buyback program of up to \$10.0 million for a period of twelve months. We expect to repurchase these shares in the open market, at times and prices that we consider to be appropriate, but we are not obligated under the terms of the program to repurchase any shares. Pursuant to the share buyback program, as of December 31, 2014, we had purchased and cancelled 30,000 of our common shares at an average price of \$5.6820 per share.

On August 8, 2014, we completed the public offering of 1,000,000 of our 8.375% Senior Notes due 2021 pursuant to an effective shelf registration statement. The Notes were issued in minimum denominations of \$25.00 and integral multiples of \$25.00 in excess thereof, and bear interest at a rate of 8.375% per year, payable quarterly on each February 15, May 15, August 15 and November 15, commencing on November 15, 2014. The Notes will mature on August 15, 2021, and may be redeemed in whole or in part at any time or from time to time after August 15, 2017. The net proceeds from the offering amounted to approximately \$23.9 million, net of underwriting discounts and commissions of \$812,500, and offering expenses payable by the Company of \$330,917. The Notes trade on NASDAQ under the symbol "PRGNL".

As of the date of this annual report, we had 24,909,142 common shares outstanding.

Vessel Acquisitions and Dispositions

Below is a discussion of our principal capital expenditures and divestitures since the beginning of our last three financial years to the date of this annual report.

On May 4 and on June 18, 2012, we took delivery of our first two newbuilding Handysize drybulk vessels, the M/V Prosperous Seas and the M/V Precious Seas, respectively. In 2012, we paid an amount of \$29.3 million to the shipyard, representing the final installment of the respective vessels, which was financed from the syndicated secured loan facility led by Nordea and cash on hand.

On September 24, 2012, we agreed with Zhejiang Ouhua Shipbuilding, or Ouhua, to postpone the delivery dates of our remaining two Handysize drybulk and two 4,800 TEU containerships under construction and to change the apportionment of the advances already paid among the vessels under construction.

On January 29, 2013, we took delivery of our third Handysize drybulk vessel, the M/V Priceless Seas. In January 2013, we paid an amount of \$1.4 million to the shipyard representing the final installment of the respective vessel, which was financed with cash on hand.

On October 3, 2013, following the completion of our public offering of 6,000,000 common shares, we completed the acquisition of shipbuilding contracts for two Ultramax newbuilding drybulk carriers from Allseas, the M/V Gentle Seas and the M/V Peaceful Seas. The acquisition cost of these two newbuildings was \$26.5 million per vessel. In October 2013, we paid an amount of \$8.1 million per vessel, and the balance of the contract price, or \$18.4 million per vessel, would be payable upon the delivery of each vessel. Both vessels were delivered in October 2014. We paid to the shipyard the final installment of the two vessels, which was mainly financed from the loan facility with HSH Nordbank AG, or HSH, dated April 4, 2014.

In December 2013, we agreed to acquire, subject to certain closing conditions that were lifted in the first quarter of 2014, shipbuilding contracts for two additional Ultramax newbuilding drybulk carriers from Allseas. The Ultramax newbuildings are sister ships to the two Ultramax newbuildings we previously acquired, have a carrying capacity of 63,500 dwt each, and are currently under construction at Dayang with scheduled delivery in the third quarter of 2015. The acquisition cost of these two newbuildings is \$28.3 million per vessel. In February 2014, we paid an amount of \$5.6 million per vessel. In addition, upon commencement of the steel cutting of each vessel in the second quarter of 2014, we paid a second installment of \$3.9 million per vessel. The balance of the contract price, or \$18.8 million per vessel, will be payable upon the delivery of each vessel.

In December 2013, we also entered into an agreement with Ouhua to cancel one of our two 4,800 TEU containership newbuilding contracts at no cost to us, to transfer the deposit to the remaining containership and to reduce its contract price from the original \$57.5 million to \$55.0 million.

On January 7, 2014, we took delivery of our fourth Handysize drybulk vessel, the M/V Proud Seas. In January 2014, an amount of \$21.6 million was paid to the shipyard representing the final installment of the respective vessel, which was financed from the syndicated secured loan facility led by Nordea.

In March 2014, we entered into contracts with Yangzijiang for the construction of three Kamsarmax newbuilding drybulk carriers. The Kamsarmax newbuildings have a carrying capacity of 81,800 dwt each, with scheduled delivery between the second and fourth quarter of 2015. The acquisition cost of these three newbuildings is \$30.6 million per vessel. In March 2014, we paid an amount of \$9.2 million per vessel, and the balance of the contract price, or \$21.4 million per vessel, will be payable upon the delivery of each vessel.

On April 25, 2014, we entered into a memorandum of agreement for the sale of our remaining 4,800 TEU containership newbuilding to an unrelated third party for \$42.5 million, less 3% commission. In May 2014, we also agreed with the shipyard to reduce the contract price of the respective vessel by \$0.8 million. The sale of the vessel and its transfer to the new owners was concluded on May 23, 2014. The net proceeds from the sale of the vessel amounted to \$10.0 million and represent the difference between the net sale price of the vessel and the outstanding contractual obligation due to the shipyard upon delivery that was resumed by the vessel's new owners.

B. Business overview

Introduction

We are a global provider of shipping transportation services. We specialize in transporting drybulk cargoes, including such commodities as iron ore, coal, grain and other materials, along worldwide shipping routes.

As of the date of this annual report, our operating fleet consisted of eight Panamax drybulk carriers, two Ultramax drybulk carriers, two Supramax drybulk carriers and four Handysize drybulk carriers with an aggregate capacity of 980,380 dwt and an average age of 7.6 years.

Prior to April 2011, we owned and operated three containerships. In the second quarter of 2011, we sold these containerships to Box Ships, then our wholly-owned subsidiary. Box Ships completed its initial public offering in April, 2011, and we continue to own 3,437,500 shares of Box Ships, which, as of the date of this annual report, represents approximately 11.0% of Box Ships' issued and outstanding common shares.

In addition, as of the date of this annual report, our newbuilding program consisted of two Ultramax drybulk carriers and three Kamsarmax drybulk carriers that are scheduled to be delivered in 2015. The estimated total contractual cost of our newbuilding vessels amounted to \$148.2 million, of which an aggregate of \$101.7 million was outstanding as of the date of this annual report.

Allseas and Seacommercial are responsible for all commercial and technical management functions for our fleet, pursuant to long-term management agreements between Allseas, Seacommercial and each of our vessel-owning subsidiaries. Allseas and Seacommercial are beneficially owned by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou.

Our Fleet

The following tables present certain information concerning our fleet as of the date of this annual report.

Operating drybulk fleet

Vessel Name and Type	DWT	Year Built	Charter Type	Charterer Name	Gross Daily Charter Rate (1)	Re-delivery from Charterer (2)	
						Earliest	Latest
Panamax							
<i>Dream Seas</i>	75,151	2009	Period	Amaggi S.A.	\$ 7,000	May 2015	May 2015
<i>Coral Seas</i>	74,477	2006	Period	DS Norden A/S	\$ 7,500	May 2015	Sep. 2015
<i>Golden Seas</i>	74,475	2006	Period	Glencore Grain B.V.	\$ 7,050	Dec. 2015	Apr. 2016
<i>Pearl Seas</i>	74,483	2006	Period	Glencore Grain B.V.	\$ 7,050	Dec. 2015	Apr. 2016
<i>Diamond Seas</i>	74,274	2001	Period	Swissmarine Asia Pte. Ltd.	\$ 9,000	Apr. 2015	Jun. 2015
<i>Deep Seas</i>	72,891	1999	Period	Hudson Shipping Lines Inc.	\$ 5,500	Jun. 2015	Jun. 2015
<i>Calm Seas</i>	74,047	1999	Period	Caravel Shipping Ltd.	\$ 5,100	May 2015	May 2015
<i>Kind Seas</i>	72,493	1999	Period	Marubeni Corporation	\$ 4,900	May 2015	May 2015
Total Panamax	592,291						
Ultramax							
<i>Gentle Seas</i>	63,350	2014	Period	Island View Shipping	\$ 8,250	May 2015	May 2015
<i>Peaceful Seas</i>	63,331	2014	Period	Merit Chartering Pte. Ltd.	\$ 5,600	Apr. 2015	Apr. 2015
Total Ultramax	126,681						
Supramax							
<i>Friendly Seas</i>	58,779	2008	Period	Oldendorff Carriers GmbH & Co. KG	\$11,200	May 2015	May 2015
<i>Sapphire Seas</i>	53,702	2005	Period	Hengda International Ship. Limited	\$ 5,000	May 2015	May 2015
Total Supramax	112,481						
Handysize							
<i>Prosperous Seas</i>	37,293	2012	Period	Bunge Latin America LLC	\$ 7,000	Jul. 2015	Oct. 2015
<i>Precious Seas</i>	37,205	2012	Period	Cargill International S.A.	\$ 8,000	Apr. 2015	Apr. 2015
<i>Priceless Seas</i>	37,202	2013	Voyage	Glencore Grain B.V.		Jun. 2015	Jun. 2015
<i>Proud Seas</i>	37,227	2014	Period	Brobulk Limited	\$10,000	Apr. 2015	Apr. 2015
Total Handysize	148,927						
Total	980,380						

(1) Daily charter hire rates in this table do not reflect commissions, which are payable by us to third party chartering brokers and Seacommercial, ranging from 1.25% to 6.25%, including the 1.25% to Seacommercial.

(2) The date range provided represents the earliest and latest date on which the charterer may redeliver the vessel to us upon expiration of the charter.

Drybulk Newbuildings we have agreed to acquire

Vessel Name	DWT	Shipyard	Expected Shipyard Delivery
Ultramax			
Hull no. DY4050	63,500	Yangzhou Dayang Shipbuilding Co. Ltd.	Q3 2015
Hull no. DY4052	63,500	Yangzhou Dayang Shipbuilding Co. Ltd.	Q3 2015
Total Ultramax	127,000		
Kamsarmax			
Hull no. YZJ1144	81,800	Jiangsu Yangzijiang Shipbuilding Co.	Q2 2015
Hull no. YZJ1145	81,800	Jiangsu Yangzijiang Shipbuilding Co.	Q2 2015
Hull no. YZJ1142	81,800	Jiangsu Yangzijiang Shipbuilding Co.	Q4 2015
Total Kamsarmax	245,400		
Total	372,400		

Management of Our Fleet and Agreements with Allseas and Seacommercial

Allseas and Seacommercial provide commercial and technical management services for our fleet, pursuant to long-term management agreements between Allseas and each of our vessel-owning subsidiaries. Technical management services include, among other things, arranging for and managing crews, vessel maintenance, dry-docking, repairs, insurance, maintaining regulatory and classification society compliance and providing technical support. Commercial management services include, among other things, negotiating charters for our vessels, monitoring various types of charters, monitoring the performance of our vessels, locating, purchasing, financing and negotiating the purchase and sale of our vessels, obtaining insurance for our vessels and finance and accounting functions.

Allseas and Seacommercial also provide commercial and technical management services for Box Ships' fleet. Allseas provides financial accounting and financial reporting services for Box Ships.

Allseas, a Liberian corporation based in Athens, Greece, was formed in 2000 as a ship management company and is wholly-owned by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou. We believe that Allseas has established a reputation in the international shipping industry for operating and maintaining a fleet with high standards of performance, reliability and safety. Seacommercial, a Liberian company based in Athens, Greece, was formed in 2014 and is wholly-owned by Mr. Bodouroglou.

In addition, we have entered in to an accounting agreement with Allseas, pursuant to which Allseas provides financial accounting and financial reporting services. We have also entered into separate agreements with Allseas with respect to the provision of administrative services and certain executive services. For additional information regarding the above-referenced agreements, and other agreements that we have with Allseas, Seacommercial and other affiliated companies, please see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements with Our Managers."

Chartering of our Fleet

We primarily employ our vessels in the spot charter market, on short-term time charters or on voyage charters, ranging from 10 days to three months. However, depending on the time charter market, we may decide from time to time to employ our vessels on medium to long-term time charters. All of our vessels are currently employed on fixed rate time charters or voyage charters with expirations ranging from April 2015 to April 2016.

Time Charters

A time charter is a contract to charter a vessel for a fixed period of time at a specified or floating daily or index-based daily rate and can last from a few days to several years. Under a time charter, the charterer pays for the voyage expenses, such as port expenses, canal dues, war risk insurances and fuel costs, while the shipowner pays for vessel operating expenses, including, among other costs, crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs and costs relating to a vessel's intermediate and special surveys.

Spot Charters

A spot charter generally refers to a voyage charter or a trip charter or a short-term time charter.

Vessels operating in the spot market typically are chartered for a single voyage, which may last up to several weeks. Under a typical voyage charter in the spot market, the shipowner is paid an agreed-upon total amount on the basis of moving cargo from a loading port to a discharge port. In voyage charters, the charterer generally is responsible for any delay at the loading or discharging ports, and the shipowner is generally responsible for paying both vessel operating expenses and voyage expenses, including any bunker expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions.

Under a typical trip charter in the spot market, the shipowner is paid on the basis of moving cargo from a loading port to a discharge port at a set daily rate. The charterer is responsible for paying for bunkers and other voyage expenses, while the shipowner is responsible for paying vessel operating expenses. When the vessel is off-hire, or not available for service, the shipowner generally is not entitled to payment, unless the charterer is responsible for the circumstances giving rise to the lack of availability.

Our Customers

Our assessment of a charterer's financial condition, creditworthiness, reliability and track record are important factors in negotiating employment for our vessels. We believe that our management team's network of relationships and more generally our Managers' reputation and experience in the shipping industry will continue to provide competitive employment opportunities for our vessels in the future.

For the year ended December 31, 2014, approximately 11.6% of our revenue was derived from one of our charterers, Cargill International S.A.

On March 9, 2011, we received a notice of termination, effective immediately, from Korea Line Corporation, or KLC, a South Korean shipping company that filed a petition for rehabilitation in January 2011, relating to our time charter with KLC for the M/V Pearl Seas, which was originally scheduled to expire no earlier than in August 2011. Under the charter, we were entitled to a gross daily rate of \$37,300, with an optional extension of up to an additional 26 to 28 months at the charterers' option at a gross daily rate of \$32,500, plus a 50% profit share above that level. Revenues from our charter with KLC were 16.2% of our total revenues for the year ended December 31, 2010. We received all charter hire due on the vessel until January 29, 2011. On September 15, 2011, we entered into a settlement agreement with KLC in relation to the early termination of the respective time charter, while in March 2013, the Seoul Central District Court approved an amended KLC rehabilitation plan, pursuant to which we received an aggregate of \$0.4 million in cash and 65,896 shares of KLC.

In 2014, we sold a total of 21,346 KLC shares at an average sale price of \$23.52 per share. Following the sale of such shares, the number of KLC shares held by us was 44,550. The total cash received from the sale of these shares amounted to \$0.5 million, net of commissions, which resulted in a net loss of \$25,529 that was recorded in 2014.

Furthermore, in April 2015, we sold an additional 18,133 KLC shares at an average sale price of \$22.62 per share. The total cash expected to be received from the sale of these shares amounts to \$0.4 million, net of commissions (based on U.S. dollar/KRW exchange rate of \$1.000:KRW1,096.92 as of April 15, 2015). As of the date of this annual report, the number of KLC shares held by us was 26,417.

The Drybulk Shipping Industry

The global drybulk carrier fleet may be divided into seven categories based on a vessel's carrying capacity. These categories consist of:

Very Large Ore Carriers (VLOC) have a carrying capacity of more than 200,000 dwt and are a comparatively new sector of the drybulk carrier fleet. VLOCs are built to exploit economies of scale on long-haul iron ore routes.

Capesize vessels have a carrying capacity of 110,000-199,999 dwt. Only the largest ports around the world possess the infrastructure to accommodate vessels of this size. Capesize vessels are primarily used to transport iron ore or coal and, to a much lesser extent, grains, primarily on long-haul routes.

Post-Panamax vessels have a carrying capacity of 90,000-109,999 dwt. These vessels tend to have a shallower draft and larger beam than a standard Panamax vessel with a higher cargo capacity. These vessels have been designed specifically for loading high cubic cargoes from draught restricted ports, although they cannot transit the Panama Canal.

Panamax/Kamsarmax vessels have a carrying capacity of 68,000-89,999 dwt. These vessels carry coal, iron ore, grains, and, to a lesser extent, minor bulks, including steel products, cement and fertilizers. Panamax vessels are able to pass through the Panama Canal, making them more versatile than larger vessels with regard to accessing different trade routes. Most Panamax and Post-Panamax vessels are "gearless," and therefore must be served by shore-based cargo handling equipment.

Ultramax vessels have a carrying capacity of 60,000-67,999 dwt. Ultramax vessels operate in a large number of geographically dispersed global trade routes, carrying primarily grains and minor bulks. Ultramax vessels are normally offering cargo loading and unloading flexibility with on-board cranes, while at the same time possessing the cargo carrying capability approaching conventional Panamax vessels.

Handymax/Supramax vessels have a carrying capacity of 40,000-59,999 dwt. Like Ultramax vessels, Handymax vessels operate in a large number of geographically dispersed global trade routes, carrying primarily grains and minor bulks. Within the Handymax category there is also a sub-sector known as Supramax. Supramax vessels are ships between 50,000 to 59,999 dwt, normally offering cargo loading and unloading flexibility with on-board cranes.

Handysize vessels have a carrying capacity of up to 39,999 dwt. These vessels are primarily involved in carrying minor bulk cargoes. Increasingly, ships of this type operate within regional trading routes, and may serve as trans-shipment feeders for larger vessels. Handysize vessels are well suited for small ports with length and draft restrictions. Their cargo gear enables them to service ports lacking the infrastructure for cargo loading and unloading.

The drybulk shipping market is the primary provider of global commodities transportation. Approximately one third of all seaborne trade is drybulk related.

The demand for drybulk carrier capacity is determined by the underlying demand for commodities transported in drybulk carriers, which in turn is influenced by trends in the global economy. Demand for drybulk carrier capacity is also affected by the operating efficiency of the global fleet, with port congestion, which has been a feature of the market since 2004, absorbing tonnage and therefore leading to a tighter balance between supply and demand. In evaluating demand factors for drybulk carrier capacity, we believe that drybulk carriers can be the most versatile element of the global shipping fleets in terms of employment alternatives. Drybulk carriers seldom operate on round trip voyages. Rather, the norm is triangular or multi-leg voyages. Hence, trade distances assume greater importance in the demand equation.

The supply of drybulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. As of March 2015, the orderbook of new drybulk vessels scheduled to be delivered represented approximately 20% of the world drybulk fleet at that time, with most vessels on the orderbook expected to be delivered during the next three years. The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. Drybulk carriers at or over 25 years old are considered to be scrapping candidate vessels.

Charter Hire Rates

Charter hire rates fluctuate by varying degrees amongst the drybulk carrier size categories. The volume and pattern of trade in a small number of commodities (major bulks) affect demand for larger vessels. Because demand for larger drybulk vessels is affected by the volume and pattern of trade in a relatively small number of commodities, charter hire rates (and vessel values) of larger ships tend to be more volatile. Conversely, trade in a greater number of commodities (minor bulks) drives demand for smaller drybulk carriers. Accordingly, charter rates and vessel values for those vessels are subject to less volatility. Charter hire rates paid for drybulk carriers are primarily a function of the underlying balance between vessel supply and demand. In addition, time charter rates will vary depending on the length of the charter period and vessel-specific factors, such as container capacity, age, speed and fuel consumption. Furthermore, the pattern seen in charter rates is broadly mirrored across the different charter types and between the different drybulk carrier categories.

In the time charter market, rates vary depending on the length of the charter period and vessel specific factors such as age, speed and fuel consumption. In the voyage charter market, rates are influenced by cargo size, commodity, port dues and canal transit fees, as well as delivery and re-delivery regions. In general, a larger cargo size is quoted at a lower rate per ton than a smaller cargo size. Routes with costly ports or canals generally command higher rates than routes with low port dues and no canals to transit. Voyages with a load port within a region that includes ports where vessels usually discharge cargo or a discharge port within a region that includes ports where vessels load cargo also are generally quoted at lower rates. This is because such voyages generally increase vessel utilization by reducing the unloaded portion (or ballast leg) that is included in the calculation of the return charter to a loading area.

Within the drybulk shipping industry, the charter hire rate references most likely to be monitored are the freight rate indices issued by the Baltic Exchange, such as the BDI. These references are based on actual charter hire rates under charter entered into by market participants as well as daily assessments provided to the Baltic Exchange by a panel of major shipbrokers. The Baltic Panamax Index is the index with the longest history. The Baltic Capesize Index and Baltic Handymax Index are of more recent origin.

In 2008, the BDI declined 94% from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and has remained volatile since that time. During 2014, the BDI remained volatile, ranging from a high of 2,113 to a low of 723. The BDI recorded a 25-year record low of 509 in February 2015 and has since increased to 586 as of April 15, 2015.

Vessel Prices

Newbuilding prices are determined by a number of factors, including the underlying balance between shipyard output and capacity, raw material costs, freight markets and sometimes exchange rates. In the last few years, high levels of new ordering were recorded across all sectors of shipping. As a result, most of the major shipyards in Japan, South Korea and China had full orderbook until the end of 2011, although the downturn in freight rates and the lack of funding due to the wider global financial crisis has led, and is expected to continue to lead, to some of these orders being cancelled or delayed.

Newbuilding prices increased significantly between 2003 and 2008, due to tightness in shipyard capacity, high levels of new ordering and stronger freight rates. However, with the sudden and steep decline in freight rates, after August 2008 and lack of new vessel ordering, newbuilding vessel values started to decline. The values of vessels in the secondhand market rose sharply in 2004 and 2005 as a result of the steep increase in newbuilding prices and the strength of the charter market during that period, before declining in the early part of 2006, only to rise thereafter to reach historical highs in the third quarter of 2008. However, the significant downturn in freight rates since August 2008 has negatively impacted secondhand values. Currently, newbuilding and secondhand values remain well below the historically high levels reached in the third quarter of 2008.

Competition

We operate in a highly competitive market based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation. Allseas arranges our charters through the use of brokers, who negotiate the terms of the charters based on market conditions. We compete primarily with other owners of drybulk carriers, many of which may have more resources than us and may operate vessels that are newer, and therefore more attractive to charterers, than our vessels. Ownership of drybulk carriers is highly fragmented and is divided among publicly listed companies, state controlled owners and independent shipowners. Some of our publicly listed competitors include Baltic Trading Inc. (NYSE: BALT), Diana Shipping Inc. (NYSE: DSX), DryShips Inc. (NASDAQ: DRYIS), Eagle Bulk Shipping Inc. (NASDAQ: EGLI), Navios Maritime Holdings Inc. (NYSE: NM), Star Bulk Inc. (NASDAQ: SBLK), Safe Bulkers Inc. (NYSE: SB) and Scorpio Bulkers (NYSE: SALT).

In the future, entities affiliated with our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodourogrou, may seek to acquire drybulk carriers. One or more of these vessels may be managed by Allseas and may compete with the vessels in our fleet. Mr. Bodourogrou and entities affiliated with him, including Allseas, might be faced with conflicts of interest with respect to their own interests and their obligations to us.

Mr. Bodourogrou has entered into an agreement with us pursuant to which he and the entities which he controls will grant us a right of first refusal on any drybulk carrier that these entities may acquire in the future. In addition, we have entered into an agreement with Box Ships and Mr. Bodourogrou that provides that so long as (i) Mr. Bodourogrou is a director or executive officer of both our Company and Box Ships and (ii) we own at least 5% of the total issued and outstanding common shares of Box Ships, Box Ships will not, directly or indirectly, acquire or charter any drybulk carrier without our prior written consent and we will not, directly or indirectly, acquire or charter any containership vessel without the prior written consent of Box Ships.

Seasonality

Demand for vessel capacity has historically exhibited seasonal variations and, as a result, fluctuations in charter rates. This seasonality may result in quarter-to-quarter volatility in our operating results for vessels trading in the spot market. The drybulk carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities.

To the extent that we must enter into a new charter or renew an existing charter for a vessel in our fleet during a time when seasonal variations have reduced prevailing charter rates, our operating results may be adversely affected.

Permits and Authorizations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our vessels. The kinds of permits, licenses and certificates required depend upon several factors, including the commodity transported, the waters where the vessel operates, the nationality of the vessel's crew and the age of the vessel. We have obtained all permits, licenses and certificates currently required to permit our vessels to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of doing business.

Environmental and Other Regulations

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

A variety of governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities, (applicable national authorities such as the U.S. Coast Guard and harbor masters), classification societies, flag state administrations (countries of registry) and charterers. Some of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Our failure to maintain necessary permits, licenses, certificates or authorizations could require us to incur substantial costs or could result in the operation of one or more of our vessels being temporarily suspended.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the shipping industry. Increasing environmental concerns have created a demand for vessels that conform to the 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 United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations as of the date of this annual report. However, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact, such as the 2010 *Deepwater Horizon* oil spill, could result in additional legislation or regulation that could negatively affect our profitability.

The major environmental and safety laws and regulations applicable to the operation of our vessels are discussed below.

International Maritime Organization

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

Air Emissions

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

The IMO's Marine Environment Protection Committee, or MEPC, adopted amendments to Annex VI on October 10, 2008, which were entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. As of January 1, 2012, the amended Annex VI required that fuel oil contain no more than 3.50% sulfur (from the current cap of 4.50%). By January 1, 2020, sulfur content must not exceed 0.50%, subject to a feasibility review to be completed no later than 2018.

Sulfur content standards are even stricter within certain "Emission Control Areas," or ECAs. By July 1, 2010, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 1.0% (from 1.50%), which was further reduced to 0.10% on January 1, 2015. Amended Annex VI establishes procedures for designating new ECAs. Currently, the Baltic Sea and the North Sea have been so designated. Effective August 1, 2012, certain coastal areas of North America were designated ECAs; the United States Caribbean Sea adjacent to Puerto Rico and the U.S. Virgin Islands was also so designated as of January 1, 2014. Ocean-going vessels in these areas will be subject to stringent emissions controls and may cause us to incur additional costs. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the EPA or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

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

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The U.S. Environmental Protection Agency promulgated equivalent (and in some senses stricter) emissions standards in late 2009.

Safety Management System Requirements

The IMO also adopted the International Convention for the Safety of Life at Sea, or SOLAS, and the International Convention on Load Lines, or the LL Convention, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS and LL Convention standards. May 2012 SOLAS amendments entered into force as of January 1, 2014. The Convention on Limitation of Liability for Maritime Claims was recently amended and the amendments are expected to go into effective on June 8, 2015. The amendments alter the limits of liability for loss of life or personal injury claims and property claims against ship-owners.

The operation of our ships is also affected by the requirements set forth in Chapter IX of SOLAS, which sets forth the ISM Code. The ISM Code requires shipowners 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 rely upon the safety management system that our technical manager has developed for compliance with the ISM Code. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

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

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

Pollution Control and Liability Requirements

The IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping tonnage. To date, there has not been sufficient adoption of this standard for it to take force. Many of the implementation dates originally written into the BWM Convention have already passed, so that once the BWM Convention enters 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 (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. If mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could increase for ocean carriers. Although we do not believe the costs of compliance with mandatory mid-ocean ballast exchange would be material, it is difficult to predict the overall impact of such a requirement on our operations.

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.

The IMO continues to adopt new regulations. It is impossible to predict what additional regulations, if any, may be adopted by the IMO and what effect, if any, such regulations might have on our operations.

OPA and Comprehensive Environmental Response, Compensation and Liability Act

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

- (i) injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- (ii) injury to, or economic losses resulting from, the destruction of real and personal property;

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

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability for non-tank vessels (e.g. drybulk) to the greater of \$1,000 per gross ton or \$854,400 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsibility party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as 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 \$5.0 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We plan to comply with the U.S. Coast Guard's financial responsibility regulations by providing a certificate of responsibility evidencing sufficient self-insurance.

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. 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. For example, on August 15, 2012, the U.S. Bureau of Safety and Environment Enforcement issued a final drilling safety rule for offshore oil and gas operations that strengthens the requirements for safety equipment, well control systems, and blowout prevention practices. Additional legislation or regulations applicable to the operation of our vessels that may be implemented in the future could adversely affect our business.

We currently 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.

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

Other Environmental Initiatives

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

The EPA regulates the discharge of ballast water and other substances in U.S. waters under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit authorizing ballast water discharges and other discharges incidental to the operation of vessels. The Vessel General Permit imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, recordkeeping and reporting requirements to ensure the effluent limits are met. On March 28, 2013, the EPA re-issued the VGP for another five years; this 2013 VGP took effect December 19, 2013. The 2013 VGP contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants. U.S. Coast Guard regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. As of June 21, 2012, the U.S. Coast Guard implemented revised regulations on ballast water management by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships in U.S. waters. The revised ballast water standards are consistent with those adopted by the IMO in 2004. The U.S. Coast Guard will review the practicability of implementing a more stringent ballast water discharge standard and publish results no later than January 1, 2016. Compliance with the EPA and the U.S. Coast Guard regulations could require the installation of certain engineering equipment and water treatment systems 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.

The U.S. Clean Air Act

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) (the "CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. Our vessels that operate in such port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these requirements. The CAA also requires states to draft State Implementation Plans ("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. As indicated above, our vessels operating in covered port areas are already equipped with vapor recovery systems that satisfy these existing requirements.

European Union Regulations

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

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. However, in July 2011 the MEPC adopted two new sets of mandatory requirements to address greenhouse gas emissions from ships that entered into force in January 2013. Currently operating ships will be required to develop Ship Energy Efficiency Management Plans, and minimum energy efficiency levels per capacity mile, outlined in the Energy Efficiency Design Index, will apply to new ships. The MEPC is also considering market-based mechanisms to reduce greenhouse gas emissions from ships. The European Parliament and Council of Ministers are expected to endorse regulations that would require the monitoring and reporting of greenhouse gas emissions from marine vessels in 2015. For 2020, the EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states by 20% of 1990 levels. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol's second period, from 2013 to 2020. If the strategy is adopted by the European Parliament and Council large vessels using European Union ports would be required to monitor, report, and verify their carbon dioxide emissions beginning in January 2018. In December 2013 the European Union environmental ministers discussed draft rules to implement monitoring and reporting of carbon dioxide emissions from ships. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, such regulation of vessels is foreseeable, and the EPA has in recent years received petitions from the California Attorney General and various environmental groups seeking such regulation. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time.

International Labour Organization

The International Labour Organization (ILO) is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006, or MLC 2006. A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 will enter into force one year after 30 countries with a minimum of 33% of the world's tonnage have ratified it. On August 20, 2012, the required number of countries was met and MLC 2006 entered into force on August 20, 2013. The ratification of MLC 2006 will require us to develop new procedures to ensure full compliance with its requirements.

Vessel Security Regulations

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

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

on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;

on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;

the development of vessel security plans;

ship identification number to be permanently marked on a vessel's hull;

a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and

compliance with flag state security certification requirements.

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

Furthermore, additional security measures could be required in the future which could have a significant financial impact on us. The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. We have implemented the various security measures addressed by the MTSA, SOLAS 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 certification, 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 shipowner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which 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 shipowner 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. The International Association of Classification Societies adopted harmonized Common Rules that align with the IMO goal standards, in 2013. All our vessels are certified as being "in class" by Lloyd's Register of Shipping. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard purchase 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.

Risk of Loss and Insurance Coverage

General

The operation of any vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy, 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 vessels trading in the U.S. exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the U.S. market.

While we maintain hull and machinery insurance, war risks insurance, protection and indemnity cover, increased value insurance and freight, demurrage and defense cover for each of our vessels 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 have procured what we consider to be adequate insurance coverage, not all risks can be insured against, specific claims may not be paid, and we may not be able to obtain adequate insurance coverage at reasonable rates.

Hull & Machinery Insurance

We maintain for all of our vessels marine hull and machinery insurance that covers the risk of actual or constructive total loss up to at least the fair market value of the vessels with deductibles that vary according to the size and value of each vessel. We also maintain increased value coverage for each of our vessels. Under this increased value coverage, in the event of total loss of a vessel, we would be entitled to recover amounts not recoverable under our hull and machinery policy due to any difference that might have arisen between the insured value of the vessel and the market value of the vessel.

War Risks Insurance

Hull and machinery insurance does not cover the aforementioned risks of a vessel sailing into a war zone or piracy area. Those areas are established by the London-based Joint War Committee and we maintain such cover for all our vessels.

Protection and Indemnity Insurance

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

We have procured protection and indemnity insurance coverage for pollution in the amount of \$1.0 billion per vessel per incident. The 13 principal underwriting member P&I Associations that comprise the International Group of P&I Clubs 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 of P&I Clubs, we are subject to calls payable to the associations based on the group's claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Associations comprising the International Group of P&I Clubs.

FDD (Freight / Demurrage / Defense) Cover

The cover entitles the vessel owners to seek legal advice and assistance from the Club and reimbursement of costs incurred in connection with disputes or proceedings which are pursued by or against the vessel owners and which arise out of events which occur during the period of the insurance.

C. Organizational structure

Paragon Shipping Inc. is the sole owner of all of the issued and outstanding shares of the subsidiaries listed on Exhibit 8.1 to this annual report.

D. Property, plants and equipment

We do not own any material real property. We lease office space in Athens, Greece from Granitis Glyfada Real Estate Ltd, a company beneficially owned by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Lease of Office Space." In addition, for the vessels owned and for mortgages thereon, refer to "Our Fleet" discussed above, and "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Long-Term Debt."

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

The following discussion of our financial condition and results of operations should be read in conjunction with our historical consolidated financial statements and their notes included elsewhere in this annual report. The financial statements have been prepared in accordance with U.S. GAAP and are presented in U.S. Dollars unless otherwise indicated.

This discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties, which could cause actual events or conditions to differ materially from those currently anticipated and expressed or implied by such forward-looking statements. For a discussion of some of those risks and uncertainties, please see the section entitled "Forward-Looking Statements" at the beginning of this annual report and "Item 3. Key Information—D. Risk Factors."

A. Operating results

Overview

We are a global provider of shipping transportation services. We specialize in transporting drybulk cargoes, including such commodities as iron ore, coal, grain and other materials, along worldwide shipping routes.

As of the date of this annual report, our operating fleet consisted of eight Panamax drybulk carriers, two Ultramax drybulk carriers, two Supramax drybulk carriers and four Handysize drybulk carriers with an aggregate capacity of 980,380 dwt and an average age of 7.6 years.

Prior to April 2011, we owned and operated three containerships. In the second quarter of 2011, we sold these containerships to Box Ships, then our wholly-owned subsidiary. Box Ships completed its initial public offering in April, 2011, and we continue to own 3,437,500 shares of Box Ships, which, as of the date of this annual report, represented approximately 11.0% of Box Ships' outstanding common shares.

In addition, as of the date of this annual report, our newbuilding program consisted of our current newbuilding program consists of two Ultramax drybulk carriers and three Kamsarmax drybulk carriers that are scheduled to be delivered in 2015.

Allseas and Seacommercial are responsible for the commercial and technical management functions for our fleet, pursuant to long-term management agreements between Allseas, Seacommercial and each of our vessel-owning subsidiaries. Allseas and Seacommercial also provide commercial and technical management services for Box Ships' fleet. Allseas and Seacommercial are controlled by Mr. Bodouglou.

We primarily employ our vessels in the spot charter market, on short-term time charters or on voyage charters, ranging from 10 days to three months. However, depending on the time charter market, we may decide from time to time to employ our vessels on medium to long-term time charters. All of our vessels are currently employed on fixed rate time charters or voyage charters with expirations ranging from April 2015 to April 2016.

Factors Affecting our Results of Operations

Our revenues consist of earnings under the charters on which we employ our vessels. 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 in a period during which each vessel in our fleet was owned. Calendar days are an indicator of the size of the fleet over a period and affect both the amount of revenues and the amount of expenses that are recorded during that period.

Available days. We define available days as the number of calendar days in a period less any off-hire days associated with scheduled dry-dockings or special or intermediate surveys. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

Operating days. We define operating days as the total available days in a period less any off-hire days due to any reason, other than scheduled dry-dockings or special or intermediate surveys, including unforeseen circumstances. Any idle days relating to the days a vessel remains unemployed are included in operating days. The shipping industry uses operating days to measure the number of days in a period during which 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 amount of days that its vessels are off-hire for reasons other than scheduled repairs, vessel upgrades, vessel positioning, dry-dockings or special or intermediate surveys.

Charter contracts. A period time charter and a trip time charter are generally contracts to charter a vessel for a specific period of time at a set daily rate. Under period time charters and trip time charters, the charterer pays substantially all of the voyage expenses, including port and canal charges, and bunkers (fuel) expenses, but the vessel owner pays the vessel operating expenses and commissions on gross time charter revenues. A spot market voyage charter is generally a contract to carry a specific cargo from a load port to a discharge port for an agreed upon total amount. In the case of a spot market voyage charter, the vessel owner pays voyage expenses (less specified amounts, if any, covered by the voyage charterer), commissions on gross revenues and vessel operating expenses. Whether our vessels are employed on time charters or on voyage charters, we pay for vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs. We are also responsible for each vessel's intermediate and special survey costs. Time charter rates are usually fixed during the term of the charter. Prevailing time charter rates fluctuate on a seasonal and year to year basis and may be substantially higher or lower from a prior time charter contract when the subject vessel is seeking to renew that prior charter or enter into a new charter with another charterer. Fluctuations in charter rates are caused by imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes. Fluctuations in time charter rates are influenced by changes in spot market rates.

Charter Revenues

Charter 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 charter hire that our vessels earn under charters. These, 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 age, condition and specifications of our vessels, levels of supply and demand in the shipping market and other factors affecting the charter rates for our vessels.

Vessels operating on period time charters provide more predictable cash flows, but can yield lower profit margins than vessels operating in the spot charter market during periods characterized by favorable market conditions. Vessels operating in the spot charter market 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. Future spot market rates may be higher or lower than the rates at which we have employed our vessels on period time charters.

Voyage Expenses

Our voyage expenses exclude commissions and consist of all costs that are unique to a particular voyage, primarily including port expenses, canal dues, war risk insurances, fuel costs and losses from the sale of bunkers to charterers and bunkers consumed during off-hire periods and while traveling to and from dry-docking.

Vessel Operating Expenses

Our 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 other miscellaneous expenses. We anticipate that our vessel operating expenses, which generally represent fixed costs, will fluctuate based primarily upon the size of our fleet. Other factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market prices for insurance and difficulty in obtaining crew, may also cause these expenses to increase.

Dry-docking Expenses

Dry-docking costs relate to the regularly scheduled intermediate survey or special survey dry-docking necessary to preserve the quality of our vessels as well as to comply with the regulations, the environmental laws and the international shipping standards. Dry-docking costs can vary according to the age of the vessel, the location where the dry-dock takes place, the shipyard availability, the local availability of manpower and material and the billing currency of the yard. We expense dry-docking costs as incurred.

Management Fees – Related Party

Management fees represent fees paid to Allseas in accordance with our management agreements and accounting agreement, which are discussed in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements with Our Managers—Management Agreements" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements with Our Managers—Accounting Agreement."

Furthermore, in order to incentivize Allseas' continued services to us, on November 10, 2009, we entered into a tripartite agreement with Allseas and Loretto, a wholly-owned subsidiary of Allseas, pursuant to which in the event of a capital increase, an equity offering or the issuance of common shares to a third party or third parties in the future, other than the common shares issued pursuant to our equity incentive plan, we have agreed to issue, at no cost to Loretto, additional common shares in an amount equal to 2% of the total number of common shares issued pursuant to such capital increase, equity offering or third party issuance, as applicable. As of the date of this annual report, we have issued a total of 469,958 of our common shares to Loretto pursuant to this agreement. The fair value of the shares issued to Loretto is deemed share-based compensation for management services and is charged to earnings and recognized in paid-in-capital on the date we become liable to issue the shares. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreement with Loretto."

Depreciation

We depreciate our vessels on a straight-line basis over their estimated useful lives. The estimated useful life of our vessels is determined to be 25 years from the date of their initial delivery from the shipyard. Depreciation is based on cost less an estimated residual value. Refer to "Critical Accounting Policies—Vessel Depreciation" discussed below.

General and Administrative Expenses

General and administrative expenses include fees payable under our administrative and executive services agreements with Allseas, which are discussed in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements with Our Managers—Administrative Services Agreement" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements with Our Managers—Executive Services Agreement". In addition, general and administrative expenses include directors' fees, office rent, traveling expenses, communications, directors and officers insurance, legal, auditing, investor relations and other professional expenses and reflect the costs associated with running a public company.

Furthermore, our general and administrative expenses include share-based compensation. For more information on the non-vested share awards issued as incentive compensation under our Equity Incentive Plan, please see "Item 6. Directors, Senior Management and Employees—E. Share Ownership—Equity Incentive Plan".

Interest and Finance Costs

We have incurred interest expense and financing costs in connection with vessel-specific debt relating to the acquisition of our vessels. We also expect to incur financing costs and interest expenses under our current and future credit facilities in connection with debt incurred to finance future acquisitions, as market conditions warrant.

Inflation

We expect that inflation will have only a moderate effect on our expenses under current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase, among other things, our operating, general and administrative, and financing costs. However, we expect our costs to increase based on the anticipated increased costs for crewing and lube oil.

Lack of Historical Operating Data for Vessels Before Their Acquisition

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

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

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

- obtain the charterer's consent to us as the new owner;
- obtain the charterer's consent to a new technical manager;
- obtain the charterer's consent to a new flag for the vessel;
- arrange for a new crew for the vessel;

replace all hired equipment on board, such as gas cylinders and communication equipment;

negotiate and enter into new insurance contracts for the vessel through our own insurance brokers;

register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state;

implement a new planned maintenance program for the vessel; and

ensure that the new technical manager obtains new certificates for compliance with the safety and vessel security regulations of the flag state.

The below 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 our vessels; and

management of the financial, general and administrative elements involved in the conduct of our business and ownership of our vessels.

The employment and operation of our vessels requires 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 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, such as the 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:

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

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

In "—Critical Accounting Policies—Impairment of Long-lived Assets," we discuss our policy for impairing the carrying values of our vessels. Historically, 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.

The table set forth below indicates (i) the carrying value of each of our vessels as of December 31, 2013 and 2014 (ii) which of our vessels we believe has a basic market value below its carrying value, and (iii) the aggregate difference between carrying value and market value represented by such vessels. This aggregate difference represents the approximate analysis of the amount by which we believe we would have to reduce our net income if we sold all of such vessels in the current environment, on industry standard terms, in cash transactions, and to a willing buyer where we are not under any compulsion to sell, and where the buyer is not under any compulsion to buy. For the purposes of this calculation, we have assumed that the vessels would be sold at a price that reflects our estimate of their current basic market values, as of December 31, 2013 and 2014, respectively. However, we are not holding our vessels for sale.

Our estimates of basic 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 market value are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future basic market value of our vessels or prices that we could achieve if we were to sell them.

	Dwt	Year Built	Carrying Value as of December 31, 2013	Carrying Value as of December 31, 2014
Vessel and Type				
Panamax				
Dream Seas (1), (2)	75,151	2009	\$35.8 million	\$34.2 million
Coral Seas (1), (2)	74,477	2006	\$22.1 million	\$21.0 million
Golden Seas (1), (2)	74,475	2006	\$22.1 million	\$21.1 million
Pearl Seas (1), (2)	74,483	2006	\$22.1 million	\$21.0 million
Diamond Seas (1), (2)	74,274	2001	\$18.5 million	\$17.3 million
Deep Seas (1), (2)	72,891	1999	\$24.2 million	\$22.1 million
Calm Seas (1), (2)	74,047	1999	\$25.2 million	\$23.0 million
Kind Seas (1), (2)	72,493	1999	\$25.9 million	\$23.8 million
Ultramax				
Gentle Seas (3)	63,350	2014	-	\$27.3 million
Peaceful Seas (3)	63,331	2014	-	\$27.5 million
Supramax				
Friendly Seas (1), (2)	58,779	2008	\$24.3 million	\$23.2 million
Sapphire Seas (1), (2)	53,702	2005	\$18.7 million	\$17.8 million
Handysize				
Prosperous Seas (1), (2)	37,293	2012	\$21.5 million	\$20.7 million
Precious Seas (1), (2)	37,205	2012	\$21.9 million	\$21.1 million
Priceless Seas (1), (2)	37,202	2013	\$23.8 million	\$22.9 million
Proud Seas (2), (3)	37,227	2014	-	\$25.0 million
Total	980,380		\$306.1 million	\$369.0 million

(1) Indicates vessels for which we believe, as of December 31, 2013, the basic charter-free market value was lower than the vessel's carrying value. We believe that the aggregate carrying value of these vessels exceeds their aggregate basic charter-free market value as of December 31, 2013 by approximately \$64.1 million. For the year ended December 31, 2013, no impairment was recorded on these vessels under our accounting impairment policy.

(2) Indicates vessels for which we believe, as of December 31, 2014, the basic charter-free market value was lower than the vessel's carrying value. We believe that the aggregate carrying value of these vessels exceeds their aggregate basic charter-free market value as of December 31, 2014, by approximately \$93.3 million. For the year ended December 31, 2014, no impairment was recorded on these vessels under our accounting impairment policy.

(3) M/V Proud Seas was delivered to us on January 7, 2014, while M/V Gentle Seas and M/V Peaceful Seas were delivered to us in October 2014.

All of our vessels are currently employed under fixed rate time charters or voyage charters with expirations ranging from April 2015 to April 2016. If we sell those vessels with the charters attached, the sale price may be affected by the relationship of the charter rate to the prevailing market rate for a comparable charter with the same terms.

We refer you to "Item 3. Key Information—D. Risk Factors—The market value of our vessels has declined and may further decline, which could limit the amount of funds that we can borrow and has triggered and could in the future trigger breaches of certain financial and security coverage ratio covenants contained in our current and future credit facilities and we may incur a loss if we sell vessels following a decline in their market value." In addition we refer you to the discussion in "Item 4. Information on the Company—B. Business overview—Vessel Prices."

Critical Accounting Policies and Estimates

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 in the application of our accounting policies 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 high 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 elsewhere herein.

Vessel Depreciation: We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and delivery expenditures, including pre-delivery expenses and expenditures made 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, after considering the estimated salvage value. We estimate the useful life of our vessels to be 25 years from the date of initial delivery from the shipyard (secondhand vessels are depreciated from the date of their acquisition through their remaining estimated useful life). An increase in the useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation and extending it into later periods. A decrease in the useful life of a drybulk vessel or in its residual value would have the effect of increasing the annual depreciation and extending it into later periods.

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 the vessel is subjected to, or poor quality of the shipbuilding or yard. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life is adjusted to end at the date such regulations preclude such vessel's further commercial use. Weak freight market rates result in owners scrapping more vessels, and scrapping them earlier in their lives due to the unattractive returns. An increase in the useful life of the vessel may occur as a result of superior vessel maintenance performed, favorable ocean going and weather conditions the vessel is subjected to, superior quality of the shipbuilding or yard, or high freight market rates, which result in owners scrapping the vessels later due to the attractive cash flows.

Each vessel's salvage value is equal to the product of its lightweight tonnage and estimated scrap rate, which, up until September 30, 2012, was estimated to be \$150 per lightweight ton. In order to adjust the scrap rate estimates to be aligned with the current historical average scrap rate, effective from October 1, 2012, the Company adjusted the estimated scrap rate used to calculate the vessels' salvage value from \$150 to \$300 per lightweight ton. The increase in the estimated scrap rate will decrease the total vessel depreciation expense we would record, proportionally, for the remainder of the useful life of each vessel.

The estimated residual value of the vessels may not represent the fair market value at any one time since market prices of scrap values tend to fluctuate.

Impairment of Long-Lived Assets: We review our long-lived assets held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, we are required to evaluate the asset for an impairment loss. Measurement of the impairment loss is based on the fair value of the asset.

The carrying values of our vessels may not represent their fair market value at any point in time since the market prices of secondhand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Historically, both charter rates and vessel values tend to be cyclical. Declines in the fair value of vessels, prevailing market charter rates, vessel sale and purchase considerations, and regulatory changes in shipping industry, changes in business plans or changes in overall market conditions that may adversely affect cash flows are considered as potential impairment indicators. Based on our estimates of basic market value as described in "Item 5. Operating and Financial Review and Prospects—A. Operating results—Our Fleet—Comparison of Possible Excess of Carrying Value Over Estimated Charter-Free Market Value of our Vessels", in the event the independent market value of a vessel is lower than its carrying value, we determine undiscounted projected net operating cash flow for such vessel and compare it to the vessels carrying value.

The undiscounted projected net operating cash flows for each vessel are determined by considering the contracted charter revenues from existing time charters for the fixed vessel days and an estimated daily time charter equivalent for the unfixed days (based on the most recent ten year historical average of similar size vessels) over the remaining estimated life of the vessel, assumed to be 25 years from the date of initial delivery from the shipyard, net of brokerage commissions, the salvage value of each vessel, which is estimated to be \$300 per lightweight ton, expected outflows for vessels' future dry-docking expenses and estimated vessel operating expenses, assuming an average annual inflation rate where applicable. We use the historical ten-year average as it is considered a reasonable estimation of expected future time charter rates over the remaining useful life of our vessels since we believe it represents a full shipping cycle and captures the highs and lows of the market. We utilize the standard deviation in order to eliminate the outliers of our sample before computing the historic ten-year average of the one-year time charter rate.

As of December 31, 2014, the estimated future daily time charter rates calculated using the standard deviation of the ten-year historical average of the one-year time charter rates, which were \$18,093, \$16,134, and \$12,061 for Panamax, Supramax and Handysize drybulk carriers, respectively, were approximately 20.4% to 26.2% lower than the estimated future daily time charter rates calculated using the ten-year simple average of the one-year time charter rates, which were \$24,518, \$21,655, and \$15,152 for Panamax, Supramax and Handysize drybulk carriers, respectively. There was no impairment indication identified for our two Ultramax drybulk carriers as of December 31, 2014. These assumptions are based on historical trends as well as future expectations. Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective.

As of December 31, 2013, the testing indicated no impairment on any of our vessels. Our analysis for the year ended December 31, 2014, which also involved sensitivity tests on the future time charter rates (which is the input that is most sensitive to variations), allowing for decreases on time charter rates from our base scenario of up to approximately 13.8%, 26.3% and 21.1% for our Panamax, Supramax and Handysize drybulk carriers, respectively, indicated no impairment on any of our vessels. Based on this sensitivity testing, our vessels would be at risk of impairment if the estimation of the future daily time charter rates, calculated using the standard deviation of the ten-year historical average of the one-year time charter rates, declined below approximately \$15,605, \$11,899 and \$9,514 for Panamax, Supramax and Handysize drybulk carriers, respectively.

Recent Accounting Pronouncements

Regarding recent accounting pronouncements the adoption of which would have an effect on our consolidated financial statements in the current period or future periods, refer to Note 2 to our consolidated financial statements included at the end of this annual report.

Fleet Data and Average Daily Results

	2012	2013	2014
FLEET DATA			
Calendar days for the fleet	4,099	4,717	5,241
Available days for the fleet	4,099	4,652	5,180
Operating days for the fleet	4,063	4,622	5,134
Average number of vessels ⁽¹⁾	11.2	12.9	14.4
Number of vessels at end of period	12	13	16
Average age of fleet as of year end	7	8	7
Fleet utilization ⁽²⁾	99.1%	99.4%	99.1%
AVERAGE DAILY RESULTS			
Vessel operating expenses ⁽³⁾	\$ 4,588	\$ 4,401	\$ 4,325
Dry-docking expenses ⁽⁴⁾	-	360	418
Management fees - related party ⁽⁵⁾	999	1,245	1,196
General and administrative expenses ⁽⁶⁾	1,928	2,282	1,661

- (1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of calendar days each vessel was a part of our fleet during the period divided by the number of days in the period.
- (2) Fleet utilization is the percentage of time that our vessels were available for generating revenue and is determined by dividing operating days by available days of our fleet for the relevant period.
- (3) Daily vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs, is calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.
- (4) Daily dry-docking expenses are calculated by dividing dry-docking expenses by fleet calendar days for the relevant time period.
- (5) Daily management fees - related party are calculated by dividing management fees - related party by fleet calendar days for the relevant time period.
- (6) Daily general and administrative expenses are calculated by dividing general and administrative expenses by fleet calendar days for the relevant time period.

YEAR ENDED DECEMBER 31, 2014 COMPARED TO YEAR ENDED DECEMBER 31, 2013

The average number of vessels in our fleet was 14.4 for the year ended December 31, 2014, compared to 12.9 in the year ended December 31, 2013. The following analysis exhibits the primary driver of differences between these periods.

Charter revenue—Charter revenue for the year ended December 31, 2014, was \$58.1 million, compared to \$59.5 million for the year ended December 31, 2013. The increase in the average number of vessels in our fleet and the corresponding increase in the number of operating days of our fleet from 4,622, for the year ended December 31, 2013, to 5,134, for the year ended December 31, 2014, were offset by the decrease in the charter rates earned by the vessels year over year as a result of the lower contracted rates due to the continued weakness in the drybulk market. After deducting commissions of \$3.4 million, we had net revenue of \$54.8 million in 2014, compared to \$56.3 million net revenue, after deducting commissions of \$3.3 million, in 2013.

Voyage expenses, net—In 2014, our voyage expenses amounted to \$14.7 million, compared to \$6.7 million in 2013. The increase in our voyage expenses are due to the increased number of voyage and short-term time charters and mainly reflects an increase of \$6.6 million in the bunkers consumed during voyage charters, off-hire periods, vessel positioning and traveling to and from dry-docking, net of gains or losses from the sale of bunkers to charterers. It also reflects an increase of \$1.3 million in port charges and other related expenses for our vessels that were employed on voyage charters during the year ended December 31, 2014 and 2013, and an increase of \$0.2 million in extra war risks insurances.

Vessel operating expenses—Vessel operating expenses amounted to \$22.7 million, or \$4,325 per vessel per day, for the year ended December 31, 2014, compared to \$20.8 million, or \$4,401 per vessel per day, for the year ended December 31, 2013. The increase in our operating expenses reflects mainly the increase in the average number of vessels in our fleet for 2014, compared to 2013. The decrease in the daily vessel operating expenses is due to our increasing economies of scale as we increase our fleet size.

Dry-docking expenses—We incurred an aggregate of \$2.2 million in dry-docking expenses for the year ended December 31, 2014, compared to \$1.7 million for the year ended December 31, 2013. One Panamax and two Supramax vessels were dry-docked during 2013, while three of our Panamax vessels underwent dry-docking during 2014, resulting in higher dry-docking costs.

Management fees - related party—We incurred an aggregate of \$6.3 million, or \$1,196 per vessel per day in management fees for the year ended December 31, 2014, compared to an aggregate of \$5.9 million, or \$1,245 per vessel per day in management fees for the year ended December 31, 2013. The increase in management fees mainly reflects the increase in the average number of vessels in our fleet year over year and the corresponding increase in the number of calendar days of our fleet.

Depreciation—Depreciation of vessels for the year ended December 31, 2014 amounted to \$18.4 million, compared to \$17.0 million for the year ended December 31, 2013, reflecting the increased fleet size in 2014, compared to 2013.

General and administrative expenses—General and administrative expenses for 2014 were \$8.7 million, compared to \$10.8 million for 2013. The \$2.1 million decrease in general and administrative expenses relates mainly to the incentive compensation of \$2.0 million that was awarded for the completion of our debt restructuring in 2013, and a \$0.3 million decrease in other general and administrative expenses, partially offset by a \$0.2 million increase in share based compensation due to the higher amortization effect of the granted share awards.

Impairment loss—Impairment loss for the year ended December 31, 2014 of \$15.7 million relates to the write down to fair value of the contract price of the 4,800 TEU containership newbuilding (refer to Note 5 to our consolidated financial statements included at the end of this annual report).

Gain from sale of assets—The gain of \$0.4 million for the year ended December 31, 2014 relates to the gain on the sale of the 4,800 TEU containership newbuilding that was concluded on May 23, 2014. No vessels were sold in 2013.

Gain / loss from marketable securities, net—Loss from marketable securities, net, for the year ended December 31, 2014 of \$25,529 relates to the sale of 21,346 shares of KLC at an average sale price of \$23.52 per share that was concluded during 2014. Gain from marketable securities, net, for the year ended December 31, 2013 of \$1.2 million includes a gain of \$3.1 million relating to the initial measurement of the 58,483 additional shares of KLC that were issued to us on May 9, 2013, pursuant to the amended KLC rehabilitation plan that was approved by the Seoul Central District Court in March 2013, partially offset by an aggregate loss of \$1.9 recognized in the third and fourth quarters of 2013 relating to the change in fair value of the total 65,896 KLC shares, which was considered as other than temporary.

Other income / loss—Other loss for the year ended December 31, 2014 of \$0.2 million relates mainly to a special contribution, which was paid in October 2014. According to the Greek Law 4301/2014, the charge is a voluntary contribution calculated based on the carrying capacity of our fleet, and is payable annually for four fiscal years, until 2017. Other income for the year ended December 31, 2013 of \$0.6 million relates mainly to a cash compensation of \$0.4 million received from KLC representing the present value of the total outstanding cash payments we were entitled to receive in connection with the amended KLC rehabilitation plan that was approved by the Seoul Central District Court in March 2013, and to claim recoveries of \$0.2 million relating to a dispute regarding one of our vessels.

Interest and finance costs—Interest and finance costs for 2014 were \$9.3 million, compared to \$7.4 million for the previous year. The increase in the interest and finance costs was mainly due to the cancellation of the China Development Bank ("CDB") loan facility dated May 17, 2013, as well as the refinancing of the loan agreements with Bank of Scotland (dated December 4, 2007) and Nordea (dated May 5, 2011), and the resulting write off of the unamortized financing costs of \$1.5 million relating to the respective facilities (refer to Notes 5 and 9 to our consolidated financial statements included at the end of this annual report). It is also due to the incurred interest expenses relating to our Senior Notes due 2021 that were issued in August 2014 and bear interest at a rate of 8.375% per year.

Loss on derivatives, net—Loss on derivatives, net, for the year ended December 31, 2014 of \$0.4 million consists of an unrealized gain of \$0.5 million, representing a gain to record the change in fair value of our interest rate swaps for 2014, and realized expenses of \$0.9 million incurred from interest rate swap settlements paid during the year. Loss on derivatives, net, for the year ended December 31, 2013 of \$0.1 million consists of an unrealized gain of \$0.8 million, representing a gain to record the change in fair value of our interest rate swaps for 2013, and realized expenses of \$0.9 million incurred from interest rate swap settlements paid during the year.

Interest income—Interest income for the year ended December 31, 2014 was \$20,940, compared to \$0.5 million in 2013, mainly reflecting the decrease in interest charged to Box Ships relating to the unsecured loan granted on May 27, 2011, which was fully repaid by Box Ships on October 18, 2013.

Equity in net income of affiliate—Equity in net income of affiliate for the year ended December 31, 2014 was \$0.5 million, compared to \$1.7 million for the previous year. The decrease in equity in net income of affiliate is mainly associated with the decrease in earnings available to common shareholders of Box Ships for 2014, as compared to 2013.

Loss on investment in affiliate—Loss on investment in affiliate of \$8.8 million for the year ended December 31, 2014 consists of \$0.2 million, relating to the dilution effect from the Company's non-participation in the public offering of 5,500,000 common shares of Box Ships, which was completed on April 15, 2014, as well as the aggregate impairment in investment in affiliate of \$8.6 million, relating to the difference between the fair value and the book value of our investment in Box Ships as of March 31, 2014, June 30, 2014 and December 31, 2014, which was considered as other than temporary. Loss on investment in affiliate of \$8.6 million for the year ended December 31, 2013 consists of \$0.4 million, relating to the dilution effect from the Company's non-participation in the public offering of 4,000,000 common shares of Box Ships, which was completed on March 18, 2013, as well as an aggregate impairment loss of \$8.2 million recorded in September 2013 and December 2013, relating to the difference between the fair value and the book value of our investment in Box Ships, which was considered as other than temporary.

Net loss—As a result of the above factors, net loss in 2014 was \$51.8 million, compared to \$17.0 million for 2013.

YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012

The average number of vessels in our fleet was 12.9 for the year ended December 31, 2013, compared to 11.2 in the year ended December 31, 2012. The following analysis exhibits the primary driver of differences between these periods.

Charter revenue—Charter revenue for the year ended December 31, 2013, was \$59.5 million, compared to \$53.2 million for the year ended December 31, 2012. The increase in charter revenue reflects principally the increase in the average number of vessels in our fleet and the corresponding increase in the number of operating days of our fleet from 4,063 for 2012, to 4,622 for 2013, partially offset by the decrease in the charter rates earned by the vessels period over period, as a result of the lower contracted rates. After deducting commissions of \$3.3 million, we had net revenue of \$56.3 million in 2013, compared to \$50.3 million net revenue, after deducting commissions of \$2.9 million, in 2012. The increase in commissions is mainly due to the increase in the charter revenue earned by the vessels.

Voyage expenses, net—In 2013, our voyage expenses amounted to \$6.7 million, compared to \$1.9 million in 2012. The increase in our voyage expenses mainly reflects an increase of \$4.0 million in the bunkers consumed during off-hire periods, vessel positioning and traveling to and from dry-docking (there were three dry-dockings in 2013, while there were no dry-dockings in 2012), net of gains or losses from the sale of bunkers to charterers. It also reflects an increase of \$0.8 million in port charges and other related expenses, since one of our vessels was employed in three voyage charters in 2013, while in 2012 all of our vessels were employed under time charters.

Vessel operating expenses—Vessel operating expenses amounted to \$20.8 million, or \$4,401 per vessel per day, for the year ended December 31, 2013, compared to \$18.8 million, or \$4,588 per vessel per day, for the year ended December 31, 2012. The increase in our operating expenses reflects mainly the increase in the average number of vessels in our fleet for 2013, compared to 2012. The decrease in the daily vessel operating expenses is due to our increasing economies of scale as we increase our fleet size.

Management fees - related party—We incurred an aggregate of \$5.9 million, or \$1,245 per vessel per day in management fees for the year ended December 31, 2013, compared to an aggregate of \$4.1 million, or \$999 per vessel per day in management fees for the year ended December 31, 2012. The increase in daily management fees reflects primarily the share based compensation of \$1.1 million that was recorded in 2013, relating to awards of shares to Loretto pursuant to our agreement with Loretto and Allseas, dated November 10, 2009, as discussed in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements with Our Managers—Agreement with Loretto." There were no such awards for the year ended December 31, 2012. It also reflects the increase in the average number of vessels in our fleet for 2013, compared to 2012, and the corresponding increase in the number of calendar days of our fleet.

Depreciation—Depreciation of vessels for the year ended December 31, 2013 amounted to \$17.0 million, compared to \$16.4 million for the year ended December 31, 2012. The increase in the depreciation of vessels reflects primarily the increased fleet size in 2013, compared to 2012, partially offset by the increase in the estimated scrap rate used to calculate the vessels' salvage value from \$150 to \$300 per lightweight ton, effective from October 1, 2012, as discussed in "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies—Vessel Depreciation."

General and administrative expenses—General and administrative expenses for 2013 were \$10.8 million, which include share-based compensation of \$0.8 million, compared to \$7.9 million for 2012, which include share-based compensation of \$2.5 million. The \$2.9 million increase in general and administrative expenses relates mainly to the \$4.2 million in incentive compensation to directors and officers in 2013, while no such compensation was awarded in 2012, and a \$0.4 million increase in other general and administrative expenses, partially offset by a \$1.7 million decrease in share based compensation due to the lower amortization effect of the granted share awards.

Gain from vessel early redelivery—Gain from vessel early redelivery for the year ended December 31, 2013 of \$2.3 million mainly represents the total cash compensation, net of commissions, received due to the early termination of the M/V Coral Seas and M/V Deep Seas time charter agreements with Morgan Stanley Capital Group Inc.

Loss from contract cancellation—Following the cancellation of one of our two containership newbuilding contracts as discussed in Note 5 to our consolidated financial statements included at the end of this annual report, we recorded a loss from contract cancellation of \$0.6 million relating to capitalized expenses for the respective vessel recorded since 2010.

Gain from marketable securities, net—Gain from marketable securities, net, for the year ended December 31, 2013 of \$1.2 million includes a gain of \$3.1 million relating to the initial measurement of the 58,483 additional shares of KLC that were issued to us on May 9, 2013, pursuant to the amended KLC rehabilitation plan that was approved by the Seoul Central District Court in March 2013, partially offset by an aggregate loss of \$1.9 recognized in the third and fourth quarters of 2013 relating to the change in fair value of the total 65,896 KLC shares, which was considered as other than temporary.

Other income—Other income for the year ended December 31, 2013 of \$0.6 million relates mainly to a cash compensation of \$0.4 million received from KLC representing the present value of the total outstanding cash payments we were entitled to receive in connection with the amended KLC rehabilitation plan that was approved by the Seoul Central District Court in March 2013, and to claim recoveries of \$0.2 million relating to a dispute regarding one of our vessels.

Interest and finance costs—Interest and finance costs for 2013 were \$7.4 million, compared to \$6.7 million for the previous year. The increase in the interest and finance costs was mainly due to the cancellation of one of our two 4,800 TEU containership newbuilding contracts as discussed in Note 5 to our consolidated financial statements included at the end of this annual report, and the resulting write off of the unamortized financing costs relating to the respective vessel, partially offset by the decrease in the average outstanding indebtedness.

Loss on derivatives, net—Loss on derivatives, net, for the year ended December 31, 2013 of \$0.1 million consists of an unrealized gain of \$0.8 million, representing a gain to record the change in fair value of our interest rate swaps for 2013, and realized expenses of \$0.9 million incurred from interest rate swap settlements paid during the year. Loss on derivatives in 2012 of \$0.7 million consisted of an unrealized gain of \$2.0 million, representing a gain to record the change in fair value of our interest rate swaps for 2012, and realized expenses of \$2.7 million incurred from interest rate swap settlements paid during the year. The decrease in the realized expenses mainly reflects the decreased weighted average notional amount, as well as the decreased weighted average fixed rate, applicable during 2013 as compared to 2012.

Interest income—Interest income for the year ended December 31, 2013 was \$0.5 million, compared to \$0.7 million in 2012, mainly reflecting the \$0.2 million decrease in interest charged to Box Ships relating to the unsecured loan granted on May 27, 2011, which was fully repaid by Box Ships on October 18, 2013.

Equity in net income of affiliate—Equity in net income of affiliate for the year ended December 31, 2013 was \$1.7 million, compared to \$2.0 million for the previous year. The decrease in equity in net income of affiliate is mainly associated with the decrease in earnings available to common shareholders of Box Ships for 2013 as compared to 2012.

Loss on investment in affiliate—Loss on investment in affiliate of \$8.6 million for the year ended December 31, 2013 consists of \$0.4 million, relating to the dilution effect from the Company's non-participation in the public offering of 4,000,000 common shares of Box Ships, which was completed on March 18, 2013, as well as an aggregate impairment loss of \$8.2 million recorded in September 2013 and December 2013, relating to the difference between the fair value and the book value of our investment in Box Ships, which was considered as other than temporary. For the year ended December 31, 2012, the loss on investment in affiliate of \$17.0 million consisted of \$2.9 million, relating to the dilution effect from the Company's non-participation in the public offering of 4,285,715 common shares of Box Ships, which was completed on July 18, 2012, as well as an impairment loss of \$14.1 million recorded in September 2012, relating to the difference between the fair value and the book value of our investment in Box Ships as of September 30, 2012, which was considered as other than temporary.

Net income / loss—As a result of the above factors, net loss in 2013 was \$17.0 million, compared to \$17.6 million for 2012.

B. Liquidity and Capital Resources

Our principal sources of funds are our operating cash flows, borrowings under our 8.375% Senior Notes due 2021 and loan and credit facilities, as well as equity provided by our shareholders. Our principal uses of funds are capital expenditures to grow our fleet, maintenance costs to ensure the quality of our vessels, compliance with international shipping standards and environmental laws and regulations, the funding of working capital requirements, principal repayments on loan facilities, and, with the discretion of our Board of Directors and subject to the consent of our lenders, the payment of dividends to our shareholders. Beginning with the first quarter of 2011, our Board of Directors suspended the payment of our quarterly dividend in light of the continued decline of charter rates and the related decline in asset values in the drybulk market. This suspension allows us to retain cash and increase our liquidity. Until market conditions improve, it is unlikely that we will reinstate the payment of dividends. In addition, restrictions under our loan and credit facilities and other external factors limit our ability to pay dividends. See "Item 8. Financial Information—Dividend Policy."

On February 18, 2014, we completed a public offering of 6,785,000 of our common shares at \$6.25 per share, including the full exercise of the over-allotment option granted to the underwriters to purchase up to 885,000 additional common shares. The net proceeds from the offering amounted to \$39.7 million net of underwriting discounts and commissions and other offering expenses payable by us.

On August 8, 2014, we completed the public offering of 1,000,000 of our 8.375% Senior Notes due 2021 pursuant to an effective shelf registration statement. The Notes were issued in minimum denominations of \$25.00 and integral multiples of \$25.00 in excess thereof, and bear interest at a rate of 8.375% per year, payable quarterly on each February 15, May 15, August 15 and November 15, commencing on November 15, 2014. The Notes will mature on August 15, 2021, and may be redeemed in whole or in part at any time or from time to time after August 15, 2017. The net proceeds from the offering amounted to approximately \$23.9 million, net of underwriting discounts and commissions of \$812,500, and offering expenses payable by the Company of \$330,917. The Notes trade on NASDAQ under the symbol "PRGNL".

As of December 31, 2013, our newbuilding program consisted of one Handysize drybulk carrier (Hull no. 625), two Ultramax drybulk carriers (Hull numbers DY152 and DY153) and one 4,800 TEU containership with expected deliveries in 2014, as well as two Ultramax drybulk carriers (Hull numbers DY4050 and DY4052) with expected deliveries in 2015.

On January 7, 2014, we took delivery of our fourth Handysize drybulk vessel, the M/V Proud Seas. In January 2014, an amount of \$21.6 million was paid to the shipyard representing the final installment of the respective vessel, which was financed from the syndicated secured loan facility led by Nordea dated May 5, 2011, as described in the discussion under the heading "Long-Term Debt" below.

In March 2014, we entered into contracts with Yangzijiang for the construction of three Kamsarmax newbuilding drybulk carriers. The Kamsarmax newbuildings have a carrying capacity of 81,800 dwt each, with scheduled delivery between the second and fourth quarter of 2015. The acquisition cost of these three newbuildings is \$30.6 million per vessel. In March 2014, we paid an amount of \$9.2 million per vessel, and the balance of the contract price, or \$21.4 million per vessel, will be payable upon the delivery of each vessel.

On April 25, 2014, we entered into a memorandum of agreement for the sale of our remaining 4,800 TEU containership newbuilding to an unrelated third party for \$42.5 million, less 3% commission. In May 2014, we also agreed with the shipyard to reduce the contract price of the respective vessel by \$0.8 million. The sale of the vessel and its transfer to the new owners was concluded on May 23, 2014. The net proceeds from the sale of the vessel amounted to \$10.0 million and represent the difference between the net sale price of the vessel and the outstanding contractual obligation due to the shipyard upon delivery that was resumed by the vessel's new owners.

In October 2014, we took delivery of two Ultramax vessels, the M/V Gentle Seas and the M/V Peaceful Seas. In October 2014, an aggregate amount of \$35.7 million was paid to the shipyard representing the final installment of the two vessels, which was mainly financed from the loan facility with HSH dated April 4, 2014, following a total drawdown of \$34.4 million.

As of the date of this annual report, our newbuilding program consisted two Ultramax drybulk carriers and three Kamsarmax drybulk carriers that are scheduled to be delivered in 2015, with a total contractual cost of \$148.2 million, of which an aggregate of \$101.7 million was outstanding and expected to be due during 2015. We intend to finance the remaining construction costs of these vessels with cash on hand, operating cash flows, borrowings under our secured loan facilities with Nordea dated May 6, 2014, as described in the discussion under the heading "Long-Term Debt" below, and additional bank debt that we intend to arrange or proceeds from future equity and debt offerings.

If the current low charter rate environment persists or worsens, our forecasted operating cash flows, together with our existing cash and cash equivalents, may not be sufficient to meet our liquidity needs for the next 12 months. If this event occurs, we expect to finance all of our working capital requirements with additional bank debt and future equity or debt offerings, and we may also proceed with the sale of existing vessels, which is in line with our fleet renewal strategy.

As of December 31, 2014, we had approximately \$230.8 million of outstanding indebtedness, as compared to \$180.1 million of outstanding indebtedness as of December 31, 2013. As of December 31, 2014, the minimum principal payments for the outstanding debt required to be made in 2015, without taking into consideration the subsequent agreements with Commerzbank AG ("Commerzbank"), Unicredit and Bank of Ireland discussed under the heading "Long-Term Debt" below and in Note 9 to our consolidated financial statements included at the end of this annual report, amounted to \$20.7 million. Restricted cash was \$10.0 million and \$13.9 million as of December 31, 2013 and 2014, respectively. We have an aggregate borrowing capacity of up to \$78.0 million with respect to the undrawn portion of the syndicated loan facility led by Nordea dated May 6, 2014, for the partial financing of our outstanding newbuilding program. For more information regarding our loan and credit facilities please refer to the discussion under the heading "Long-Term Debt" below.

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, depending on the prevailing market conditions, the potential selective sale of older vessels. These acquisitions will be principally subject to management's expectation of future market conditions, as well as our ability to acquire vessels on favorable terms. Our dividend policy will also impact our future liquidity position.

We regularly monitor our currency exposure and, from time to time, may enter into currency derivative contracts to hedge this exposure if we believe fluctuations in exchange rates would have a negative impact on our liquidity. As of December 31, 2014, we had no currency derivative contracts.

We have limited our exposure to interest rate fluctuations that will impact our future liquidity position through the swap agreements as stated in "Item 11. Quantitative and Qualitative Disclosures about Market Risk." For information relating to our swap agreements, please see Note 10 to our consolidated financial statements included at the end of this annual report.

Cash Flows

Cash and cash equivalents as of December 31, 2014 amounted to \$7.0 million, compared to \$31.3 million as of December 31, 2013. We define working capital as current assets minus current liabilities. We had a working capital deficit of \$1.8 million as of December 31, 2014, compared to working capital surplus of \$20.6 million as of December 31, 2013. The decrease in our working capital is mainly due to a decrease in cash and cash equivalents of \$24.3 million, a decrease in marketable securities of \$0.7 million, an increase in the current portion of long-term debt of \$3.5 million and an aggregate decrease of \$0.5 million in the remaining current assets and current liabilities, partially offset by an increase in the current portion of restricted cash by \$6.6. The overall cash position in the future may be negatively impacted by a decline in drybulk market rates if the current economic environment persists or worsens.

Cash and cash equivalents as of December 31, 2013 amounted to \$31.3 million, compared to \$17.7 million as of December 31, 2012. Working capital was \$20.6 million as of December 31, 2013, compared to \$9.4 million as of December 31, 2012. This increase is mainly due to the increase in cash and cash equivalents by \$13.6 million, as a result of the proceeds from the public offering completed in September 2013, and the increase from December 31, 2012 in marketable securities of \$1.0 million, as a result of the 58,483 additional shares of KLC that were issued to us on May 9, 2013, partially offset by the increase in the current portion of long-term debt by \$2.8 million, resulting from an increase in our scheduled quarterly debt repayments during the next twelve months, and by other fluctuations in the remaining current assets and current liabilities.

Operating Activities

Net cash used in operating activities was \$6.2 million during 2014, compared to net cash from operating activities of \$4.6 million during 2013. This decrease is mainly due to a lower charter revenue net of commissions by \$1.5 million, an increase in expenses, including voyage expenses, vessel operating expenses, dry-docking expenses, management fees – related party and general and administrative expenses, that in the aggregate amounted to \$8.8 million, a decrease in gain from vessel early redelivery of \$2.3 million, an increase in cash paid for interest and finance costs of \$0.7 million, a decrease in interest income of \$0.5 million, a decrease in dividends received from Box Ships, excluding the return of investment in Box Ships, which is classified as cash flow from investing activities, of \$1.6 million, partially offset by an increase in cash flows from changes in trade receivables, net, and other assets and liabilities that in the aggregate amounted to \$5.1 million.

Net cash from operating activities was \$4.6 million during 2013, compared to \$13.4 million during 2012. This decrease is mainly due to an increase in expenses, including voyage expenses, vessel operating expenses, dry-docking expenses, management fees – related party and general and administrative expenses, that in the aggregate amounted to \$13.8 million, a loss from contract cancellation of \$0.3 million recorded in 2013, relating to the cancellation of one of our two 4,800 TEU containership newbuilding contracts, a decrease in dividends received from Box Ships, excluding the return of investment in Box Ships, which is classified as cash flow from investing activities, of \$1.5 million, a decrease in interest income and other income that in the aggregate amounted to \$0.3 million, and a decrease in cash flows from other assets and liabilities of \$2.8 million, partially offset by an increase in charter revenue net of commissions of \$6.0 million, a gain from vessel early redelivery of \$2.3 million recorded in 2013, while no such gain was recorded in 2012, and a decrease in cash paid for loan interest and realized expenses incurred from our derivative contracts that in the aggregate amounted to \$1.6 million.

Investing Activities

Net cash used in investing activities was \$104.5 million for the year ended December 31, 2014. This mainly reflects the cash outflows of \$100.7 million relating to the deliveries of the M/V Proud Seas, the M/V Gentle Seas and the M/V Peaceful Seas, the first installments for the Kamsarmax newbuilding drybulk carriers with Hull numbers YZJ1144, YZJ1145 and YZJ1142, and the outstanding contractual cost of the 4,800 TEU containership newbuilding that was offset by the net proceeds from the sale of the respective vessel to an unrelated third party in May 2014. It also reflects an increase in our restricted cash of \$3.9 million, and the acquisition of other fixed assets of \$0.5 million, partially offset by the proceeds from the sale of KLC share of \$0.5 million. Net cash used in investing activities was \$6.4 million for the year ended December 31, 2013. This mainly reflects the cash outflows of \$20.3 million relating to the delivery of our Handysize newbuilding vessel, the M/V Priceless Seas, the initial deposits for the acquisition of two of our Ultramax newbuilding drybulk carriers and other costs incurred for the remaining of vessels under construction, and the acquisition of other fixed assets of \$0.2 million, offset by a repayment from an affiliate of \$14.0 million in relation to our loan agreement with Box Ships that was repaid in full on October 18, 2013, and a return of our investment in Box Ships of \$0.1 million.

Financing Activities

Net cash from financing activities was \$86.5 million for the year ended December 31, 2014, which mainly reflects the proceeds from long-term debt of \$179.1 million and the net proceeds of \$39.7 million from the public offering of 6,785,000 Class A common shares completed in February 2014, offset by the long-term debt repayments of \$128.5 million, the cash outflows of \$0.2 million relating to the purchase of treasury stock pursuant to the share buyback program that was authorized by our Board of Directors in May 2014, and the payment of financing costs of \$3.8 million. Net cash from financing activities was \$15.5 million for the year ended December 31, 2013, which mainly reflects the net proceeds from the issuance of common shares of \$31.8 million, offset by the long-term debt repayments of \$15.4 million and the payment of financing costs of \$0.9 million.

Long-Term Debt

Loan and Credit Facilities

We operate in a capital intensive industry which requires significant amounts of investment, and we fund a portion of this investment through long-term bank debt. As of December 31, 2014, we had six outstanding bank debt facilities with a combined outstanding balance of \$205.8 million. These credit facilities have maturity dates between 2016 and 2021 and are repayable in quarterly principal installments and balloon payments due on maturity and bear interest based on floating rate LIBOR plus an applicable margin which ranges between 2.50% and 3.25%, excluding a 4.50% and a 5.00% margin applicable to any deferred amounts under two of our loan and credit facilities. The obligations under our debt facilities are secured by, among other things, first priority mortgages over the vessels financed by the relevant facility and first priority assignments of all insurances and earnings of the mortgaged vessels. As of December 31, 2014, the minimum principal payments for the outstanding debt required to be made in 2015, without taking into consideration the subsequent agreements with Commerzbank, Unicredit and Bank of Ireland discussed below and in Note 9 to our consolidated financial statements included at the end of this annual report, amounted to \$20.7 million.

Our loan and credit facilities, as amended or refinanced, which are secured by mortgages on our vessels, contain financial and security covenants requiring us, among other things, to:

- maintain a minimum debt service coverage ratio;
- maintain a minimum market adjusted net worth;
- maintain a maximum leverage ratio;
- maintain a minimum interest coverage ratio;
- maintain a minimum equity ratio;
- maintain minimum working capital;
- maintain minimum cash equivalents per vessel in our fleet and minimum liquidity; and
- maintain minimum security cover ratios of the aggregate market value of the vessels securing the applicable loan to the principal amount outstanding under such loan.

A violation of the security cover ratio, unless cured as set forth under the applicable loan or credit facility, or a violation of any of the financial covenants contained in our loan and credit facilities constitutes an event of default under our loan and credit facilities, which, unless waived or modified by our lenders, provides our lenders with the right to require us to provide 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, or may cause us to reclassify our indebtedness as current liabilities, which would impair our ability to continue to conduct our business.

Furthermore, all of our loan and credit facilities contain a cross-default provision that may be triggered by a default under one of our other loan and credit facilities. A cross-default provision means that a default on one loan would result in a default on all of our other loans. Because of the presence of cross default provisions in all of our loan and credit facilities, the refusal of any one lender to grant or extend a waiver could result in all of our indebtedness being accelerated even if our other lenders have waived covenant defaults under the respective loan and credit facilities. If our indebtedness is accelerated in full or in part, in the current financing environment, we may not be able to refinance our debt or obtain additional financing and we could lose our vessels if our lenders foreclose their liens, which would adversely affect our ability to conduct our business. In addition, if we find it necessary to sell our vessels at a time when vessel prices are low, we will recognize losses and a reduction in our earnings, which could affect our ability to raise additional capital necessary for us to comply with our loan and credit facilities.

On January 7, 2014, we took delivery of our fourth Handysize drybulk vessel, the M/V Proud Seas. Upon the delivery of the vessel, we drew the total amount of the then undrawn portion of the syndicated secured loan facility led by Nordea (dated May 5, 2011) of \$25.4 million, by mortgaging both the M/V Priceless Seas and the M/V Proud Seas.

In line with our intention to sell the 4,800 TEU containership newbuilding, in the first quarter of 2014 we mutually agreed with CDB to cancel the corresponding credit facility for the vessel.

On April 4, 2014, we completed the documentation for a new loan agreement with HSH for a \$47.0 million secured loan facility for the refinancing of the M/V Friendly Seas and the partial financing of our first two Ultramax newbuilding drybulk carriers, the Hull numbers DY152 and DY153. For M/V Friendly Seas, HSH agreed to finance the lower of \$12.6 million or 60% of the vessel's market value upon the respective drawdown date. For each of our two Ultramax vessels, HSH agreed to finance the lower of \$17.2 million or 65% of the vessels' market value upon their delivery. On July 7, 2014, we completed the refinancing of the M/V Friendly Seas. We drew a total amount of \$12.6 million and repaid in full the then outstanding indebtedness under the existing loan agreement with HSH (dated July 31, 2008). In addition, in October 2014, we took delivery of our first two Ultramax drybulk carriers; the M/V Gentle Seas and the M/V Peaceful Seas (Hull numbers DY152 and DY153). An aggregate amount of \$35.7 million was paid to the shipyard representing the final installment of the two vessels, which was mainly financed from the loan facility with HSH, following a total drawdown of \$34.4 million.

On April 8, 2014, we signed a supplemental agreement with HSBC Bank Plc ("HSBC") and agreed to amend the definitions of certain financial covenants, to prepay an amount of \$0.8 million that was prepaid on April 10, 2014, and to reduce the outstanding scheduled quarterly installments from \$400,000 to \$380,000, commencing from the second quarter of 2014. In addition, on August 1, 2014, we agreed with HSBC to extend the existing waivers for the financial covenants relating to the minimum interest and debt service coverage ratios, from June 30, 2014 to December 31, 2015.

On May 6, 2014, we completed the documentation for a senior secured loan facility with a syndicate of major European banks led by Nordea in an amount of \$160.0 million. This facility would be used for the refinancing of six vessels of our operating fleet (the four Handysize vessels M/V Prosperous Seas, M/V Precious Seas, M/V Priceless Seas and the M/V Proud Seas, and the Panamax vessels M/V Coral Seas and M/V Golden Seas), along with the financing of up to 60% of the market value of the remaining two Ultramax newbuilding drybulk carriers, the Hull numbers DY4050 and DY4052, and two of our Kamsarmax newbuilding drybulk carriers, the Hull numbers YZJ1144 and YZJ1145, that are expected to be delivered between the second and third quarter of 2015. On June 10, 2014, we completed the refinancing of the six vessels of our operating fleet discussed above. We drew a total amount of \$81.8 million and repaid in full the then outstanding indebtedness under our existing loan agreements with Bank of Scotland (dated December 4, 2007) and Nordea (dated May 5, 2011).

On July 25, 2014, we agreed with Bank of Ireland to eliminate the financial covenant relating to the minimum debt service coverage ratio until the maturity of the loan. In addition, on September 30, 2014, we proceeded with a prepayment of \$4.0 million with respect to our loan agreement with Bank of Ireland in return for a reduction in the next eight quarterly installments and an increase in the balloon at maturity.

On July 30, 2014, we agreed with Unicredit, subject to certain closing conditions including a \$7.0 million prepayment, to eliminate the financial covenants relating to the minimum debt service coverage ratio, the minimum market value adjusted net worth and the maximum leverage ratio until the maturity of the loan. In addition, we also agreed to increase the required ratio of the fair market value of mortgaged vessels to outstanding loan from 110% to 130% at all times. We prepaid the amount of \$7.0 million on September 30, 2014.

On March 27, 2015, we entered into a loan supplemental agreement and agreed to amended terms with Unicredit, including the deferral of one and a portion of five of the scheduled quarterly installments due in the second quarter of 2015 through the third quarter of 2016, and the waiver of the minimum liquid assets requirement and the security ratio covenant until the maturity of the loan.

On March 27, 2015, we also agreed with Bank of Ireland to waive 50% of the scheduled quarterly installment that was due in the first quarter of 2015, until April 30, 2015.

On April 1, 2015, we agreed with Commerzbank to amend certain terms of the facility subject to final documentation and other conditions, including the deferral of a portion of the four scheduled quarterly installments due in 2015, and the waiver of the application of the financial and security cover ratio covenants contained in the facility, effective from December 31, 2014 until December 31, 2015. We also agreed to a \$3.0 million partial prepayment, a portion of which was prepaid in the first quarter of 2015, while the balance is payable upon signing the final documentation.

As of December 31, 2014, we had \$205.8 million of outstanding indebtedness to banks and we were in compliance with all of the covenants contained in our loan and credit facilities, with the exception of the security cover ratio covenant contained in our loan with Commerzbank, for which we subsequently obtained a waiver until December 31, 2015, as discussed above.

Given the current drybulk charter rates, it is probable that we will not be in compliance with the minimum working capital requirement and the minimum liquidity requirement contained in certain of our loan and credit facilities on the applicable measurement dates in 2015. As a result of the cross default provisions included in our debt agreements, actual breaches under our debt agreements could result in defaults under all of our debt and the acceleration of such debt by our lenders. Furthermore, based on our cash flow projections for 2015, cash on hand and cash provided by operating activities will not be sufficient to cover scheduled debt repayments due in 2015. We are currently in negotiations with such lenders to obtain waivers for the affected covenants. We are also exploring several alternatives aiming to manage our working capital requirements and other commitments if current drybulk charter rates remain at today's low levels including negotiations for the restructuring of our loans. Although there can be no assurance that a successful resolution will be reached with our lenders, we believe that the negotiations will be successful. Failure to obtain such waivers may result in our inability to maintain compliance with the affected covenants on the applicable measurement dates in 2015. If this event occurs, we may experience a material adverse effect on our business, financial condition, results of operations and cash flows, and as a result of which, we have presented all our borrowings as current. Our loan and credit facilities, as amended or refinanced, also contain other restrictions and customary events of default with respect to us and our applicable subsidiaries, such as a change of control, a cross-default with respect to financial indebtedness or a material adverse change in the financial position or prospects of the borrowers or us.

In addition, under the terms of our loan and credit facilities, our ability to pay dividends and make other payments or distributions to shareholders is subject to several restrictions as discussed in "Item 8. Financial Information—Dividend Policy."

Moreover, in connection with any additional waivers of covenant breaches contained in, or amendments to the terms of, our loan and credit facilities that we obtain, our lenders may impose additional operating and financial restrictions on us to the restrictions discussed above or further modify the terms of our existing loan and credit facilities. These additional 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. In addition, our lenders may require the payment of additional fees, the prepayment of a portion of our indebtedness to them, the acceleration of the amortization schedule for our outstanding indebtedness and the increase the interest rates they charge us on our outstanding indebtedness.

For more information regarding our loan and credit facilities as of December 31, 2014, please see Note 9 to our consolidated financial statements included at the end of this annual report.

8.375% Senior Notes due 2021

On August 8, 2014, we completed the public offering of 1,000,000 of our 8.375% Senior Notes due 2021 pursuant to an effective shelf registration statement. The Notes were issued in minimum denominations of \$25.00 and integral multiples of \$25.00 in excess thereof, and bear interest at a rate of 8.375% per year, payable quarterly on each February 15, May 15, August 15 and November 15, commencing on November 15, 2014. The Notes will mature on August 15, 2021, and may be redeemed in whole or in part at any time or from time to time after August 15, 2017. The net proceeds from the offering amounted to \$23.9 million, net of underwriting discounts and commissions of \$0.8 million, and offering expenses payable by the Company of \$0.3 million. The Notes trade on NASDAQ under the symbol "PRGNL".

The indenture governing the Notes contains certain restrictive covenants, including limitations on asset sales and:

- (a) *Limitation on Borrowings.* Net borrowings not to exceed 70% of our total assets.
- (b) *Limitation on Minimum Net Worth.* Net worth to always exceed one hundred million dollars (\$100,000,000).

As of December 31, 2014, we were in compliance with all of the covenants contained in our Notes.

In addition, if a Change of Control (as defined in the indenture governing Notes) occurs, we must repurchase the Notes at a purchase price of 101% of the principal amount of the Notes plus accrued and unpaid interest to, but excluding the date of repurchase. If a Limited Permitted Asset Sale (as defined in the indenture governing the Notes) occurs, we must offer to purchase a principal amount of the Notes equal to the Excess Proceeds (as defined in the indenture governing the Notes) of such Limited Permitted Asset Sale at a redemption price equal to 101% of the principal amount, plus accrued and unpaid interest to, but excluding, the date of repurchase.

In addition, if an event of default or an event or circumstance which, with the giving of any notice or the lapse of time, would constitute an event of default under the Notes has occurred and is continuing, or we are not in compliance with the covenant described under "Limitation on Borrowings" or "Limitation on Minimum Net Worth" or any payment of dividends or any form of distribution or return of capital would result in the Company not being in compliance with the covenant described under "(a) Limitation on Borrowings" or "(b) Limitation on Minimum Net Worth" above, then none of the Company or any of its subsidiaries will be permitted to declare or pay any dividends or return any capital to our equity holders (other than the Company or a wholly-owned subsidiary of the Company) or authorize or make any other distribution, payment or delivery of property or cash to our equity holders (other than the Company or a wholly-owned subsidiary of the Company), or redeem, retire, purchase or otherwise acquire, directly or indirectly, for value, any interest of any class or series of our equity interests (or acquire any rights, options or warrants relating thereto but not including convertible debt) now or hereafter outstanding and held by persons other than the Company or any wholly-owned subsidiary, or repay any subordinated loans to equity holders (other than the Company or a wholly-owned subsidiary of the Company) or set aside any funds for any of the foregoing purposes.

For more information on our Notes, please see the section entitled "Description of Notes" in our final prospectus supplement filed with the SEC on Form 424B5 on August 7, 2014.

Financial Instruments

We have entered into interest rate swap agreements in order to hedge our variable interest rate exposure under our loan agreements discussed above. For more information on our interest rate swap agreements, refer to Note 10 to our consolidated financial statements included at the end of this annual report.

From time to time we may enter into foreign derivative instruments if we have a capital commitment in foreign currency. As of December 31, 2014, we had no currency derivative contracts.

C. *Research and Development, Patents and Licenses*

None.

D. *Trend Information*

We believe the principal factors that will affect our future results of operations are the economic, regulatory, political and governmental conditions that affect the shipping industry generally and that affect conditions in countries and markets in which our vessels engage in business. Other key factors that will be fundamental to our business, future financial condition and results of operations include:

- the demand for seaborne transportation services;
- the effective and efficient technical management of our vessels;
- our ability to satisfy technical, health, safety and compliance standards; and
- the strength of and growth in the number of our charterer relationships.

In addition to the factors discussed above, we believe certain specific factors will impact our combined and consolidated results of operations. These factors include:

- the charter hire earned by our vessels operating under our charters;
- our access to capital required to acquire additional vessels and/or to implement our business strategy;
- our ability to sell vessels at prices we deem satisfactory; and
- our level of debt and the related interest expense and amortization of principal.

Please read "Item 3. Key Information—D. Risk Factors" for a discussion of the material risks inherent in our business.

E. *Off-balance Sheet Arrangements*

We do not have any off-balance sheet arrangements.

F. Contractual Obligations

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2014:

Contractual Obligations (amounts in thousands of U.S Dollars)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt Agreements ⁽¹⁾	\$ 230,779	\$ 20,714	\$ 80,544	\$ 23,285	\$ 106,236
Interest Payments ^{(1), (2)}	41,013	9,420	14,923	10,734	5,936
Shipbuilding Contracts	101,701	101,701	-	-	-
Management Agreements ⁽³⁾	24,687	5,818	9,435	9,421	13
Executive Services ⁽⁴⁾	3,521	3,521	-	-	-
Accounting Services ⁽⁵⁾	-	-	-	-	-
Rental Agreements ⁽⁶⁾	122	44	78	-	-
Total	\$ 401,823	\$ 141,218	\$ 104,980	\$ 43,440	\$ 112,185

- (1) The minimum annual principal payments for our Debt Agreements and the relating Interest Payments required to be made after December 31, 2014, do not take into consideration the subsequent agreements with Commerzbank, Unicredit and Bank of Ireland discussed under the heading "Long-Term Debt" above and in Note 9 to our consolidated financial statements included at the end of this annual report.
- (2) Interest Payments refer to our expected interest payments of our debt agreements by taking into account our interest rate swaps currently in effect and based on an assumed LIBOR rate of 0.2551% being the 3 month LIBOR rate as of December 31, 2014.
- (3) The amounts indicated in the above table are the minimum contractual obligations based on a daily management fee of €664.46 (or \$806.65 based on the Euro/U.S. dollar exchange rate of €1.0000:\$ 1.2140 as of December 31, 2014) per vessel, and includes the 1.25% charter hire commission for the vessels in our fleet under their time charters as of December 31, 2014, that will be paid to Seacommercial, based on the estimated redelivery dates assuming no off-hire days. Third party commissions on revenues are not included in the table above. In addition, the amounts also include minimum contractual obligations based on the management agreements with Allseas relating to the supervision of each of the contracted newbuildings pursuant to which we will pay: (1) a flat fee of \$375,000 for the first 12 month period commencing from the respective steel cutting date of each vessel and thereafter the flat fee will be paid on a pro rata basis until we accept delivery of the respective vessel, and (2) a daily fee of €15.00 (or \$139.61 based on the Euro/U.S. dollar exchange rate of €1.0000:\$ 1.2140 as of December 31, 2014) per vessel, commencing from the date of the vessel's shipbuilding contract until we accept delivery of the respective vessel. The daily management fee of \$806.65 and the daily newbuilding supervision fee of \$139.61 do not incorporate any inflationary increases in the rates or changes which may be agreed in the future.
- (4) The amounts indicated in the above table are the minimum executive services fee of €2.9 million (or \$3.5 million based on the Euro/U.S. dollar exchange rate of €1.0000:\$ 1.2140 as of December 31, 2014) per annum, and do not include any incentive compensation which our Board of Directors, at their discretion, may agree to pay.
- (5) The above table does not take into consideration the renewal of the accounting services agreement for one year effective January 1, 2015, that was signed in February 2015. Accounting Services relate to the financial and accounting services fee of €250,000 (or \$303,500 based on the Euro/U.S. dollar exchange rate of €1.0000:\$ 1.2140 as of December 31, 2014) per annum, and the financial reporting fee of \$30,000 per vessel per annum, in connection with the provision of services under the accounting services agreement.
- (6) We lease office space in Athens, Greece. The term of the lease will expire on September 30, 2017 and the monthly rental for the first year is €3,000.00 (or \$3,642.00 based on the Euro/U.S. dollar exchange rate of €1.0000:\$ 1.2140 as of December 31, 2014) plus 3.6% tax, which will be adjusted thereafter annually for inflation increases. For the future minimum rent commitments, we excluded inflation increases as the impact on future results of operations will not be material.

G. Safe Harbor

See the section entitled "Forward Looking Statements" at the beginning of 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 and executive officers. Our Board of Directors is elected annually, and each director elected holds office for a three-year term or 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. Officers are elected from time to time by vote of our Board of Directors and hold office until a successor is elected. Mr. Robert Perri resigned as our Chief Financial Officer effective March 24, 2015 and the Board of Directors appointed Mr. Michael Bodouroglou, our Chairman, President and Chief Executive Officer, to act as Interim Chief Financial Officer. The business address for each director and executive officer is c/o Paragon Shipping Inc., 15 Karamanli Ave, GR 166 73, Voula, Greece.

Name	Age	Position
Michael Bodouroglou	60	Chairman, President, Chief Executive Officer, Interim Chief Financial Officer and Class C Director
George Skrimizeas	49	Chief Operating Officer
Nigel D. Cleave	56	Class B Director
Dimitrios Sigalas	70	Class A Director
Bruce Ogilvy	72	Class B Director
George Xiradakis	50	Class A Director

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

Michael Bodouroglou, our founder and Chief Executive Officer, has been involved in the shipping industry in various capacities for more than 35 years. He has served as our Chairman, President, Chief Executive Officer and director since our formation in April 2006. Mr. Bodouroglou has been appointed to act as our Interim Chief Financial Officer since March 2015. Mr. Bodouroglou also serves as the Chairman, President and Chief Executive Officer of Box Ships Inc., an affiliated company. Mr. Bodouroglou has owned and operated tanker and drybulk vessels since 1993. He is the founder of Allseas, which serves as the technical and commercial managing company to our fleet. Prior to 1993, Mr. Bodouroglou was employed as a technical superintendent supervising both tanker and drybulk vessels for various shipping companies. In 1977, Mr. Bodouroglou graduated with honors from the University of Newcastle-upon-Tyne in the United Kingdom with a Bachelor of Science in Marine Engineering and in 1978 he was awarded a Master of Science in Naval Architecture. Mr. Bodouroglou is a member of the Cayman Islands Shipowners' Advisory Council, the DNV GL Greek Committee and the Lloyd's Register Hellenic Advisory Committee. He is also a member of China Classification Society Mediterranean Committee (CCS), the RINA Hellenic Advisory Committee (Registro Italiano Navale) and the Greek Committee of Nippon Kaiji Kyokai (ClassNK). He is also member of the Board of the Swedish P&I Club and the Union of Greek Shipowners. Mr. Bodouroglou is the Honorary Consul for the Slovak Republic in Piraeus, the President of the Hellenic-Australian Business Council (HABC) and an Honorary Fellow of the Institute of Chartered Shipbrokers.

George Skrimizeas has been our Chief Operating Officer since November 2006. Mr. Skrimizeas has been general manager of Allseas since May 2006. From 1996 to 2006, Mr. Skrimizeas has held various positions in Allseas, Eurocarriers and their affiliates, including general manager, accounts and human resources manager, and finance and administration manager. Mr. Skrimizeas worked as accounts manager for ChartWorld Shipping from 1995 to 1996 and as accounts and administration manager for Arktos Investments Inc. from 1994 to 1995. From 1988 to 1994, Mr. Skrimizeas was accounts and administration manager for Candia Shipping Co. S.A. and accountant and chief accounting officer—deputy human resources manager in their Athens, Romania, Hong Kong and London offices. Mr. Skrimizeas received his Bachelor of Science degree in Business Administration from the University of Piraeus, Greece in 1988 and completed the coursework necessary to obtain his Master of Science in Finance from the University of Leicester, in the United Kingdom, in 2002. Mr. Skrimizeas is a member of the Hellenic Chamber of Economics, the Hellenic Management Association and the Hellenic Association of Chief Executive Officers.

Nigel D. Cleave has served as a non-executive director of the Company since November 2006. In January 2011, Mr. Cleave was appointed to his current position of chief executive officer of Videotel, the leading provider of e-learning maritime blended training systems. Prior to this, Mr. Cleave held the position of chief executive officer of Elias Marine Consultants Limited, providing a broad range of professional services. In 2006, Mr. Cleave was appointed chief executive officer of PB Maritime Services Limited, a ship management and marine services company, having previously served as group managing director of Dobson Fleet Management Limited from 1993 to 2006, a ship management company based in Cyprus. From 1991 to 1993, Mr. Cleave held the position of deputy general manager at Cyprus based ship management company Hanseatic Shipping Co. Ltd. and from 1988 to 1991, held various fleet operation roles based in London. From 1975 to 1986, Mr. Cleave held various positions at The Cunard Steamship Company plc, including serving in the ranks of navigating cadet officer to second officer, as well as financial and planning assistant, assistant to the group company secretary and assistant operations manager. Mr. Cleave graduated from the Riversdale College of Technology in the United Kingdom with an O.N.C. in Nautical Science and today is a Fellow of the Chartered Institute of Shipbrokers and the Chairman of the Cayman Islands Shipowners' Advisory Council.

Bruce Ogilvy has served as a non-executive director of the Company since July 2007. From 2003 to 2005 Mr. Ogilvy served as a consultant to Stelmar Tankers (Management) Ltd. and from 1992 to 2002, he was managing director of Stelmar Tankers (U.K.) Ltd., a subsidiary of Stelmar Tankers (Management) Ltd., through which the group's commercial business, including chartering and sale and purchase activities, were carried out. In 1992, Mr. Ogilvy joined Stelios Haj-loannou to form Stelmar Tankers (Management) Ltd., and served on its Board of Directors from its inception to 2003. During his ten years with Stelmar Tankers (Management) Ltd., Stelmar Shipping Ltd. completed an initial public offering on the New York Stock Exchange in 2001 and a secondary listing in 2002. Prior to his association with Stelmar Tankers (Management) Ltd., Mr. Ogilvy served in various capacities, including chartering and sale and purchase activities with Shell International. Mr. Ogilvy graduated from Liverpool University, in the United Kingdom, in 1963 with a degree as Ship Master. Mr. Ogilvy served on the Council of Intertanko, an industry body that represents the interests of Independent tanker owners, since 1994 and on its Executive Board from 2003 until 2005. Mr. Ogilvy has been an active member of the Institute of Chartered Shipbrokers for over 30 years and has served as the Chairman of the Trust Fund of the Institute of Chartered Shipbrokers since September 2010, the Vice President of the Institute of Chartered Shipbrokers from October 2012 until November 2014 and since November 2014 the President of the Institute of Chartered Shipbrokers.

Dimitrios Sigalas has served as a non-executive director of the Company since March 2008. Mr. Sigalas served as a maritime journalist for the Greek daily newspaper "Kathimerini" from 1985 to 2008. Mr. Sigalas also served within the chartering department of Glafki (Hellas) Maritime Corporation, an Athens based shipowning company, from 1972 to 2006. In 1980 Mr. Sigalas was appointed to Head of the Dry and Tanker Chartering Department within Glafki (Hellas) Maritime Corporation. Mr. Sigalas graduated from Cardiff University, Wales, with a diploma in Shipping. Mr. Sigalas is also a member of the Institute of Freight Forwarders UK, and has served in the Merchant Navy after his graduation from the Navigation Academy of Hydra.

George Xiradakis has served as a non-executive director of the Company since July 2008. In his banking career (1991-1998) he served as Vice President of Credit Lyonnais Shipping Group and Head of European Shipping finance activities and as Head of Greek, Indian and Middle East Shipping. Since 1999, Mr. Xiradakis has been the Managing Director of XRTC Business Consultants Ltd., a consulting firm providing financial advice to the maritime industry. Mr. Xiradakis also provides financial advice to international shipping banks, shipping companies, as well as international and state organizations. Mr. Xiradakis has a certificate as a Deck Officer from the Hellenic Merchant Marine and he is a graduate of the Nautical Marine Academy of Aspropyrgos, Greece. He also holds a postgraduate Diploma in Commercial Operation of Shipping from London Metropolitan University, formerly known as City of London Polytechnic, and a Master of Science in Maritime Studies from the University of Wales College of Cardiff. Mr. Xiradakis is a member of the Board of Directors of DryShips Inc. (NASDAQ: DRYS) and from 2008 to 2009, Mr. Xiradakis was a member of the Board of Directors of Aries Maritime Transport, which has since changed its name to NewLead Holdings Ltd (NASDAQ: NEWL). Mr. Xiradakis is the President of the International Propeller Club of the United States – International Port of Piraeus Board, General Secretary of the Association of Banking and Shipping Executives of Hellenic Shipping, Board member of the Greek-China Friendship Association, and also a member of the Mediterranean Committee of China Classification Society, HELMEPA, the Marine Club of Piraeus, and the Sino-Greek Chamber of Commerce. In the past, Mr. Xiradakis also served as the Chairman and President of the National Center of Port Development in Greece and as the Chairman and President of Hellenic Public Real Estate Corporation.

B. Compensation

Each of our non-employee directors receives annual compensation in the aggregate amount of €45,000 per annum (or \$54,630 based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014), plus reimbursements for actual expenses incurred while acting in their capacity as a director. During 2014, we granted non-vested share awards to entities affiliated with our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer and to other directors and officers as described below under the section entitled "—Equity Incentive Plan." We do not have a retirement plan for our officers or directors. In addition, each of our non-employee directors is also entitled to incentive compensation, at the discretion of our Board of Directors. During 2014, an aggregate amount of \$0.4 million was charged relating to the remuneration of our non-employee directors, including incentive compensation.

Effective January 1, 2011, we entered into an executive services agreement with Allseas, pursuant to which Allseas provides the services of our executive officers, which include strategy, business development, marketing, finance and other services, who report directly to our Board of Directors. Under the amended agreement, after January 1, 2013, Allseas was entitled to an executive services fee of €2.7 million (or \$3.3 million based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014) per annum, payable in equal monthly installments, plus incentive compensation. Effective January 1, 2014, the executive services fee was adjusted to €2.9 million (or \$3.5 million based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014). The agreement has an initial term of five years and automatically renews for successive five year terms unless terminated earlier. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements with Our Managers—Executive Services Agreement."

In order to incentivize Allseas' continued services to us, on November 10, 2009, we entered into a tripartite agreement with Allseas and Loretto, a wholly-owned subsidiary of Allseas, pursuant to which in the event of a capital increase, an equity offering or the issuance of common shares to a third party or third parties in the future, other than common shares issued pursuant to our equity incentive plan, we have agreed to issue, at no cost to Loretto, additional common shares to Loretto in an amount equal to 2% of the total number of common shares issued pursuant to such capital increase, equity offering or third party issuance, as applicable. As of the date of this annual report, we had issued a total of 469,958 of our common shares to Loretto pursuant to this agreement. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreement with Loretto."

C. Board Practices

Our Board of Directors consists of the five directors named above. Our Board of Directors is elected annually, and each director elected holds office for a three-year term or 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. The term of our Class B directors, Messrs. Cleave and Ogilvy, expired at our 2014 annual general meeting of shareholders. At the 2014 annual general meeting, Messrs. Cleave and Ogilvy were reelected as Class B Directors whose terms expire at our 2017 annual general meeting of shareholders. The term of our Class A directors, Messrs. Sigalas and Xiradakis, expires at our 2016 annual general meeting of shareholders. The term of our Class C director, Mr. Bodouroglou, expires at our 2015 annual general meeting of shareholders.

In keeping with the corporate governance rules of NASDAQ, from which we have derived our definition for determining whether a director is independent, our Board of Directors has determined that each of Messrs. Cleave, Sigalas, Ogilvy and Xiradakis, constituting a majority of our Board of Directors, is independent. Under the corporate governance rules of NASDAQ, a director is not considered independent unless the Board of Directors affirmatively determines that the director has no direct or indirect material relationship with us or our affiliates. In making this determination, our Board of Directors has broadly considered all facts and circumstances the Board of Directors deems relevant from the standpoint of the director and from that of persons or organizations with which the director has an affiliation.

We have established an audit committee comprised of three directors, each of whom our Board of Directors has determined to be independent under Rule 10A-3 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as well as NASDAQ's independence rules. Our Board of Directors has also determined that each member of the audit committee has the financial experience required by Rule 5605 of NASDAQ's Equity Rules and other relevant experience necessary to carry out the duties and responsibilities of our audit committee. The members of the audit committee are Messrs. Cleave, Ogilvy and Xiradakis. Mr. Cleave serves as the chairman of our audit committee. Our audit committee has designated Mr. Xiradakis as our "audit committee financial expert," as such term is defined in Item 407 of SEC Regulation S-K promulgated by the SEC.

The audit committee is responsible for reviewing our accounting controls and recommending to the Board of Directors the engagement of our outside auditors, as well as for assisting our Board of Directors with its oversight responsibilities regarding the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent registered public accounting firm's qualifications and independence, and the performance of our internal audit functions.

We have established a compensation committee comprised of three independent directors, which is responsible for recommending to the Board of Directors our senior executive officers' compensation and benefits. The members of the compensation committee are Messrs. Cleave, Ogilvy and Sigalas.

We have also established a nominating and corporate governance committee comprised of three independent directors, which is responsible for recommending to the Board of Directors nominees for directors for appointment to board committees and advising the Board of Directors with regard to corporate governance practices. The members of the nominating and corporate governance committee are Messrs. Cleave, Sigalas and Xiradakis.

We do not maintain any service contracts between us and any of our directors providing for benefits upon termination of their employment or service.

D. Crewing and Shore Employees

As of December 31, 2013 and 2014, we had two shoreside salaried employees. Allseas provides the services of our executive officers, who report directly to our Board of Directors, pursuant to an executive services agreement entered into between the Company and Allseas. As of December 31, 2013 and 2014, we had three shoreside executive officers, Mr. Bodouroglou, our Chairman, President and Chief Executive Officer, Mr. Robert Perri, our former Chief Financial Officer, and Mr. George Skrimizeas, our Chief Operating Officer. In addition, Mrs. Aikaterini Stoupa serves as our Corporate Secretary.

Allseas is responsible for recruiting, either directly or through a crewing agent, the senior officers and all other crew members for our vessels. Allseas subcontracts crewing services relating to our vessels to Crewcare, a company beneficially owned by Mr. Bodouroglou. We believe the streamlining of crewing arrangements helps to ensure that all our vessels will be crewed with experienced seamen that have the qualifications and licenses required by international regulations and shipping conventions.

Each of our vessel-owning subsidiaries has entered into manning agreements with Crewcare, pursuant to which Crewcare provides manning services and crew for each of our vessels. As of December 31, 2013 and 2014, 252 and 345 people were employed mainly by Crewcare to crew the vessels in our fleet, respectively. We have not experienced any material work stoppages due to labor disagreements since we commenced operations in April 2006.

E. Share Ownership

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

Equity Incentive Plan

On October 11, 2006, we adopted an equity incentive plan, as amended and restated, under which our and our affiliates' officers, key employees, directors and consultants are eligible to receive equity awards. On October 15, 2012, we further amended and restated our amended and restated equity incentive plan to, among other things, increase the number of common shares reserved for issuance under the plan by 4,466,733 common shares to 9,966,733 common shares, which, after the 10-for-1 reverse stock split discussed above, was adjusted to 996,673 common shares, subject to further adjustment in the event of any future distribution, recapitalization, split, merger, consolidation or the like. On March 26, 2014, our Board of Directors approved to cancel the remaining common shares reserved for issuance under the equity incentive plan.

In addition, on March 26, 2014, we adopted a new equity incentive plan, under which our and our affiliates' officers, key employees, directors and consultants are eligible to receive equity awards. A total of 2,000,000 common shares are reserved for issuance under the plan. Our Board of Directors administers the plan. Under the terms of the plan, our Board of Directors is able to grant new options exercisable at a price per common share to be determined by our Board of Directors but in no event less than fair market value of the common share as of the date of grant. All options will expire ten years from the date of the grant. The plan also permits our Board of Directors to award restricted stock, restricted stock units, stock appreciation rights and unrestricted stock. The plan will expire on the tenth anniversary of the date the plan was adopted by our Board of Directors. As of the date of this annual report, we had 1,680,000 common shares remaining for issuance under the plan.

Options

There were no unvested options to purchase common shares as of December 31, 2014. As of December 31, 2014, there were outstanding and exercisable 2,800 options to purchase common shares, with an exercise price of \$120.00, which vested in 2010.

Non-vested Share Awards

All the non-vested share awards granted by us are conditioned upon the holder's continued service as an employee of the Company or our Managers or a director of the Company, as applicable, through the applicable vesting date.

Details of our non-vested share awards granted subsequent to January 1, 2014 are noted below:

On January 31, 2014, we granted an aggregate of 32,000 non-vested share awards to employees of Allseas, with a grant date fair value of \$6.67 per share, which will vest ratably over a two-year period commencing on December 31, 2014.

On December 10, 2014, we granted 200,000 non-vested common shares to Innovation Holdings, a company wholly owned and controlled by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, with a grant date fair value of \$2.44 per share, which vest ratably over a two-year period commencing on December 31, 2015.

In addition, on December 10, 2014, we granted an aggregate of 20,000 non-vested common shares to our non-executive directors and employees of Allseas, with a grant date fair value of \$2.44 per share, which vest ratably over a two-year period commencing on December 31, 2015.

On February 26, 2015, we granted an aggregate of 70,000 non-vested share awards to employees of Allseas, with a grant date fair value of \$1.865 per share, which will vest ratably over a two-year period commencing on December 31, 2015.

On March 17, 2015, we granted an aggregate of 30,000 non-vested share awards to executive officers of Allseas, with a grant date fair value of \$1.310 per share, which will vest ratably over a two-year period commencing on December 31, 2015.

For more information on our non-vested share awards, refer to Note 13 to our consolidated financial statements included at the end of this annual report.

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 April 15, 2015, held by (i) the owners of more than five percent of outstanding common shares that we are aware of and (ii) the total number of common shares owned by our executive officers and directors.

Beneficial ownership is determined in accordance with the Commission's rules. All of our shareholders, including the shareholders listed in the table below, are entitled to one vote for each common share held.

Name and Address of Beneficial Owner⁽¹⁾	Number of Shares Owned	Percent of Class⁽²⁾
Michael Bodouroglou ⁽³⁾	7,056,064	28.3%
Lloyd I. Miller, III ⁽⁴⁾	1,419,426	5.7%
All officers and directors, other than Michael Bodouroglou, as a group	*	*

*Less than one percent.

(1) Unless otherwise indicated, the business address of each beneficial owner identified is c/o Paragon Shipping Inc., 15 Karamanli Avenue, GR 16673, Voula, Greece.

(2) Percentage amounts based on 24,909,142 common shares outstanding as of the date of this annual report.

(3) Mr. Bodouroglou beneficially owns 6,586,106 of these shares through Innovation Holdings, a company beneficially owned and controlled by Mr. Bodouroglou and members of his family, and 469,958 of these shares through Loretto, a wholly owned subsidiary of Allseas that is controlled by Mr. Bodouroglou and members of his family. Innovation Holdings was awarded 200,000 common shares pursuant to an award granted under the Plan on December 10, 2014. Furthermore, Loretto received no common shares from March 26, 2014 to April 15, 2015, pursuant to the agreement we have entered into with Loretto and Allseas described in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreement with Loretto."

(4) Information is based on a Schedule 13G/A filed by Lloyd I. Miller, III on February 5, 2015.

As of April 15, 2015, we had 51 shareholders of record, ten of which were located in the United States and held an aggregate of 17,612,978 of our common shares, representing 71% of our outstanding common shares. However, one of the U.S. shareholders of record is CEDE & CO., a nominee of The Depository Trust Company, which held 17,612,577 of our common shares as of April 15, 2015. Accordingly, we believe that the shares held by CEDE & CO. include common shares beneficially owned by both holders in the United States and non-U.S. beneficial owners. We are not aware of any arrangements the operation of which may at a subsequent date result in our change of control.

B. Related Party Transactions

Agreements with Our Managers

Management Agreements

Management Agreement with Allseas

We have entered into separate management agreements with Allseas for each of the vessels in our operating fleet, pursuant to which Allseas is responsible for the commercial and technical management functions of our fleet.

Our management agreements with Allseas were amended and restated effective January 2, 2015. Effective from January 2, 2015, we and Allseas mutually agreed to cease a portion of the services that were provided by Allseas under the terms of the original management agreements, which were taken over by Seacommercial on substantially similar terms, as discussed further below. Allseas will be still responsible for the technical management and certain aspects of commercial management including, among other things, operations and freight collection services, obtaining insurance for our vessels and finance and accounting functions. Technical management services provided by Allseas includes, among other things, arranging for and managing crews, vessel maintenance, dry-docking, repairs, insurance, maintaining regulatory and classification society compliance and providing technical support. Our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodourolou, is the sole shareholder of Allseas.

Under the terms of the amended and restated management agreements, Allseas has agreed to use its best efforts to provide management services upon our request in a commercially reasonable manner and may provide these services directly to us or subcontract for certain of these services with other entities. Allseas has in-house technical management capabilities, which it continues to expand. Allseas remains responsible for any subcontracted services under the management agreements. We have agreed to indemnify Allseas for losses it incurs in connection with the provision of these services, excluding losses caused by the gross negligence or willful misconduct of Allseas, its employees, subcontractors or agents. Under the agreements, Allseas' liability for losses caused solely by its gross negligence or willful default, or that of its employees, agents or subcontractors, is limited to ten times the annual management fee payable under the management agreements, except where such loss resulted from Allseas' intentional or reckless act or omission.

Each amended and restated management agreement has an initial term of five years and automatically renews for additional five-year periods, unless in each case, at least 30 days' advance written notice of termination is given by either party.

Under the amended and restated management agreements, Allseas is entitled to a technical management fee of €664.46 per vessel, per day (or \$806.65 based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014), for the twelve months commencing June 1, 2014, payable on a monthly basis in advance, pro rata either for the calendar days these vessels are owned by us if the vessels are second-hand purchases, or from the date of the memorandum of agreement if the vessels are purchased directly from a shipyard. The technical management fee is adjusted annually based on the Eurozone inflation rate. Allseas is also entitled to (i) a superintendent fee of €500 per day (or \$607 based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014), for each day in excess of five days per calendar year for which a superintendent performed on site inspection; and (ii) a lump sum fee of \$15,000 for pre-delivery services, including legal fees, crewing and manning fees, manual preparation costs and other expenses related to preparing the vessel for delivery, rendered during the period from the date a memorandum of agreement is signed for the purchase of any such vessel until the delivery date. We have also entered into management agreements with Allseas relating to the supervision of each our contracted newbuilding vessels, pursuant to which Allseas is entitled to: (i) a flat fee of \$375,000 per vessel for the first 12 month period commencing from the respective steel cutting date of each vessel and thereafter the flat fee will be paid on a pro rata basis until the vessels' delivery to us; (ii) a daily fee of €15.00 (or \$139.61 based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014) per vessel commencing from the date of the vessel's shipbuilding contract until we accept delivery of the respective vessel; and (iii) €500 (or \$607 based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014) per day for each day in excess of five days per calendar year for which a superintendent performed on site inspection. The term of the management agreements expires on the completion of the construction and delivery of the vessels to us and the agreements may be terminated by either party upon 30 days' advance written notice.

Additional vessels that we may acquire in the future may be managed by Allseas or unaffiliated management companies.

Brokerage Agreement with Seacommercial

On January 2, 2015, we entered into a Sale & Purchase ("S&P") and Charter Brokerage Services Agreement with Seacommercial, a Liberian company, pursuant to agreements with each vessel owning subsidiary. Mr. Michael Bodouroglou, the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, is the sole shareholder and Managing Director of Seacommercial. The services provided under these agreements include, among other things, negotiating charters for our vessels, monitoring various types of charters, monitoring the performance of our vessels under charter, locating, purchasing, financing and negotiating the purchase and sale of our vessels. These agreements have an initial term of five years and automatically extend for successive five year term, unless, in each case, at least 30 days' advance written notice of termination is given by either party. In addition, the agreements may be terminated by either party for cause, as set forth in the agreements, on at least 30 days' advance written notice. The agreements provide for (i) a fee equal to 1.25% of the gross freight, demurrage and charter hire collected from the employment of our vessels; and (ii) a fee equal to 1.00% calculated on the price as stated in the relevant memorandum of agreement for any vessel bought or sold on our behalf.

Compensation Agreements

Compensation Agreement with Allseas

We have entered into a compensation agreement with Allseas, which was amended and restated effective January 2, 2015, whereby in the event that Allseas is involuntarily terminated as the manager of our fleet, we shall compensate Allseas with a sum equal to (i) three years of management fees and commissions, based on the fleet at the time of termination; and (ii) €3.0 million (or \$3.6 million based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014), provided that Seacommercial will not receive this termination fee in the event that we terminate the agreements with Seacommercial for cause. The agreement shall continue for so long as Allseas serves as a manager of our fleet and may be terminated at any time by the mutual agreement of the parties or by either party in the event of a material breach of the terms and provisions by the other party.

Compensation Agreement with Seacommercial

On January 2, 2015, we entered into a Compensation Agreement with Seacommercial, whereby in the event that Seacommercial is involuntarily terminated as the broker of our fleet (including the termination by Seacommercial of the agreements for cause), we shall compensate Seacommercial with an amount equal to the sum of three years of charter brokerage commissions, based on the fleet at the time of termination, provided that Seacommercial will not receive this termination fee in the event that we terminate the agreements with Seacommercial for cause.

Administrative Services Agreement

We have entered into an administrative service agreement with Allseas, pursuant to which Allseas provides telecommunication services, secretarial and reception personnel and equipment, security facilities, office cleaning services and information technology services. Allseas is entitled to reimbursement on a quarterly basis of all costs and expenses incurred in connection with the provisions of its services under the agreement.

Accounting Agreement

We have entered into an accounting agreement with Allseas pursuant to which Allseas is entitled to a fee of €250,000 (or \$303,500 based on the Euro/U.S. dollar exchange rate of €1.0000:\$ 1.2140 as of December 31, 2014) per annum, payable quarterly, for the provision of financial accounting services, and a fee of \$30,000 per vessel per annum, payable quarterly, for the provision of financial reporting services.

Agreement with Loretto

We, Allseas, and Loretto, a wholly-owned subsidiary of Allseas, have entered into a tripartite agreement, pursuant to which in the event of a capital increase, an equity offering or the issuance of common shares to a third party or third parties in the future, other than common shares issued pursuant to our equity incentive plan (as the same may be further amended, amended and restated, supplemented or otherwise modified) or any future equity incentive plans we may adopt, we have agreed to issue, at no cost to Loretto, additional common shares in an amount equal to 2% of the total number of common shares issued pursuant to such capital increase, equity offering or third party issuance, as applicable. In accordance with the terms of the agreement, any common shares to be issued to Loretto under the agreement may only be issued once the capital increase, equity offering or third party issuance giving rise to the obligation to issue shares to Loretto under the agreement has closed and any applicable contingencies, forfeiture rights or conditions precedent relating to such capital increase, equity offering or third party issuance have lapsed or expired or have been cancelled or terminated, unless otherwise agreed by the mutual agreement of the parties. Accordingly, as of the date of this annual report, we have issued to Loretto a total of 469,958 of our common shares.

Executive Services Agreement

We have entered into an executive services agreement with Allseas, pursuant to which Allseas provides the services of our executive officers, which include strategy, business development, marketing, finance and other services, who report directly to our Board of Directors. Allseas is entitled to an executive services fee of €2.9 million (or \$3.5 million based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014) per annum. The agreement has an initial term of five years and automatically renews for successive five year terms unless sooner terminated. If the respective agreement is terminated by Allseas either for "good reason" or as a result of "change of control," as such terms are defined in the agreement, or terminated by us without "cause", as defined in the agreement, Allseas will be entitled to receive (i) the amount of the executive services fee payable through the "termination date," as defined in the agreement; (ii) compensation equal to three years' annual executive services fee then applicable; and (iii) an amount of our common shares equal to 5% of our then issued and outstanding common shares.

Manning Agreements

Allseas subcontracts crewing services relating to our vessels to Crewcare, a Philippines company beneficially owned by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodourogrou. Each of our vessel-owning subsidiaries has entered into a manning agreement with Crewcare. Manning services are provided under the agreements in exchange for a monthly fee of \$95 per seaman for all officers and crew who served on board each vessel, plus a recruitment fee of \$120 per seaman, payable on a one-off basis. In addition, the agreements also provide for a fee of \$30 per seaman for in-house training and a fee of \$50 per seaman for extra in-house training. The fees under the manning agreements are subject to amendment on an annual basis.

\$10.0 Million Private Placement

On December 24, 2012, we entered into an agreement to sell 4,901,961 newly-issued common shares to Innovation Holdings, an entity beneficially owned by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodourogrou, for total consideration of \$10.0 million. The transaction closed on December 24, 2012. In connection with the transaction, we were granted the right to repurchase the common shares issued to Innovation Holdings in the private placement for the same price per share at which the shares were sold, which expired without being exercised upon our execution of definitive documentation relating to the restructuring of our debt. In addition, Innovation Holdings also received customary registration rights in respect of the common shares it received in the private placement. The documentation entered into in connection with the private placement was approved by the independent members of our Board of Directors.

Cadetship Program Agreement

On October 5, 2013, each of our ship-owning subsidiaries entered into a cadetship program agreement with Crewcare, pursuant to which Crewcare, at its own cost, is responsible for recruiting and training cadets to be assigned to the vessels. These services are being provided in exchange for a lump sum fee of \$5,000 per cadet employed on board the vessel for one-year on board training. The agreement has an initial term of one year with the option to renew for one more year by mutual agreement.

Right of First Refusal

Our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouoglou, has entered into a letter agreement with us which includes a provision requiring Mr. Bodouoglou to use commercially reasonable efforts to cause each company controlled by Mr. Bodouoglou to allow us to exercise a right of first refusal to acquire any drybulk carrier, after Mr. Bodouoglou or an affiliated entity of his enters into an agreement that sets forth terms upon which he or it would acquire a drybulk carrier. Pursuant to this letter agreement, Mr. Bodouoglou will notify a committee of our independent directors of any agreement that he or an affiliated entity has entered into to purchase a drybulk carrier and will provide the committee of our independent directors a 7 calendar day period in respect of a single vessel transaction, or a 14 calendar day period in respect of a multi-vessel transaction, from the date that he delivers such notice to our audit committee, within which to decide whether or not to accept the opportunity and nominate a subsidiary of ours to purchase the vessel or vessels, before Mr. Bodouoglou will accept the opportunity or offer it to any of his other affiliates. The opportunity offered to us will be on no less favorable terms than those offered to Mr. Bodouoglou and his affiliates. A committee of our independent directors will require a simple majority vote to accept or reject this offer.

Loan agreement with Box Ships

On May 27, 2011, we agreed to make available to Box Ships an unsecured loan of up to \$30.0 million for the purpose of partly financing the acquisition of Box Ships' initial fleet and general corporate purposes, including meeting working capital needs, which Box Ships drew in full in May 2011. On March 11, 2013, we agreed to amend the terms of the loan agreement. Pursuant to the amended agreement, we agreed to extend the maturity of the loan for one year, from April 19, 2013 to April 19, 2014. During the remaining term of the loan, Box Ships was required to make quarterly principal installment payments in the amount of \$1.0 million each, commencing on April 19, 2013, with a final balloon payment due on the maturity date. In consideration for the amendment of the loan agreement, Box Ships agreed to pay an amendment fee of \$65,000 and to increase the margin from 4.0% to 5.0%. On October 18, 2013, Box Ships proceeded with the full repayment of the outstanding balance of the respective loan.

Non-Competition Agreement with Box Ships and Our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer

We have entered into an agreement with Box Ships and our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouoglou, reflecting, among others, for so long as (i) Mr. Bodouoglou is a director or executive officer of both our Company and Box Ships and (ii) we own at least 5% of the total issued and outstanding common shares of Box Ships, the provisions described below:

Box Ships will not, directly or indirectly, acquire or charter any drybulk carrier without our prior written consent, and we will not, directly or indirectly, acquire or charter any containership without the prior written consent of Box Ships. In addition, under the terms of the agreement, we agreed to grant Box Ships a right of first offer on any proposed sale, transfer or other disposition of any containership owned by us. Furthermore, we will also grant Box Ships a right of first refusal over any employment opportunity for a containership presented or available to us with respect to any vessel owned by us, other than our 4,800 TEU containership newbuilding, the C/V Box King, subject to the option agreement with Box Ships described below.

Notwithstanding this agreement, Box Ships may claim business opportunities that would benefit us, such as the hiring of employees, the acquisition of other businesses, or the entry into joint ventures, and in each case other than business opportunities in the drybulk shipping industry, and this could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

If we no longer beneficially own shares representing at least 5% of the total issued and outstanding common shares of Box Ships or Mr. Michael Bodouoglou is no longer a director or executive officer of both our Company and Box Ships, then our obligations under this agreement will terminate.

Vessel Option Agreement with Box Ships

We entered into an agreement with Box Ships, pursuant to which we granted Box Ships the option to acquire our initial two 4,800 TEU containerships under construction, both of which were scheduled to be delivered to us during the second quarter of 2014, by way of a novation of the relevant construction contract from us at any time prior to the applicable vessel's delivery to us, or purchase of such vessel at any time after its delivery to us, so long as the vessel is owned by us at such time. In December 2013, with the consent of Box Ships, we entered into an agreement with Ouhua to cancel one of our two 4,800 TEU containership newbuilding contracts at no cost to us, to transfer the deposit to the remaining vessel and to reduce the contract price from the original \$57.5 million to \$55.0 million. In addition, following Box Ships' consent, on April 25, 2014, we entered into a memorandum of agreement for the sale of the remaining 4,800 TEU containership newbuilding to an unrelated third party for \$42.5 million, less 3% commission. The sale of the vessel and its transfer to the new owners was concluded on May 23, 2014. Following such sale, the vessel option agreement with Box Ships was terminated.

On April 25, 2014, we entered into a memorandum of agreement for the sale of the remaining 4,800 TEU containership newbuilding to an unrelated third party for \$42.5 million, less 3% commission. In May 2014, we also agreed with the shipyard to reduce the contract price of the respective vessel by \$0.8 million. The sale of the vessel and its transfer to the new owners was concluded on May 23, 2014.

Registration Rights Agreements

On April 19, 2011, we entered into a registration rights agreement with Box Ships and Neige International Inc., or Neige International, a company controlled by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouoglou, as nominee for Proplous Navigation S.A., or Proplous Navigation, a company also controlled by Mr. Bodouoglou, pursuant to which Box Ships granted us and Neige International, and our affiliates or transferees, certain registration rights with respect to our common shares of Box Ships. Pursuant to the agreement, we and Neige International, and our affiliates and transferees, have the right, subject to certain terms and conditions, to require Box Ships, on up to three separate occasions following April 19, 2012, the anniversary of the closing of the initial public offering of Box Ships, to register under the Securities Act, common shares of Box Ships held by us and Neige International, or our affiliates or transferees, for offer and sale to the public (including by way of underwritten public offering) and incidental or "piggyback" rights permitting participation by Box Ships in certain registrations of its common shares.

In addition, in connection with the private placement to Innovation Holdings that closed on December 24, 2012, we entered into a registration rights agreement, dated as of December 24, 2012, with Innovation Holdings, pursuant to which we granted certain customary registration rights to Innovation Holdings in respect of the common shares issued and sold to Innovation Holdings in the private placement. Under the registration rights agreement, Innovation Holdings, or its transferees, have the right, subject to certain terms and conditions, to require us to register under the Securities Act for offer and sale to the public, including by way of underwritten public offering, the common shares issued and sold to Innovation Holdings pursuant to the purchase agreement we entered into with Innovation Holdings in connection with the private placement.

Lease of Office Space

We have entered into a rental agreement to lease office space in Athens, Greece, with Granitis Glyfada Real Estate Ltd., a company beneficially owned by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer. The term of the lease is for five years, expiring on September 30, 2017. Effective October 1, 2012, the monthly rental was €3,000 (or \$3,642 based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014), plus 3.6% tax, and thereafter would be adjusted annually for inflation increases in accordance with the official Greek inflation rate.

For more information on our related party transactions, refer to Note 4 to our consolidated financial statements included at the end of this annual report.

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

To our knowledge, we are not currently a party to any material lawsuit that, if adversely determined, would have a material adverse effect on our financial position, results of operations or liquidity. As such, we do not believe that pending legal proceedings, taken as a whole, should have any significant impact on our financial statements. From time to time in the future, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal proceedings which may have, or have had a significant effect on our financial position, results of operations or liquidity, and we are not aware of any proceedings that are pending or threatened which may have a significant effect on our financial position, results of operations or liquidity.

Dividend Policy

In light of the continued decline of charter rates and the related decline in asset values in the drybulk market, as well as a highly challenged financing environment, our Board of Directors, beginning with the first quarter of 2011, has suspended payment of our common share quarterly dividend. Our dividend policy will be assessed by the Board of Directors from time to time. The suspension allows us to retain cash and increase our liquidity so we are in a better position to capitalize on investment opportunities during the weakened market conditions. Until market conditions improve, it is unlikely that we will reinstate the payment of dividends. In addition, other external factors, such as our lenders imposing restrictions on our ability to pay dividends under the terms of our debt agreements, may limit our ability to pay dividends.

Our previous dividend policy was to declare and pay quarterly dividends to the holders of our common shares in March, May, August and November of each year in amounts substantially equal to our available cash flow from operations during the previous quarter, less cash expenses for that quarter (principally vessel operating expenses and interest expense) and any reserves our Board of Directors determined we should maintain for reinvestment in our business to cover, among other things, dry-docking, intermediate and special surveys, liabilities and other obligations, interest expense and debt amortization, acquisitions of additional assets and working capital.

The declaration and payment of any dividend is subject to the discretion of our Board of Directors. The timing and amount of future dividend payments, if any, will depend on our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, the restrictions in our debt agreements, the provisions of Marshall Islands law affecting the payment of dividends and other factors.

Because we are a holding company with no material assets other than the shares of our subsidiaries, which will directly own the vessels in our fleet, our ability to pay dividends will depend on the earnings and cash flow of our subsidiaries and their ability to pay dividends to us. We cannot assure you that, after the expiration or termination of our charters, we will have any sources of income from which dividends may be paid.

In addition, certain of our other loan and credit facilities restrict the amount of dividends we may pay to \$0.50 per share per annum and limit the amount of quarterly dividends we may pay to 100% of our net income for the immediately preceding financial quarter. We are also required to maintain minimum liquidity after payment of dividends equal to the greater of the next six months' debt service, 8% of our total financial indebtedness or \$1.0 million per vessel. Furthermore, according to the supplemental agreement we entered into with Unicredit on March 27, 2015, we are not permitted to declare or pay any dividends until all the deferred amounts of the facility's repayment installments have been repaid in full. See Note 9 to our consolidated financial statements included at the end of this annual report.

Further, we may not be permitted to pay dividends if we are in breach of the covenants contained in our debt agreements. The terms of our debt agreements contain a number of financial covenants and general covenants that require us to, among other things, maintain security cover ratios, minimum cash balances and insurance including, but not limited to, hull and machinery insurance in an amount at least equal to the fair market value of the vessels financed, as determined by third party valuations. We may not be permitted to pay dividends in any amount under our debt agreements if we are in default of any of these covenants or if we do not meet specified debt coverage ratios and minimum charter rate levels.

We believe that, under current law any future dividend payments we make from our then current and accumulated earnings and profits, as determined under U.S. federal income tax principles, would constitute "qualified dividend income" and, as a consequence, non-corporate U.S. shareholders would generally be subject to the same preferential U.S. federal income tax rates applicable to long-term capital gains with respect to such dividend payments. Distributions in excess of our earnings and profits, as so calculated, will be treated first as a non-taxable return of capital to the extent of a U.S. shareholder's tax basis in its common shares on a dollar-for-dollar basis and thereafter as a capital gain. Please see "Item 10. Additional Information—E. Taxation" for additional information relating to the tax treatment of our dividend payments.

B. Significant Changes

There have been no significant changes since the date of the annual consolidated financial statements included in this annual report.

Item 9. Listing Details

Our common shares commenced trading on the NASDAQ Global Market on August 9, 2007 under the symbol "PRGN." On March 24, 2010, our common shares stopped trading on the NASDAQ Global Market and commenced trading on the NYSE under the symbol "PRGN". On April 19, 2013, our common shares stopped trading on the NYSE and commenced trading on the NASDAQ Global Market under the symbol "PRGN." In addition, our Notes started trading on the NASDAQ on September 5, 2014 under the ticker symbol "PRGNL". The following table sets forth the high and low closing prices for each of the periods indicated for our shares of common stock, as adjusted for the 10-for-1 reverse stock split effective November 5, 2012.

	<u>High</u>	<u>Low</u>
For the year ended December 31,		
2010	\$ 51.60	\$ 33.90
2011	\$ 34.40	\$ 5.90
2012	\$ 9.50	\$ 1.97
2013	\$ 9.11	\$ 2.56
2014	\$ 8.09	\$ 2.31
For the quarter ended		
March 31, 2013	\$ 5.44	\$ 2.56
June 30, 2013	\$ 5.35	\$ 3.54
September 30, 2013	\$ 9.11	\$ 4.00
December 31, 2013	\$ 7.51	\$ 4.58
March 31, 2014	\$ 8.09	\$ 6.03
June 30, 2014	\$ 6.90	\$ 4.96
September 30, 2014	\$ 5.96	\$ 3.99
December 31, 2014	\$ 3.81	\$ 2.31
March 31, 2015	\$ 2.66	\$ 0.95
For the month ended		
October 2014	\$ 3.71	\$ 2.82
November 2014	\$ 3.81	\$ 3.24
December 2014	\$ 2.99	\$ 2.31
January 2015	\$ 2.66	\$ 1.65
February 2015	\$ 1.95	\$ 1.78
March 2015	\$ 1.78	\$ 0.95
April 2015 ⁽¹⁾	\$ 0.90	\$ 0.82

(1) Through and including April 15, 2015.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and articles of association

Our Amended and Restated Articles of Incorporation were filed as Exhibit 1 to our Report on Form 6-K filed with the SEC on April 21, 2010 and incorporated by reference into Exhibit 3.1 to our Registration Statement on Form F-3 (Registration No. 333-164370) declared effective by the SEC on February 5, 2010. We filed Articles of Amendment to our amended and restated articles of incorporation on Form 6-K filed with the SEC on November 6, 2012, which were incorporated by reference into our Registration Statement on Form F-3 (Registration No. 333-164370), pursuant to which we effectuated a 10-for-1 reverse stock split of our issued and outstanding common shares, par value \$0.001 per share, effective as of the close of trading on the NYSE on November 5, 2012. Our common shares commenced trading on the NYSE on a split-adjusted basis upon the open of trading on November 6, 2012. The reverse stock split was approved by shareholders at our annual general meeting of shareholders held on October 24, 2012. The reverse stock split reduced the number of our issued and outstanding common shares from approximately 61.0 million to approximately 6.1 million and affected all issued and outstanding common shares, as well as common shares underlying stock options outstanding immediately prior to the effectiveness of the reverse stock split. The number of our authorized common shares was not affected by the reverse split. No fractional shares were issued in connection with the reverse stock split.

Our Amended and Restated Bylaws were filed as Exhibit 99.1 to our Report on Form 6-K filed with the SEC on August 15, 2007 and incorporated by reference into Exhibit 3.2 to our Registration Statement on Form F-1 (Registration No. 333-143481) declared effective by the SEC on July 16, 2007. The information contained in these exhibits is incorporated by reference herein.

A description of the material terms of our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws is included in the section entitled "Description of Capital Stock" in our Registration Statement on Form F-3 (Registration No. 333-152979) and is incorporated by reference herein, provided that since the date of that Registration Statement, certain information regarding our authorized capitalization, stockholder rights agreement and the listing of our common shares has been amended as follows:

Authorized Capitalization

Under our amended and restated articles of incorporation, our authorized capital stock consists of 780,000,000 registered shares of stock, of which:

750,000,000 shares are designated as Class A common stock, par value \$0.001 per share;

5,000,000 shares are designated as Class B Common stock, par value \$0.001 per share;

25,000,000 shares are designated as preferred stock, par value \$0.001 per share, of which 1,000,000 shares are designated Series A Participating Preferred Stock in connection with the adoption of our Stockholders Rights Agreement described under "—Stockholders Rights Agreement."

As of the date of this annual report, we had issued and outstanding 24,909,142 common shares.

Stockholder Rights Plan

We adopted a stockholder rights plan on January 4, 2008, and declared a dividend distribution of one preferred stock purchase right to purchase one one-thousandth of our Series A Participating Preferred Stock for each outstanding share of our common stock, par value \$0.001 per share to shareholders of record at the close of business on February 1, 2008. Each right entitles the registered holder, upon the occurrence of certain events, to purchase from us one one-thousandth of a share of Series A Participating Preferred Stock at an exercise price of \$75, subject to adjustment, or additional common shares. The rights will expire on the earliest of (i) February 1, 2018 or (ii) redemption or exchange of the rights. The plan was designed to enable us to protect shareholder interests in the event that an unsolicited attempt is made for a business combination with or takeover of us. We believe that the shareholder rights plan should enhance the Board of Directors' negotiating power on behalf of shareholders in the event of a coercive offer or proposal. We are not currently aware of any such offers or proposals and adopted the plan as a matter of prudent corporate governance. On December 16, 2009, we amended the plan to exclude Innovation Holdings, Michael Bodouroglou, and their affiliated entities, from the definition of "acquiring person."

Listing

Our common shares are listed on the NASDAQ Global Market under the symbol "PRGN."

C. *Material Contracts*

We refer you to "Item 5. Operating and Financial Review and Prospects—B. Liquidity and capital resources—Loan and Credit Facilities" 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 during the two-year period immediately preceding the date of this annual report.

Other than the agreements discussed in the aforementioned sections of this annual report, we have no material contracts, other than contracts entered into in the ordinary course of business, to which we or any member of the group is a party.

D. Exchange Controls

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

E. Taxation

MATERIAL U.S. AND MARSHALL ISLANDS INCOME TAX CONSIDERATIONS

The following is a discussion of the material U.S. and Marshall Islands income tax considerations applicable to us, and to a U.S. Holder and a Non-U.S. Holder, each as defined below, of the ownership of our common shares. This discussion does not purport to deal with the tax consequences of owning our common shares to all categories of shareholders, some of which, such as dealers in securities, investors whose functional currency is not the U.S. dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of our common shares, may be subject to special rules. This discussion deals only with shareholders who hold our common shares as capital assets. Shareholders are encouraged to consult their own tax advisors concerning the overall tax consequences arising in their particular situation under U.S. federal, state, local or foreign law of the ownership of our common shares.

Marshall Islands Tax Considerations

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 Considerations

The following are the material U.S. federal income tax consequences of our activities and to U.S. Holders and Non-U.S. Holders, each as defined below, of the ownership of our common shares. The following discussion of U.S. federal income tax matters is based on the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Department of the Treasury, or 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 as provided above and assumes that we conduct our business as described therein. References in the following discussion to the "Company," "we" and "us" are to Paragon Shipping Inc. and its subsidiaries on a consolidated basis.

U.S. Federal Income Taxation of the 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 tax in respect of any income that is derived from (i) the use of vessels, (ii) the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, (iii) the participation in a pool, partnership, strategic alliance, joint operating agreement, code-sharing arrangements or other joint venture it directly or indirectly owns or participates in that generates such income, or (iv) the performance of services directly related to those uses, which we refer to collectively as "shipping income," to the extent that such 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, 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, we will be exempt from U.S. federal income taxation on our U.S.-source shipping income if:

- (i) We are organized in a "qualified foreign country," which is one that grants an equivalent exemption from taxation to corporations organized in the United States in respect of the shipping income for which exemption is being claimed under Section 883, which we refer to as the Country of Organization Requirement; and
- (ii) We can satisfy any one of the following two stock ownership requirements for more than half the days during the taxable year:

one or more classes of our stock are "primarily and regularly" traded on an established securities market located in the United States or a "qualified foreign country," which we refer to as the Publicly-Traded Test; or

more than 50% of our stock, in terms of value, are beneficially owned by any combination of one or more individuals who are residents of a "qualified foreign country" or foreign corporations that satisfy the Country of Organization requirement and the publicly-traded test, which we refer to as the 50% Ownership Test.

The U.S. Treasury Department has recognized the Marshall Islands and Liberia, the jurisdictions where we and our ship-owning subsidiaries are incorporated, as granting an "equivalent exemption" to U.S. corporations. Accordingly, we and our ship-owning subsidiaries satisfy the Country of Organization Requirement. Therefore, we will be exempt from U.S. federal income taxation with respect to our U.S.-source shipping income if we satisfy either the 50% Ownership Test or the Publicly-Traded Test.

We did not satisfy the 50% Ownership Test for the 2014 Taxable Year. Our ability to satisfy the Publicly-Traded Test is discussed below. The Treasury Regulations under Section 883 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. During 2014, our common shares were "primarily traded" on the NASDAQ.

Under the same Treasury Regulations, stock of a foreign corporation will be considered to be "regularly traded" on an established securities market if one or more classes of its stock representing more than 50% of its 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 requirement." Since our common shares, which are our sole class of issued and outstanding shares, are listed on the NASDAQ, we will satisfy the listing requirement.

The Treasury Regulations further require that with respect to each class of stock relied upon to meet the listing requirement: (i) such class of the stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or 1/6 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 our common shares 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 by a class of stock if, as we expect to be the case with common shares, such class of stock is traded on an established securities market in the United States and such class of stock is regularly quoted by dealers making a market in such stock.

Notwithstanding the foregoing, the Treasury Regulations provide, in pertinent part, that our common shares will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of our outstanding common shares 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 our common shares, which we refer to as the "5% Override Rule."

For purposes of determining the persons who own 5% or more of our outstanding common shares, or "5% Shareholders," the Treasury Regulations permit us to rely on Schedule 13G and Schedule 13D filings with the SEC to identify persons who have a 5% or more beneficial interest in our common shares. The Treasury Regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes.

In the event the 5% Override Rule is triggered, the Treasury Regulations provide that the 5% Override Rule will nevertheless not apply if we can establish, in accordance with specified ownership certification procedures, that within the group of 5% Shareholders there are sufficient "qualified shareholders" for purposes of Section 883 to preclude "non-qualified shareholders" in such group from owning, actually or constructively, 50% or more of our common shares for more than half the number of days during the taxable year.

We believe that we satisfied the Publicly-Traded Test for the 2014 Taxable Year and were not subject to the 5% Override Rule. Therefore, we believe that we were exempt from U.S. federal income tax on our U.S. source shipping income for the 2014 Taxable Year. However, there is no assurance that we will continue to qualify for the benefits of Section 883 for any future taxable year. For example, there is a risk that we could no longer qualify for the Section 883 exemption for a particular taxable year if 5% Shareholders were to own 50% or more of our outstanding common shares on more than half the days of the taxable year. Under these circumstances, we would be subject to the 5% Override Rule and we would not qualify for the Section 883 exemption unless we could establish that our shareholding during the taxable year was such that non-qualified 5% Shareholders did not own 50% or more of our common shares on more than half the days of the taxable year. Under the Treasury Regulations, we would have to satisfy certain substantiation requirements regarding the identity of our shareholders. These requirements are onerous and there is no assurance that we would be able to satisfy them.

Taxation in Absence of Exemption under Section 883

To the extent the tax exemption of Section 883 is 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 U.S.-source shipping income, 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. In the year ended December 31, 2014, approximately 21.2% of our shipping income was attributable to the transportation of cargoes either to or from a U.S. port and approximately 10.6% of our shipping income was U.S.-source shipping income. In the absence of exemption from tax under Section 883, we would have been subject to a 4% tax on our gross U.S.-source shipping income equal to approximately \$0.2 million for the year ended December 31, 2014.

To the extent that the exemption under Section 883 is 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 currently imposed at rates of up to 35%. In addition, we may be subject to the 30% "branch profits" tax on earnings "effectively connected" with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of our U.S. trade or business. However, under all of our charter party agreements, these taxes would be recovered from the charterers.

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 intend to have any vessel operating to or from the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, we 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, we will not be subject to U.S. federal income tax 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 shares 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.

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

Distributions

Subject to the discussion of PFICs below, any distributions made by us with respect to our common shares to a U.S. Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our 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 its common shares 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 shares will generally be treated as "passive category income" or, in the case of certain types of U.S. Holders, "general category income" for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

Dividends paid on our common shares to a U.S. Holder who is an individual, trust or estate, or a U.S. Individual Holder, will generally be treated as "qualified dividend income" that is taxable to such U.S. Individual Holder at preferential tax rates provided that: (1) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be); (2) the common shares are readily tradable on an established securities market in the United States (such as the NASDAQ, on which our common shares are listed), and (3) the U.S. Individual Holder has owned the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend. There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of a U.S. Individual Holder.

Special rules may apply to any "extraordinary dividend," generally a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted basis (or fair market value in certain circumstances) in its common shares. If we pay an "extraordinary dividend" on our common shares and such dividend is treated as "qualified dividend income," then any loss derived by a U.S. Individual Holder from the sale or exchange of such common shares will be treated as long-term capital loss to the extent of such dividend.

Sale, Exchange or other Disposition of Our Common Shares

Assuming we do not constitute a PFIC for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such common shares. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period in such common shares is greater than one year at the time of the sale, exchange or other disposition. Otherwise, such gain or loss will be treated as short-term capital gain or loss. 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. Individual Holder's ability to deduct capital losses is subject to certain limitations.

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 U.S. Holder held our common shares, either:

at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains, and rents derived other than in the active conduct of a rental business); 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 (including cash).

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. 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.

Based on our current operations and future projections, we do not believe that we have been or are, nor do we expect to become, a PFIC with respect to any taxable year. 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 PFIC, 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 assets that produce, or are held for the production of, passive income. 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, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. In the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC 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 taxation rules depending on whether the U.S. Holder makes an election to treat us as a "qualified electing fund," which election we refer to as a "QEF election." As an alternative to making a QEF election, a U.S. Holder could elect to mark our common shares to market, which election we refer to as the "mark-to-market election," as discussed below. In addition, for taxable years beginning on or after March 18, 2010, a U.S. Holder of shares in a PFIC will be required to file an annual information return containing information regarding the PFIC as required by applicable Treasury Regulations.

Under specified constructive ownership rules, if we are treated as a PFIC, then a U.S. Holder will be treated as owning its proportionate share of the stock of any our subsidiaries that are treated as PFICs. Such a U.S. Holder would be permitted to make a QEF election in respect of any such PFIC subsidiary, so long as we timely provide the information necessary for such election, which we currently intend to do in such circumstances. However, such a U.S. Holder would not be permitted to make a mark-to-market election in respect of such U.S. Holder's indirect interest in any such PFIC subsidiary. The application of the PFIC rules is complicated and U.S. Holders are encouraged to consult with their tax advisors regarding the application of such rules in their particular circumstances.

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

If a U.S. Holder makes a timely QEF election, which U.S. Holder we refer to as an Electing Holder, the Electing Holder must report each year for U.S. federal income tax purposes its pro rata share of our ordinary earnings and net capital gain, if any, for our taxable year that ends with or within the taxable year of such Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. The Electing Holder's adjusted tax basis in the common shares would be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits previously taxed will result in a corresponding reduction in the adjusted tax basis in the common shares and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common shares. A U.S. Holder would make a QEF election with respect to any taxable year that we are a PFIC by filing IRS Form 8621 with its U.S. federal income tax return. If we were aware that we were to be treated as a PFIC for any taxable year, we would provide each U.S. Holder with all necessary information in order to make the QEF election described above. A U.S. Holder who is treated as constructively owning shares in any of our subsidiaries which are treated as PFICs would be required to make a separate QEF election with respect to each such PFIC subsidiary.

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

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

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

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

the excess distribution or gain would be allocated ratably over the Non-Electing Holders' aggregate holding period for the common shares;

the amount allocated to the current taxable year and any taxable year before we became a PFIC would be taxed as ordinary income; and

the amount allocated to each of the other taxable years would be subject to U.S. federal income tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

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

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

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

Dividends on Common Shares

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

Sale, Exchange or Other Disposition of Our Common Shares

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

the gain is "effectively connected" with the Non-U.S. Holder's conduct of a trade or business in the United States. 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 subject to U.S. federal income tax only if attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States; or

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

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, the income from the common shares, including dividends and any gain from the sale, exchange or other disposition of the common shares that is "effectively connected" with the conduct of that U.S. trade or business will generally be subject to regular U.S. federal income tax in the same manner as discussed in the previous section relating to the U.S. federal income taxation of U.S. Holders. In addition, in the case of a corporate Non-U.S. Holder, earnings and profits attributable to such "effectively connected" income, with 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 will be subject to information reporting requirements. Such payments will also be subject to "backup withholding" if paid to a non-corporate U.S. Holder who:

fails to provide an accurate taxpayer identification number;

is notified by the IRS that it has failed to report all interest or dividends required to be shown on its U.S. federal income tax returns; or

in certain circumstances, fails 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 appropriate IRS Form W-8.

If a shareholder sells its common shares to or through a U.S. office or broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless the shareholder certifies under penalties of perjury that it is a non-U.S. person or the shareholder otherwise establishes an exemption. If the shareholder sells its common shares through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to the shareholder 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 the shareholder outside the United States, if the shareholder sells its common shares through a non-U.S. office of a broker that is a U.S. person or has certain other contacts with the United States.

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

Pursuant to recently enacted legislation, 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, the common shares, unless the shares 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 consult their own tax advisors regarding their reporting obligations under this legislation.

Other Taxes

We encourage each shareholder to consult with its own tax advisor as to the particular tax consequences to it of holding and disposing of our common shares, including the applicability of any state, local or foreign tax laws and any proposed changes in applicable law.

F. Dividends and paying agents

Not applicable.

G. Statement by experts

Not applicable.

H. Documents on display

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, or from the SEC's website <http://www.sec.gov>. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330 and you may obtain copies at prescribed rates. Our filings are also available on our website at <http://www.paragonship.com>. This web address is provided as an inactive textual reference only. Information on our website does not constitute a part of this annual report.

I. Subsidiary information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Concentration of Credit Risk

Financial instruments, which potentially subject us to significant concentrations of credit risk, consist principally of trade accounts receivable, amounts due from related parties and cash and cash equivalents. We limit our credit risk with accounts receivable by performing ongoing credit evaluations of our customers' financial condition and generally do not require collateral for our trade accounts receivable. In addition, we also limit our exposure by diversifying among customers. The amounts due from related parties mainly relate to advance payments to Allseas to cover working capital equal to one month's worth of estimated operating expenses. We place our cash and cash equivalents with high credit quality financial institutions. We are exposed to credit risk in the event of non-performance by counterparties to derivative instruments. However, we limit our exposure by diversifying among counterparties considering their credit ratings.

Interest Rates

The international drybulk and containership industries are capital intensive industries, requiring significant amounts of investment. Much of this investment is provided in the form of long term debt. Our debt usually contains interest rates that fluctuate with London Inter-Bank Offered Rate, or LIBOR. Increasing interest rates could adversely impact future earnings. In order to mitigate this specific market risk we entered into interest rate swap agreements. The purpose of the agreements was to manage interest cost and the risk associated with changing interest rates by limiting our exposure to interest rate fluctuations within the ranges stated below. During 2013 and 2014, LIBOR was below the floor rates and thus we paid the floor rates. As an indication of the extent of our sensitivity to interest rates changes based upon our debt level and interest rate swap agreements, a 100 basis points increase in interest rates would have resulted in a net increase in interest expense (including interest rate swap agreements) of approximately \$1.1 million and \$1.4 million for the years ended December 31, 2013 and 2014, respectively.

Foreign exchange rate fluctuation

We generate all of our revenues in U.S. dollars and incurred approximately 27% of our expenses in currencies other than U.S. dollars (mainly in Euros) for each of the years ended December 31, 2013 and 2014. This increase mainly relates to the increase in the amounts that were payable in Euros under our Agreements with Allseas as discussed in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions". For accounting purposes, expenses incurred in currencies other than into U.S. dollars, are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. We do not normally hedge currency exchange risks relating to operations and our operating results could be adversely affected as a result. However, due to our relatively low percentage exposure to currencies other than our base currency, which is the U.S. dollar, we believe that such currency movements will not have a material effect on us and as such we do not hedge these exposures as the amounts involved do not make hedging economic. The impact of a 10% increase in exchange rates, on the level of expenses incurred for the years ended December 31, 2013 and 2014 in currencies other than U.S. dollars, would be approximately \$1.0 million and \$1.1 million, respectively.

Item 12. Description of Securities Other than Equity Securities

A. Debt securities

Not applicable.

B. Warrants and rights

Not applicable.

C. Other securities

Not applicable.

D. American depository shares

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Loan and Credit Facilities."

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

Stockholder Rights Plan

We have adopted a stockholder rights plan, pursuant to which each of our common shares includes one preferred stock purchase right that entitles the holder to purchase from us a unit consisting of one one-thousandth of a share of our Series A Preferred Stock or additional common shares if any third party seeks to acquire control of a substantial amount of our common shares without the approval of our Board of Directors, subject to certain limitations and exceptions. See "Item 10. Additional Information—B. Memorandum and Articles of Association—Stockholder Rights Plan."

Item 15. Controls and Procedures

a) Disclosure Controls and Procedures

Management, including our Chief Executive Officer and our Chief Financial Officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Disclosure controls and procedures are defined under SEC rules as controls and other procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include controls and procedures designed to ensure that information 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 disclosures.

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, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of December 31, 2014.

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

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

Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made in accordance with authorizations of our management and directors; and (iii) 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.

Management has conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this assessment, management has determined that our internal control over financial reporting as of December 31, 2014 is effective.

However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements even when determined to be effective and can only provide reasonable assurance with respect to financial statement preparation and presentation. 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 and procedures may deteriorate.

Ernst & Young (Hellas) Certified Auditors-Accountants S.A., our independent registered public accounting firm, has audited the financial statements included herein and our internal control over financial reporting and has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2014, which is included in "Item 18. Financial Statements" of this annual report.

c) Attestation Report of the Registered Public Accounting Firm

Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report. In order to enhance transparency to our shareholders, we decided not to make use of such relaxation.

The report of Ernst & Young (Hellas) Certified Auditors-Accountants S.A. is included in "Item 18. Financial Statements" of this annual report.

d) Changes in Internal Control over Financial Reporting

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

Item 16. Reserved

Item 16A. Audit Committee Financial Expert

On May 19, 2009, our audit committee designated George Xiradakis as our "audit committee financial expert," as that term is defined in Item 407 of Regulation S-K promulgated by the SEC. Our Board of Directors has determined that Mr. Xiradakis is independent according to Rule 10A-3 of the Exchange Act and NASDAQ independence rules. Prior to May 2009, we did not believe it was necessary to have an "audit committee financial expert," as defined in Item 407 of SEC Regulation S-K, because our Board of Directors had determined that each member of the audit committee had the financial experience required by Rule 5605 of NASDAQ's Equity Rules and other relevant experience necessary to carry out the duties and responsibilities of the audit committee.

Item 16B. Code of Ethics

We have adopted a Corporate Code of Business Ethics and Conduct, or Code of Ethics, which applies to our officers, directors, agents and employees. Our Code of Ethics is posted on our website: <http://www.paragonship.com>, under "Profile" and "Code of Ethics." Copies of our Code of Ethics are available in print, without charge, upon request to Paragon Shipping Inc., 15 Karamanli Ave., GR 166 73, Voula, Greece. We intend to satisfy any disclosure requirements regarding any amendment to, or waiver from, a provision of our Code of Ethics by posting such information on our website within 5 business days following the date of the amendment or waiver.

Item 16C. Principal Accountant Fees and Services

The table below sets forth the total fees for the services performed by our principal accountants Ernst & Young Hellas Certified Auditors-Accountants S.A., which we refer to as the Independent Registered Public Accounting Firm. The table below also identifies these amounts by category of services:

	<u>2013</u>	<u>2014</u>
	<u>Stated in USD</u>	
Audit fees	\$ 516,348	\$ 516,539
Audit-related fees	-	-
Tax fees	-	-
All other fees	-	-
Total	<u>\$ 516,348</u>	<u>\$ 516,539</u>

Audit fees represent compensation for professional services rendered for the (i) audit of the consolidated financial statements and internal control over financial reporting of the Company; (ii) for the review of the quarterly financial information; and (iii) services in connection with the registration statements and related consents and comfort letters and any other audit services required for SEC or other regulatory filings by Paragon or its subsidiaries.

The audit committee charter sets forth our policy regarding retention of the independent auditors, giving the audit committee responsibility for the appointment, replacement, compensation, evaluation and oversight of the work of the independent auditors. As part of this responsibility, our audit committee pre-approves the audit and non-audit services performed by our independent auditors in order to assure that they do not impair the auditor's independence from the Company. Engagements for proposed services to be performed by the independent auditors either may be separately pre-approved by the audit committee or entered into pursuant to detailed pre-approval policies and procedures established by the audit committee, as long as the audit committee is informed on a timely basis of any engagement entered into on that basis. The audit committee separately pre-approved all engagements and fees paid to our principal accountant in 2014.

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

Not applicable.

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

None.

Item 16F. Change in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

Pursuant to an exception for foreign private issuers, we, as a Marshall Islands company, are not required to comply with the corporate governance practices followed by U.S. companies under the NASDAQ listing standards. We believe that our established practices in the area of corporate governance are in line with the spirit of the NASDAQ standards and provide adequate protection to our shareholders. In this respect, we have voluntarily adopted NASDAQ required practices, such as (a) having a majority of independent directors, (b) establishing audit, compensation and nominating committees comprised entirely of independent directors; and (c) adopting and disclosing a Code of Ethics for directors, officers and employees and promptly disclosing any waivers of or amendments to such code.

The significant differences between our corporate governance practices and the practices required by the NASDAQ are set forth below.

Executive Sessions

NASDAQ requires that all independent directors of listed companies meet in an executive session at least once a year. As permitted under Marshall Islands law and our amended and restated bylaws, our independent directors do not regularly hold executive sessions without management and we do not expect them to do so in the future.

Shareholder Approval of Equity Compensation Plans

NASDAQ requires listed companies to obtain prior shareholder approval to adopt or materially revise any equity compensation plan. As permitted under Marshall Islands law and our amended and restated bylaws, we do not need prior shareholder approval to adopt or revise equity compensation plans, including our equity incentive plan.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

See "Item 18. Financial Statements."

Item 18. Financial Statements

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

Item 19. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
1.1	Amended and Restated Articles of Incorporation of Paragon Shipping Inc., incorporated by reference to Exhibit 1 to the Company's Report on Form 6-K, filed with the SEC on April 21, 2010.
1.2	Article of Amendment to the Amended and Restated Articles of Incorporation of Paragon Shipping Inc., incorporated by reference to Exhibit 1.1 to the Company's Report on Form 6-K, filed with the SEC on November 6, 2012.
1.3	Amended and Restated By-laws of the Company, incorporated by reference to Exhibit 99.1 to the Company's Report on Form 6-K, filed with the SEC on August 15, 2007.
2.1	Form of Share Certificate, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form F-1 (File No. 333-143481), filed with the SEC on June 4, 2007.
4.1	Form of Amended and Restated Registration Rights Agreement, incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form F-1 (File No. 333-144687), filed with the SEC on July 30, 2007.
4.2	Form of Initial Purchaser Registration Rights Agreement, incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form F-1/A (File No. 333-143481), filed with the SEC on June 4, 2007.
4.3	Innovation Holdings Registration Rights Agreement, incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form F-1 (File No. 333-143481), filed with the SEC on June 4, 2007.
4.4	Amended and Restated Equity Incentive Plan, incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 20-F, filed with the SEC on March 4, 2011.
4.5	Stockholders Rights Agreement, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement (File No. 001-33655), filed with the SEC on January 4, 2008.
4.6	First Amendment to Stockholders Rights Agreement, incorporated by reference to Exhibit 4.2 to the Company's Registration Statement (File No. 001-33655), filed with the SEC on March 18, 2010.
4.7	Form of Management Agreement, incorporated by reference to Exhibit 10.2 to the Company's Registration Statement (File No. 333-143481), filed with the SEC on June 4, 2007.
4.8	Form of Amended Management Agreement, incorporated by reference to Exhibit 4.9 to the Company's Annual Report on Form 20-F, filed with the SEC on March 4, 2011.
4.9	Form of Addendum No. 1 to Management Agreement, incorporated by reference to Exhibit 4.58 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
4.10	Form of Management Agreement for newbuilding vessels under construction, incorporated by reference to Exhibit 4.10 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed with the SEC on March 4, 2011.

- 4.11 Supplemental Letter, dated May 24, 2011, to a Commerzbank AG Senior Secured Revolving Credit Facility, dated November 29, 2007, as amended and supplemented, incorporated by reference to Exhibit 4.13 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.12 Supplemental Letter, dated August 1, 2011, to a Commerzbank AG Senior Secured Revolving Credit Facility, dated November 29, 2007, as amended and supplemented, incorporated by reference to Exhibit 4.14 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.13 Loan Agreement, dated August 12, 2011, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and Commerzbank AG, as Agent, Arranger and Security Trustee, and Commerzbank AG, as Swap Bank, relating to a secured term loan facility of up to \$57,000,000, incorporated by reference to Exhibit 4.15 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.14 Amending and Restating Agreement, dated February 8, 2013, by and among Paragon Shipping Inc., as Borrower, and Reading Navigation Co., Donna Marine Co. and Protea International Inc., as Owners, and the banks and financial institutions listed therein, as Lenders, and Commerzbank AG, as Agent, Arranger and Security Trustee. And Commerzbank AG, as Swap Bank, relating to an amended and restated secured term loan facility of (originally) up to \$57,000,000, incorporated by reference to Exhibit 4.14 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.
- 4.15 Form of Loan Agreement, dated November 19, 2007, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and UniCredit Bank AG (formerly known as Bayerische Hypo-und Vereinsbank AG), as Agent, Arranger and Security Trustee, and UniCredit Bank AG (formerly known as Bayerische Hypo-und Vereinsbank AG), relating to a secured credit facility of up to \$90,000,000, incorporated by reference to Exhibit 4.17 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed with the SEC on March 4, 2011.
- 4.16 Form of Third Supplemental Agreement, dated December 29, 2010, relating to a Loan Agreement, dated November 19, 2007, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and UniCredit Bank AG (formerly known as Bayerische Hypo-und Vereinsbank AG), as Agent, Arranger and Security Trustee, and UniCredit Bank AG (formerly known as Bayerische Hypo-und Vereinsbank AG), relating to a secured credit facility of up to \$90,000,000, as amended, incorporated by reference to Exhibit 4.18 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed with the SEC on March 4, 2011.
- 4.17 Fourth Supplemental Agreement, dated October 27, 2011, relating to a secured credit facility of up to \$90,000,000, to Paragon Shipping Inc., as Borrower, provided by the banks and financial institutions listed therein, as Lenders, UniCredit Bank AG, as Arranger, Agent and Security Trustee, and UniCredit Bank AG, as Swap Bank, incorporated by reference to Exhibit 4.21 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.18 Fifth Supplemental Agreement, dated November 30, 2012, relating to a secured credit facility of up to \$90,000,000 to Paragon Shipping Inc., as Borrower, provided by the banks and financial institutions listed therein, as Lenders, Unicredit Bank AG, as Arranger, Agent and Security Trustee, and Unicredit Bank AG, as Swap Bank, incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form F-1 (File No. 333-185467), filed with the SEC on December 13, 2012.
- 4.19 Supplemental Letter, dated December 15, 2011, to a loan agreement, dated December 4, 2007 (as supplemented and amended and amended and restated) made between Paragon Shipping Inc., as Borrower, the banks and financial institutions listed therein, as Lenders, Bank of Scotland plc, as Agent, Mandated Lead Arranger, Underwriter and Security Trustee, and Bank of Scotland plc, as Swap Bank, relating to a secured revolving credit facility of up to \$89,000,000, incorporated by reference to Exhibit 4.28 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.

- 4.20 Supplemental Letter, dated April 26, 2012, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and Bank of Scotland plc, as Agent, Mandated Lead Arranger, Underwriter and Security Trustee, and Bank of Scotland plc, as Swap Bank, relating to a secured revolving credit facility of (originally) up to \$89,000,000, incorporated by reference to Exhibit 4.20 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.
- 4.21 Second Amending and Restating Agreement, dated November 30, 2012, by and among Paragon Shipping Inc., as Borrower, and Emperor I Maritime Company and Canyon I Navigation Corp., as Owners, and the banks and financial institutions listed therein, as Lenders, and Bank of Scotland plc, as Agent, Mandated Lead Arranger, Underwriter and Security Trustee, and Bank of Scotland plc, as Swap Bank, relating to an amended and restated revolving credit facility of (originally) up to \$89,000,000, incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form F-1 (File No. 333-185467), filed with the SEC on December 13, 2012.
- 4.22 Form of Loan Agreement, dated March 30, 2009, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and the banks and financial institutions listed therein, as Swap Banks, and The Governor and Company of the Bank of Ireland, as Arranger, Agent and Security Trustee, relating to a term loan facility of up to \$30,000,000, incorporated by reference to Exhibit 99.6 to the Company's Report on Form 6-K, filed with the SEC on April 7, 2009.
- 4.23 Form of Supplemental Agreement, dated March 23, 2010, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and the banks and financial institutions listed therein, as Swap Banks, and The Governor and Company of the Bank of Ireland, as Arranger, Agent and Security Trustee, relating to a loan agreement, dated March 30, 2009, for a term loan facility of up to \$30,000,000, incorporated by reference to Exhibit 4.29 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed with the SEC on March 4, 2011.
- 4.24 Supplemental Letter, dated December 23, 2011, relating to the Loan Agreement, dated March 30, 2009, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and the banks and financial institutions listed therein, as Swap Banks, and The Governor and Company of the Bank of Ireland, as Arranger, Agent and Security Trustee, as supplemented by the Supplemental Agreement, dated March 23, 2010, relating to a term loan facility of up to \$30,000,000, incorporated by reference to Exhibit 4.31 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.25 Second Supplemental Agreement, dated November 28, 2012, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and the banks and financial institutions listed therein, as Swap Banks, and The Governor and Company of the Bank of Ireland, as Arranger, Agent and Security Trustee, relating to the Loan Agreement, dated March 30, 2009 (as amended), for a term loan facility of up to \$30,000,000, incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form F-1 (File No. 333-185467), filed with the SEC on December 13, 2012.
- 4.26 Form of Loan Agreement, dated July 31, 2008, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and HSH Nordbank AG, as Agent and Security Trustee, and HSH Nordbank AG, as Swap Bank, relating to a loan facility of up to \$51,500,000, incorporated by reference to Exhibit 99.2 to the Company's Report on Form 6-K, filed with the SEC on April 7, 2009.

- 4.27 Form of Supplemental Agreement, dated April 3, 2009, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and HSH Nordbank AG, as Agent and Security Trustee, and HSH Nordbank AG, as Swap Bank, relating to a secured loan facility of (originally) up to \$51,500,000, incorporated by reference to Exhibit 99.7 to the Company's Report on Form 6-K, filed with the SEC on April 7, 2009.
- 4.28 Form of Waiver Letter, dated March 1, 2010, relating to the Loan Agreement, dated July 31, 2008, as amended and supplemented by a First Supplemental Agreement, dated April 3, 2009, incorporated by reference to Exhibit 4.32 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed with the SEC on March 4, 2011.
- 4.29 Form of Second Supplemental Agreement, dated April 16, 2010, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and HSH Nordbank AG, as Agent and Security Trustee, and HSH Nordbank AG, as Swap Bank, relating to a secured loan facility of (originally) up to \$51,500,000, incorporated by reference to Exhibit 4.33 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed with the SEC on March 4, 2011.
- 4.30 Waiver Letter, dated August 5, 2011, relating to the Loan Agreement, dated July 31, 2008, as amended and supplemented, incorporated by reference to Exhibit 4.36 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.31 Third Supplemental Agreement, dated September 1, 2011, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and HSH Nordbank AG, as Agent and Security Trustee, and HSH Nordbank AG, as Swap Bank, relating to a secured loan facility of (originally) up to \$51,500,000, incorporated by reference to Exhibit 4.37 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.32 Supplemental Letter, dated July 17, 2012, to the Loan Agreement, dated July 31, 2008 (as amended and supplemented by three supplemental agreements dated, respectively, April 3, 2009, April 16, 2010 and September 1, 2011), by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and HSH Nordbank AG, as Agent and Security Trustee, and HSH Nordbank AG, as Swap Bank, relating to a secured loan facility of (originally) up to \$51,500,000, incorporated by reference to Exhibit 4.32 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.
- 4.33 Supplemental Letter, dated January 22, 2013, to the Loan Agreement, dated July 31, 2008 (as amended and supplemented by three supplemental agreements dated, respectively, April 3, 2009, April 16, 2010 and September 1, 2011, and a supplemental letter, dated July 17, 2012), by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and HSH Nordbank AG, as Agent and Security Trustee, and HSH Nordbank AG, as Swap Bank, relating to a secured loan facility of (originally) up to \$51,500,000, incorporated by reference to Exhibit 4.33 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.
- 4.34 Form of Loan Agreement, dated July 2, 2010, by and between Eris Shipping S.A., as Borrower, and HSBC Bank plc, as Lender, relating to a \$22,000,000 secured loan incorporated by reference to Exhibit 4.34 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed with the SEC on March 4, 2011.

- 4.35 First Supplemental Agreement, dated November 30, 2012, by and among Eris Shipping S.A., as Borrower, and Paragon Shipping Inc., as Guarantor, and HSBC Bank plc, as Lender, relating to a \$22,000,000 secured loan facility agreement, dated July 2, 2010, incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form F-1 (File No. 333-185467), filed with the SEC on December 13, 2012, as further supplemented by letter agreement dated March 14, 2014, filed herewith as Exhibit 4.35.
- 4.36 Loan Agreement, dated April 21, 2011, by and between Paragon Shipping Inc., as Borrower, and Credit Suisse AG, as Lender, relating to a secured term loan facility of \$26,000,000, incorporated by reference to Exhibit 4.40 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.37 Loan Agreement, dated May 5, 2011, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and the banks and financial institutions listed therein, as Lead Arrangers and Swap Banks, and Nordea Bank Finland plc, London Branch, as Agent, Bookrunner and Security Trustee, relating to a \$89,515,000 facility, incorporated by reference to Exhibit 4.41 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.38 Notice of Partial Cancellation of Total Commitments, dated August 5, 2011, relating to a \$89,515,000 term loan facility, dated May 5, 2011, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and the banks and financial institutions listed therein, as Lead Arrangers and Swap Banks, and Nordea Bank Finland plc, London Branch, as Agent, Bookrunner and Security Trustee, incorporated by reference to Exhibit 4.42 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.39 Waiver and Amendment Letter, dated January 13, 2012, relating to a \$89,515,000 term loan facility, dated May 5, 2011, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and the banks and financial institutions listed therein, as Lead Arrangers and Swap Banks, and Nordea Bank Finland plc, London Branch, as Agent, Bookrunner and Security Trustee, incorporated by reference to Exhibit 4.43 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.40 Supplemental Agreement, dated January 29, 2013, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and the banks and financial institutions listed therein, as Lead Arrangers and Swap Banks, and Nordea Bank Finland plc, London Branch, as Agent, Bookrunner and Security Trustee, and Ovation Services Inc., Coral Ventures Inc., Winselet Shipping & Trading Co. Ltd, Aminta International S.A. and Adonia Enterprises S.A., as Guarantors, relating to a facility of (originally) up to \$89,515,100; incorporated by reference to Exhibit 4.40 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.
- 4.41 Purchase Agreement between the Company, Allseas Marine S.A. and Loretto Finance Inc., dated November 10, 2009, incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed with the SEC on March 31, 2010.
- 4.42 Supplemental Agreement between the Company, Allseas Marine S.A. and Loretto Finance Inc. relating to Purchase Agreement between the Company, Allseas Marine S.A. and Loretto Finance Inc., dated November 10, 2009; incorporated by reference to Exhibit 4.42 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.

- 4.43 Purchase Agreement between Eridanus Trader Co. and a company to be nominated by Box Ships Inc., dated April 19, 2011, for the purchase of the Box Trader, incorporated by reference to Exhibit 4.13 to the Annual Report on Form 20-F of Box Ships Inc. for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.44 Purchase Agreement between Ardelia Navigation Limited and a company to be nominated by Box Ships Inc., dated April 19, 2011, for the purchase of the Box Voyager, incorporated by reference to Exhibit 4.14 to the Annual Report on Form 20-F of Box Ships Inc. for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.45 Purchase Agreement between Delfis Shipping Company S.A. and a company to be nominated by Box Ships Inc., dated April 19, 2011, for the purchase of the CMA CGM Kingfish, incorporated by reference to Exhibit 4.15 to the Annual Report on Form 20-F of Box Ships Inc. for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.46 Loan Agreement between Box Ships Inc., as Borrower, and Paragon Shipping Inc., as Lender, relating to an unsecured loan of up to \$30.0 million, incorporated by reference to Exhibit 4.17 to the Annual Report on Form 20-F of Box Ships Inc. for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.47 First Supplemental Agreement, dated March 11, 2013, relating to a unsecured term loan facility of up to \$30,000,000 to Box Ships Inc., as Borrower, provided by Paragon Shipping Inc., as Lender; incorporated by reference to Exhibit 4.47 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.
- 4.48 Purchase Option Agreement between Box Ships Inc. and Paragon Shipping Inc., incorporated by reference to Exhibit 4.18 to the Annual Report on Form 20-F of Box Ships Inc. for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012, as amended and restated by the Amended and Restated Purchase Option Agreement dated November 15, 2013, filed herewith as Exhibit 4.48.
- 4.49 Non-Competition Agreement between Box Ships Inc., Paragon Shipping and Michael Bodouroglou, incorporated by reference to Exhibit 4.11 to the Annual Report on Form 20-F of Box Ships Inc. for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.50 Registration Rights Agreement between Paragon Shipping, Neige International Inc., as nominee for Propious Navigation S.A. and Box Ships Inc., incorporated by reference to Exhibit 4.12 to the Annual Report on Form 20-F of Box Ships Inc. for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.51 Form of Manning Agreement between vessel owning subsidiaries of Paragon Shipping Inc. and Crewcare Inc., incorporated by reference to Exhibit 4.53 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.52 Administrative Services Agreement, dated November 12, 2008, between Paragon Shipping Inc. and Allseas Marine S.A., incorporated by reference to Exhibit 4.54 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.53 Accounting Agreement Renewal, dated January 23, 2010, between Paragon Shipping Inc. and Allseas Marine S.A., incorporated by reference to Exhibit 4.55 to the Company's Annual Report on Form 20-F, filed with the SEC on April 27, 2012.
- 4.54 Addendum No. 1, dated June 1, 2010, to the Accounting Agreement Renewal, dated January 23, 2010, between Paragon Shipping Inc. and Allseas Marine S.A., incorporated by reference to Exhibit 4.56 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.
- 4.55 Accounting Agreement Renewal 2012, dated February 16, 2012 between Paragon Shipping Inc. and Allseas Marine S.A., incorporated by reference to Exhibit 4.57 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on April 27, 2012.

- 4.56 Accounting Agreement Renewal 2014, dated February 19, 2014 between Paragon Shipping Inc. and Allseas Marine S.A.
- 4.57 Share Purchase Agreement, dated as of December 24, 2012, by and between the Company and Innovation Holdings S.A., incorporated by reference to Exhibit 4.56 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.
- 4.58 Registration Rights Agreement, dated as of December 24, 2012, by and between the Company and Innovation Holdings S.A., incorporated by reference to Exhibit 4.57 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.
- 4.59 Executive Services Agreement, dated January 27, 2011, by and between Paragon Shipping Inc. and Allseas Marine S.A., incorporated by reference to Exhibit 4.58 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.
- 4.60 Addendum No. 1 to Executive Services Agreement, dated January 27, 2011, by and between Paragon Shipping Inc. and Allseas Marine S.A., incorporated by reference to Exhibit 4.59 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.
- 4.61 Addendum No. 2 to Executive Services Agreement, dated January 27, 2011, by and between Paragon Shipping Inc. and Allseas Marine S.A., incorporated by reference to Exhibit 4.60 to the Company's Annual Report on Form 20-F, filed with the SEC on April 3, 2013.
- 4.62 Paragon Shipping Inc. 2014 Equity Incentive Plan, dated March 26, 2014.
- 4.63 Form of Amended and Restated Management Agreement between vessel owning subsidiaries of Paragon Shipping Inc. and Allseas Marine S.A.
- 4.64 Form of S&P and Charter Brokerage Services Agreement between vessel owning subsidiaries of Paragon Shipping Inc. and Seacommercial Service S.A.
- 4.65 Amended and Restated Compensation Agreement, dated January 2, 2015, between Paragon Shipping Inc. and Allseas Marine S.A.
- 4.66 Compensation Agreement, dated January 2, 2015, between Paragon Shipping Inc. and Seacommercial Shipping Services S.A.
- 4.67 Base Indenture dated August 8, 2014 between the Company and Deutsche Bank Trust Company Americas, as trustee, relating to the Company's 8.375% Senior Notes due 2021, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 6-K, filed with the SEC on August 12, 2014.
- 4.68 First Supplemental Indenture dated August 8, 2014 between the Company and Deutsche Bank Trust Company Americas, as trustee, relating to the Company's 8.375% Senior Notes due 2021, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 6-K, filed with the SEC on August 12, 2014.

- 4.69 Loan Agreement, dated April 4, 2014, by and between Alcyone International Marine Inc., Neptune International Shipping and Trading S.A. and Paloma Marine S.A., as joint and several Borrower, and the banks and financial institutions listed therein, as Lenders, and HSH Nordbank AG, as Agent, Mandated Lead Arranger, Swap Bank and Security Trustee, relating to a senior secured post-delivery term loan facility of \$47,000,000, to part finance the acquisition cost of two Ultramax bulk carriers and re-finance existing indebtedness secured on a Supramax bulk carrier named "Friendly Seas."
- 4.70 Loan Agreement, dated May 6, 2014, by and between Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and the banks and financial institutions listed therein, as Lead Arrangers and Swap Banks, and Nordea Bank Finland PLC London Branch, as Agent, Bookrunner and as Security Trustee, relating to a \$160,000,000 facility to finance and/or refinance two Kamsarmax bulk carriers, four Handysize bulk carriers, two Panamax bulk carriers and two Ultramax bulk carriers.
- 4.71 Sixth Supplemental Agreement, dated September 30, 2014, relating to a secured credit facility of up to \$90,000,000 to Paragon Shipping Inc., as Borrower, provided by the banks and financial institutions listed therein, as Lenders, Unicredit Bank AG, as Arranger, Agent and Security Trustee, and Unicredit Bank AG, as Swap Bank.
- 4.72 Seventh Supplemental Agreement, dated March 27, 2015, relating to a secured credit facility of up to \$90,000,000 to Paragon Shipping Inc., as Borrower, provided by the banks and financial institutions listed therein, as Lenders, Unicredit Bank AG, as Arranger, Agent and Security Trustee, and Unicredit Bank AG, as Swap Bank.
- 4.73 Third Supplemental Agreement, dated September 30, 2012, by and among Paragon Shipping Inc., as Borrower, and the banks and financial institutions listed therein, as Lenders, and the banks and financial institutions listed therein, as Swap Banks, and The Governor and Company of the Bank of Ireland, as Arranger, Agent and Security Trustee, relating to the Loan Agreement, dated March 30, 2009 (as amended), for a term loan facility of up to \$30,000,000.
- 8.1 Subsidiaries of Paragon Shipping Inc.
- 12.1 Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
- 12.2 Rule 13a-14(a)/15d-14(a) Certification of Interim Principal Financial Officer
- 13.1 Certification of 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 Interim 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 financial information from Paragon Shipping Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2014, formatted in Extensible Business Reporting Language (XBRL):
- (1) Consolidated Balance Sheets as of December 31, 2013 and 2014;
 - (2) Consolidated Statements of Comprehensive Loss for the years ended December 31, 2012, 2013, and 2014;
 - (3) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2012, 2013, and 2014;
 - (4) Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2013, and 2014; and
 - (5) Notes to Consolidated Financial Statements.

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.

PARAGON SHIPPING INC.

By: /s/ Michael Bodouroglou
Name: Michael Bodouroglou
Title: Chairman, President, Chief Executive Officer and Interim Chief Financial Officer

Dated: April 17, 2015

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2013 and 2014	F-4
Consolidated Statements of Comprehensive Loss for the years ended December 31, 2012, 2013, and 2014	F-5
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2012, 2013, and 2014	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2013, and 2014	F-7
Notes to Consolidated Financial Statements	F-8

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Paragon Shipping Inc.

We have audited the accompanying consolidated balance sheets of Paragon Shipping Inc. (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive loss, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Paragon Shipping Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Paragon Shipping Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 17, 2015 expressed an unqualified opinion thereon.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company reports that it is probable not to be able to meet certain of the restrictive covenants included in certain of its bank loan agreements and meet scheduled debt principal repayments within 2015. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The 2014 consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts, amounts and classification of liabilities, or any other adjustments that might result in the event the Company is unable to continue as a going concern.

/s/ Ernst & Young (Hellas) Certified Auditors-Accountants S.A.
Athens, Greece
April 17, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of Paragon Shipping Inc.

We have audited Paragon Shipping Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Paragon Shipping Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting for the year ended December 31, 2014. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

In our opinion, Paragon Shipping Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Paragon Shipping Inc. as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive loss, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 of Paragon Shipping Inc. and our report dated April 17, 2015, expressed an unqualified opinion thereon that included an explanatory paragraph regarding Paragon Shipping Inc.'s ability to continue as a going concern.

/s/ Ernst & Young (Hellas) Certified Auditors-Accountants S.A.
Athens, Greece
April 17, 2015

Paragon Shipping Inc.
Consolidated Balance Sheets
As of December 31, 2013 and 2014
(Expressed in United States Dollars - except for share data)

	Notes	2013	2014
Assets			
Current assets			
Cash and cash equivalents		31,301,957	7,030,507
Restricted cash		325,000	6,929,172
Trade receivables, net	Note 2	8,536,240	7,021,588
Other receivables		599,988	1,273,132
Prepaid expenses		549,276	503,109
Due from related parties	Note 4	146,051	843,510
Inventories		1,145,243	2,131,464
Marketable securities	Note 11	1,616,329	955,535
Total current assets		44,220,084	26,688,017
Fixed assets			
Vessels, net	Note 6	306,135,916	369,032,973
Advances for vessels under construction	Note 5	45,209,166	49,971,703
Other fixed assets, net	Note 2	595,840	922,565
Total fixed assets, net		351,940,922	419,927,241
Investment in affiliate	Note 8	11,309,375	2,956,250
Interest rate swaps	Notes 10, 11	87,295	66,475
Other assets	Note 7	2,303,304	4,367,134
Restricted cash		9,685,000	6,960,000
Total Assets		419,545,980	460,965,117
Liabilities and Shareholders' Equity			
Current liabilities			
Trade accounts payable		2,543,468	2,766,734
Accrued expenses		2,054,903	4,012,238
Due to related parties	Note 4	82,074	166,354
Interest rate swaps	Notes 10, 11	980,465	589,896
Deferred income		737,251	233,245
Current portion of long-term debt	Note 9	17,257,750	20,714,324
Total current liabilities		23,655,911	28,482,791
Long-term liabilities			
Long-term debt	Note 9	162,857,176	210,064,414
Interest rate swaps	Notes 10, 11	382,116	17,369
Total long-term liabilities		163,239,292	210,081,783
Total Liabilities		186,895,203	238,564,574
Commitments and Contingencies			
	Note 17		
Shareholders' Equity			
Preferred shares, \$0.001 par value; 25,000,000 authorized; none issued and outstanding	Note 12	-	-
Class A common shares, \$0.001 par value; 750,000,000 authorized; 17,669,442 and 24,809,142 issued and outstanding at December 31, 2013 and 2014, respectively	Note 12	17,669	24,809
Class B common shares, \$0.001 par value; 5,000,000 authorized; none issued and outstanding	Note 12	-	-
Additional paid-in capital	Note 12	493,803,591	535,233,573
Accumulated other comprehensive loss	Note 11	(259,811)	(150,986)
Accumulated deficit		(260,910,672)	(312,706,853)
Total Shareholders' Equity		232,650,777	222,400,543
Total Liabilities and Shareholders' Equity		419,545,980	460,965,117

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

Paragon Shipping Inc.
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2012, 2013 and 2014
(Expressed in United States Dollars - except for share data)

	Notes	2012	2013	2014
Revenue				
Charter revenue		53,218,975	59,530,645	58,138,104
Commissions (including related party of \$646,987, \$750,533 and \$708,153 in 2012, 2013 and 2014, respectively)	Note 4	(2,918,296)	(3,273,889)	(3,374,426)
Net Revenue		50,300,679	56,256,756	54,763,678
Expenses / (Income)				
Voyage expenses, net		1,855,964	6,668,998	14,744,648
Vessels operating expenses (including related party of \$660,474, \$797,143 and \$1,282,699 in 2012, 2013 and 2014, respectively)	Note 4	18,808,084	20,758,513	22,666,036
Dry-docking expenses (including related party of \$0, \$109,248 and \$123,840 in 2012, 2013 and 2014, respectively)	Note 4	-	1,698,217	2,193,110
Management fees - related party	Notes 4, 12	4,094,744	5,874,416	6,266,270
Depreciation	Note 6	16,386,426	16,986,584	18,357,377
General and administrative expenses (including related party of \$3,304,116, \$7,670,556 and \$5,775,899 in 2012, 2013 and 2014, respectively)	Notes 4, 13	7,901,762	10,764,001	8,707,819
Impairment loss		-	-	15,695,282
Bad debt provisions		124,717	-	130,720
Gain from sale of assets (net of vessel sale & purchase commissions to related party of \$0, \$0, and \$745,000 in 2012, 2013 and 2014, respectively)	Notes 4, 5	-	-	(402,805)
Gain from vessel early redelivery	Note 14	-	(2,267,818)	-
Loss from contract cancellation (including related party of \$0, \$444,421 and \$0 in 2012, 2013 and 2014, respectively)	Notes 4, 5	-	568,658	-
(Gain) / loss from marketable securities, net	Note 11	(414,235)	(1,202,094)	25,529
Other (income) / loss	Note 14	(750,715)	(638,374)	210,709
Operating Income / (Loss)		2,293,932	(2,954,345)	(33,831,017)
Other Income / (Expenses)				
Interest and finance costs		(6,744,917)	(7,440,190)	(9,324,395)
Loss on derivatives, net	Notes 10, 11	(714,074)	(95,288)	(387,740)
Interest income (including related party of \$675,856, \$504,326 and \$0 in 2012, 2013 and 2014, respectively)	Note 4	728,503	531,028	20,940
Equity in net income of affiliate	Note 8	1,986,590	1,652,339	471,079
Gain from debt extinguishment		1,893,254	-	-
Loss on investment in affiliate	Notes 8, 11	(16,985,066)	(8,620,372)	(8,840,343)
Foreign currency (loss) / gain		(15,347)	(26,204)	95,295
Total Other Expenses, net		(19,851,057)	(13,998,687)	(17,965,164)
Net Loss		(17,557,125)	(16,953,032)	(51,796,181)
Other Comprehensive Income / (Loss)				
Unrealized (loss) / gain on cash flow hedges	Note 11	(847,943)	131,112	131,238
Transfer of realized loss on cash flow hedges to "Interest and finance costs"	Note 11	174,869	312,069	98,656
Equity in other comprehensive (loss) / income of affiliate	Note 8	(107,083)	77,165	16,139
Unrealized loss on change in fair value of marketable securities	Note 11	(827,377)	(2,064,265)	(162,737)
Transfer of loss on change in fair value of marketable securities to "(Gain) / loss from marketable securities, net"	Note 11	980,430	1,911,212	25,529
Total Other Comprehensive (Loss) / Income		(627,104)	367,293	108,825
Comprehensive Loss		(18,184,229)	(16,585,739)	(51,687,356)
Loss per Class A common share, basic and diluted	Note 16	\$ (2.84)	\$ (1.31)	\$ (2.18)
Weighted average number of Class A common shares, basic and diluted	Note 16	6,035,910	12,639,128	23,326,062

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

Paragon Shipping Inc.
Consolidated Statements of Shareholders' Equity
For the years ended December 31, 2012, 2013 and 2014
(Expressed in United States Dollars - except for share data)

	Class A Shares			Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Number of Shares	Par Value					
Balance January 1, 2012	6,089,826	6,090		447,618,572	-	(226,400,515)	221,224,147
Issuance of Class A common shares	4,901,961	4,902		9,938,991	-	-	9,943,893
Issuance of non-vested Class A common share awards	9,800	10		(10)	-	-	-
Cancellation of non-vested Class A common share awards	(184)	(1)		1	-	-	-
Share based compensation	-	-		2,536,702	-	-	2,536,702
Net Loss	-	-		-	-	(17,557,125)	(17,557,125)
Other comprehensive loss	-	-		-	(627,104)	-	(627,104)
Balance December 31, 2012	11,001,403	11,001		460,094,256	(627,104)	(243,957,640)	215,520,513
Issuance of Class A common shares	6,218,039	6,218		31,854,532	-	-	31,860,750
Issuance of non-vested Class A common share awards	450,000	450		(450)	-	-	-
Share based compensation	-	-		1,855,253	-	-	1,855,253
Net Loss	-	-		-	-	(16,953,032)	(16,953,032)
Other comprehensive income	-	-		-	367,293	-	367,293
Balance December 31, 2013	17,669,442	17,669		493,803,591	(259,811)	(260,910,672)	232,650,777
Issuance of Class A common shares	6,920,700	6,921		39,734,231	-	-	39,741,152
Cancellation of Class A common shares	(30,000)	(30)		(170,431)	-	-	(170,461)
Issuance of non-vested Class A common share awards	252,000	252		(252)	-	-	-
Cancellation of non-vested Class A common share awards	(3,000)	(3)		3	-	-	-
Share based compensation	-	-		1,866,431	-	-	1,866,431
Net Loss	-	-		-	-	(51,796,181)	(51,796,181)
Other comprehensive income	-	-		-	108,825	-	108,825
Balance December 31, 2014	24,809,142	24,809		535,233,573	(150,986)	(312,706,853)	222,400,543

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

Paragon Shipping Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2012, 2013 and 2014
(Expressed in United States Dollars - except for share data)

	2012	2013	2014
Cash flows from operating activities			
Net Loss	(17,557,125)	(16,953,032)	(51,796,181)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation	16,386,426	16,986,584	18,357,377
Impairment loss	-	-	15,695,282
Loss on investment in affiliate	16,985,066	8,620,372	8,840,343
Gain from sale of assets	-	-	(402,805)
Amortization and write off of financing costs	447,573	941,733	2,108,716
Bad debt provisions	124,717	-	130,720
Share based compensation	2,536,702	1,855,253	1,866,431
Write off of capitalized expenses from contract cancellation	-	232,495	-
(Gain) / loss from marketable securities, net	(414,235)	(1,202,094)	25,529
Gain from debt extinguishment	(1,893,254)	-	-
Unrealized gain on interest rate swaps	(2,017,297)	(834,829)	(504,602)
Equity in net income of affiliate, net of dividends received	1,202,991	-	(471,079)
Changes in assets and liabilities:			
Trade receivables, net	(1,334,013)	(6,475,787)	1,383,932
Other receivables	97,564	129,779	(673,144)
Prepaid expenses	157,502	(103,672)	46,167
Inventories	(9,444)	(221,313)	(868,623)
Due from related parties	(1,587,798)	2,336,607	(861,314)
Trade accounts payable	148,323	(64,969)	75,994
Accrued expenses	(467,604)	148,956	1,285,140
Due to related parties	84,705	(2,631)	84,280
Deferred income	486,010	(829,756)	(504,006)
Net cash from / (used in) operating activities	13,376,809	4,563,696	(6,181,843)
Cash flow from investing activities			
Net proceeds from sale of assets	-	-	9,995,000
Acquisition of vessels and capital expenditures	(32,042,752)	(20,368,088)	(110,664,356)
Proceeds from the sale of marketable securities	-	-	498,056
Repayment from affiliate	1,000,000	14,000,000	-
Return of investment in affiliate	522,918	135,160	-
Other fixed assets	(172,410)	(208,567)	(496,093)
Release of / (increase in) restricted cash	14,990,000	-	(3,879,172)
Net cash used in investing activities	(15,702,244)	(6,441,495)	(104,546,565)
Cash flows from financing activities			
Proceeds from long-term debt	28,908,750	-	179,144,427
Repayment of long-term debt	(32,758,319)	(15,427,250)	(128,480,615)
Purchase of treasury stock	-	-	(170,460)
Payment of financing costs	(673,709)	(912,441)	(3,777,546)
Proceeds from the issuance of Class A common shares	10,000,000	34,500,000	42,235,790
Class A common shares offering costs	(37,919)	(2,657,438)	(2,494,638)
Net cash from financing activities	5,438,803	15,502,871	86,456,958
Net increase / (decrease) in cash and cash equivalents	3,113,368	13,625,072	(24,271,450)
Cash and cash equivalents at the beginning of the period	14,563,517	17,676,885	31,301,957
Cash and cash equivalents at the end of the period	17,676,885	31,301,957	7,030,507
Supplemental disclosure of cash flow information			
Cash paid during the period for interest (excluding capitalized interest)	5,122,625	5,201,707	5,000,188
Non-cash investing activities - unpaid capital expenditures for acquisition of vessels	-	-	572,561
Non-cash financing activities - unpaid financing costs	269,616	-	395,000

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

Paragon Shipping Inc.
Notes to Consolidated Financial Statements
(Expressed in United States Dollars – except for share data)

1. Basis of Presentation and General Information

Basis of Presentation: Paragon Shipping Inc. ("Paragon") is a public company incorporated in the Republic of the Marshall Islands on April 26, 2006 and is engaged in the ocean transportation of drybulk cargoes worldwide through the ownership and operation of drybulk carriers. In December 2006, Paragon established a branch in Greece under the provision of Law 89 of 1967, as amended.

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 of Paragon Shipping Inc. and its wholly-owned subsidiaries (collectively the "Company") as discussed below, as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014.

Drybulk Vessel Owning Subsidiaries:

Vessel Owning Company	Date of Incorporation	Country of Incorporation	Vessel's Name	Delivery Date	Built	DWT
Trade Force Shipping S.A.	November 15, 2006	Marshall Islands	Deep Seas	December 2006	1999	72,891
Frontline Marine Company	November 15, 2006	Marshall Islands	Calm Seas	December 2006	1999	74,047
Fairplay Maritime Ltd.	November 15, 2006	Marshall Islands	Kind Seas	December 2006	1999	72,493
Donna Marine Co.	July 4, 2007	Marshall Islands	Pearl Seas	August 2007	2006	74,483
Protea International Inc.	July 17, 2007	Liberia	Sapphire Seas	August 2007	2005	53,702
Reading Navigation Co.	July 17, 2007	Liberia	Diamond Seas	September 2007	2001	74,274
Imperator I Maritime Company	September 27, 2007	Marshall Islands	Coral Seas	November 2007	2006	74,477
Canyon I Navigation Corp.	September 27, 2007	Marshall Islands	Golden Seas	December 2007	2006	74,475
Paloma Marine S.A.	June 19, 2008	Liberia	Friendly Seas	August 2008	2008	58,779
Eris Shipping S.A.	April 8, 2010	Liberia	Dream Seas	July 2010	2009	75,151
Coral Ventures Inc.	August 5, 2009	Liberia	Prosperous Seas	May 2012	2012	37,293
Winselet Shipping And Trading Co. Ltd.	April 6, 2010	Liberia	Precious Seas	June 2012	2012	37,205
Aminta International S.A.	May 5, 2010	Liberia	Priceless Seas	January 2013	2013	37,202
Adonia Enterprises S.A.	May 5, 2010	Liberia	Proud Seas ⁽¹⁾	January 2014	2014	37,227
Alcyone International Marine Inc.	June 17, 2013	Liberia	Gentle Seas ⁽¹⁾	October 2014	2014	63,350
Neptune International Shipping & Trading S.A.	June 17, 2013	Liberia	Peaceful Seas ⁽¹⁾	October 2014	2014	63,331

(1) Refer to Notes 5 and 9

1. Basis of Presentation and General Information - Continued

Vessel Under Construction Owning Subsidiaries:

Vessel Owning Company	Date of Incorporation	Country of Incorporation	Hull Number	Type	Expected Delivery	DWT
Amphitrite Shipping Inc.	June 17, 2013	Liberia	DY4050 ⁽¹⁾	Drybulk Carrier	2015	63,500
Mirabel International Maritime Co.	June 17, 2013	Liberia	DY4052 ⁽¹⁾	Drybulk Carrier	2015	63,500
Dolphin Sunrise Limited	February 25, 2014	Marshall Islands	YZJ1144 ⁽¹⁾	Drybulk Carrier	2015	81,800
Nautilus Investment Limited	February 25, 2014	Marshall Islands	YZJ1145 ⁽¹⁾	Drybulk Carrier	2015	81,800
Oceanus Investments Limited	February 25, 2014	Marshall Islands	YZJ1142 ⁽¹⁾	Drybulk Carrier	2015	81,800

(1) Refer to Note 5

Non-Vessel Owning Subsidiaries:

Non-Vessel Owning Company	Date of Incorporation	Country of Incorporation
Camelia Navigation S.A.	November 15, 2006	Marshall Islands
Explorer Shipholding Limited	November 15, 2006	Marshall Islands
Epic Investments Inc.	December 21, 2006	Marshall Islands
Opera Navigation Co. ⁽¹⁾	December 21, 2006	Marshall Islands
Ovation Services Inc. ⁽¹⁾	September 16, 2009	Marshall Islands
Irises Shipping Ltd. ⁽¹⁾	October 6, 2009	Marshall Islands
Letitia Shipping Limited ⁽¹⁾	May 4, 2010	Marshall Islands
Nereus Navigation Ltd. ⁽¹⁾	May 4, 2010	Marshall Islands
Ardelia Navigation Limited ⁽¹⁾	June 15, 2010	Liberia
Eridanus Trading Co. ⁽¹⁾	July 1, 2010	Liberia
Delfis Shipping Company S.A. ⁽¹⁾	February 7, 2011	Liberia

(1) In March and April 2015, the Company proceeded with the dissolution of the respective subsidiaries since they were no longer active

The Company outsources the technical and commercial management of its vessels to Allseas Marine S.A. ("Allseas") and Seacommercial Shipping Services S.A. ("Seacommercial"), both related parties wholly owned by Mr. Michael Bodouoglou, the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer (refer to Note 4).

As of December 31, 2014, Mr. Michael Bodouoglou beneficially owned 28.4% of the Company's common stock.

1. Basis of Presentation and General Information - Continued

Major Charterers: The following charterers individually accounted for more than 10% of the Company's charter revenue for the years ended December 31, 2012, 2013 and 2014:

Charterer	Percentage of charter revenue		
	2012	2013	2014
Intermare Transport GmbH	24.1%	13.4%	-
Morgan Stanley Capital Group Inc.	15.7%	-	-
Mansel Ltd.	16.6%	-	-
Cargill International S.A.	19.2%	33.6%	11.6%
Total	75.6%	47.0%	11.6%

2. Significant Accounting Policies

- (a) **Principles of Consolidation:** The consolidated financial statements incorporate the financial statements of the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income / (loss) from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany balances and transactions have been eliminated. Paragon, as the holding company, determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity. Under ASC 810 "Consolidation" a voting interest entity is an entity in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make financial and operating decisions. The holding company consolidates voting interest entities in which it owns all, or at least a majority (generally, greater than 50%) of the voting interest. Variable interest entities ("VIE") are entities as defined under ASC 810 that in general either do not have equity investors with voting rights or that have equity investors that do not provide sufficient financial resources for the entity to support its activities. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's design and purpose and the reporting entity's power, through voting or similar rights, to direct the activities of the other entity that most significantly impact the other entity's economic performance. A controlling financial interest in a VIE is present when a company has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE, or both. Only one reporting entity, known as the primary beneficiary, is expected to be identified as having a controlling financial interest and thus is required to consolidate the VIE. The Company evaluates all arrangements that may include a variable interest in an entity to determine if it may be the primary beneficiary, and would be required to include assets, liabilities and operations of a VIE in its consolidated financial statements. As of December 31, 2013 and 2014, no such interest existed.
- (b) **Use of Estimates:** The preparation of the 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.

2. Significant Accounting Policies - Continued

- (c) **Other Comprehensive Income / (Loss):** The Company follows the accounting guidance relating to "Comprehensive Income," which requires separate presentation of certain transactions that are recorded directly as components of stockholders' equity. The Company has elected to present net income / (loss) and other comprehensive income / (loss) in a single continuous statement of comprehensive income / (loss) in its consolidated financial statements.
- (d) **Foreign Currency Translation:** The functional currency of the Company is the U.S. Dollar. For other than derivative instruments, each asset, liability, revenue, expense, gain or loss arising from a foreign currency transaction is measured and recorded in the functional currency using the exchange rate in effect at the date of the transaction. As of balance sheet date, monetary assets and liabilities that are denominated in a currency other than the functional currency are adjusted to reflect the exchange rate prevailing at the balance sheet date and any gains or losses are included in the statements of comprehensive income / (loss). As of December 31, 2013 and 2014, the Company had no foreign currency derivative instruments.
- (e) **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.
- (f) **Restricted Cash:** Restricted cash represents pledged cash deposits or minimum liquidity required to be maintained under the Company's borrowing arrangements or in relation to bank guarantees issued on behalf of the Company. In the event that the obligation to maintain such deposits is expected to be terminated within the next twelve months, or relates to general minimum liquidity requirements with no obligation to retain such funds in retention accounts, these deposits are classified as current assets. Otherwise they are classified as non-current assets.
- (g) **Trade Receivables (net):** Trade receivables (net), reflect the receivables from charters, net of an allowance for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. Allowance for doubtful accounts as of December 31, 2013 and 2014 was \$265,751 and \$409,226, respectively.
- (h) **Insurance Claims:** The Company records insurance claim recoveries for insured losses incurred on damages to fixed assets and for insured crew medical expenses under Other receivables. Insurance claims are recorded, net of any deductible amounts, at the time the Company's fixed assets suffer insured damages or when crew medical expenses are incurred, recovery is probable under the related insurance policies and the Company can make an estimate of the amount to be reimbursed following submission of the insurance claim.
- (i) **Inventories:** Inventories consist of lubricants and stores on board the vessels. When vessels are unemployed or are operating under voyage charters, bunkers on board are also recorded in inventories. Inventories are stated at the lower of cost or market. Cost is determined by the first in, first out method.
- (j) **Vessel Cost:** Vessels are stated at cost, which consists of the contract price, less discounts, plus any direct expenses incurred upon acquisition, including improvements, commission paid, delivery expenses and other expenditures to prepare the vessel for her initial voyage. Financing costs incurred during the construction period of the vessels are also capitalized and included in the vessels' cost. 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 expensed as incurred.

2. Significant Accounting Policies - Continued

(k) **Impairment of Long-Lived Assets:** The Company reviews its long-lived assets "held and used" for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When the estimate of future undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, the Company evaluates the asset for an impairment loss. The Company measures an impairment loss as the difference between the carrying value of the asset and its fair value. In this respect, management regularly reviews the carrying amount of the vessels in connection with the estimated recoverable amount for each of the Company's vessels.

The undiscounted projected net operating cash flows for each vessel are determined by considering the contracted charter revenues from existing charters for the fixed vessel days and an estimated daily time charter equivalent for the unfixed days (based on the most recent ten year historical average of similar size vessels) over the remaining estimated life of the vessel, assumed to be 25 years from the date of initial delivery from the shipyard, net of brokerage commissions, the salvage value of each vessel, which is estimated to be \$300 per lightweight ton, expected outflows for vessels' future dry-docking expenses and estimated vessel operating expenses, assuming an average annual inflation rate where applicable. The Company uses the historical ten-year average as it is considered a reasonable estimation of expected future charter rates over the remaining useful life of the Company's vessels since it represents a full shipping cycle that captures the highs and lows of the market. The Company utilizes the standard deviation in order to eliminate the outliers of the sample before computing the historic ten-year average of the one-year time charter rate.

(l) **Vessel Depreciation:** Depreciation is computed using the straight-line method over the estimated useful life of the vessels, after considering the estimated salvage value. Each vessel's salvage value is equal to the product of its lightweight tonnage and estimated scrap rate, which up until September 30, 2012, was estimated to be \$150 per lightweight ton. In order to align the scrap rate estimates with the historical average scrap rate, effective from October 1, 2012, the Company adjusted the estimated scrap rate used to calculate the vessels' salvage value from \$150 to \$300 per lightweight ton. The impact of the increase in the estimated scrap rate is a decrease in depreciation expense going forward.

Management estimates the useful life of the Company's vessels to be 25 years from the date of initial delivery from the shipyard, including secondhand vessels. Secondhand vessels are depreciated from the date of their acquisition through their remaining estimated useful life.

(m) **Other Fixed Assets:** Other fixed assets consist of computer systems installed on board the vessels to improve their efficiency, software and a vehicle. Other fixed assets are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the useful life of the assets, which is estimated to be 5 years for the computer systems software, and 6 years for the Company's vehicle. Depreciation charged in the years ended December 31, 2012, 2013 and 2014 amounted to \$135,095, \$164,527 and \$203,357, respectively.

(n) **Investments in Affiliate:** Investments in the common stock of entities, in which the Company has significant influence over operating and financial policies, are accounted for using the equity method. Under this method, the investment in the affiliate is initially recorded at cost and is adjusted to recognize the Company's share of the earnings or losses of the investee after the acquisition date and is adjusted for impairment whenever facts and circumstances indicate that a decline in fair value below the cost basis is other than temporary. The amount of the adjustment is included in the determination of net income / (loss). Differences between the carrying amount of the investment in affiliate and the amount of the Company's underlying equity in the net assets of the affiliate is amortized over the remaining life of the affiliate's tangible and intangible assets, and is included in Equity in net income / (loss) of affiliate in the consolidated statements of comprehensive income / (loss). Dividends received from an affiliate reduce the carrying amount of the investment. When the Company's share of losses in an affiliate equals or exceeds its interest in the affiliate, the Company does not recognize further losses, unless the Company has incurred obligations or made payments on behalf of the affiliate.

2. Significant Accounting Policies - Continued

- (o) **Dry-docking and Special Survey Costs:** Dry-docking and special survey costs are expensed in the period incurred.
- (p) **Financing Costs:** Financing fees incurred for obtaining new loans and credit facilities are deferred and amortized to interest expense over the respective loan or credit facility using the effective interest rate method. Any unamortized balance of costs relating to loans repaid or refinanced is expensed in the period the repayment or refinancing is made, subject to the accounting guidance regarding debt extinguishment. Any unamortized balance of costs related to credit facilities repaid is expensed in the period. Any unamortized balance of costs relating to credit facilities refinanced are deferred and amortized over the term of the respective credit facility in the period the refinancing occurs, subject to the provisions of the accounting guidance relating to Debt – Modifications and Extinguishments. The unamortized financing costs are reflected in Other assets in the accompanying balance sheets.
- (q) **Debt restructurings:** The Company accounts for debt modifications or restructuring as troubled debt restructuring when a lender for economic or legal reasons related to the Company's financial situation grants a concession that it would not otherwise consider. These concessions may include a reduction in the interest rate, principal or accrued interest, extension of the maturity date or other actions intended to minimize potential losses. The Company considers a lender to have granted a concession if the Company's effective interest rate on the restructured debt is less than the effective interest rate of the old debt immediately before the restructuring. The Company considers the total future cash flows (defined as principal plus interest) of the restructured debt in comparison with the carrying value of the original debt. If a debt modification or restructuring is determined to be a troubled debt restructuring, the Company reduces the carrying amount of the debt when the debt balance is greater than the total future cash flows under the new terms, in which case a gain is recognized. When the total future cash flows of the restructured debt are greater than the carrying value at the date of amendment, the carrying value of the original debt is not adjusted. In a troubled debt restructuring in which the Company agrees to transfer assets to fully settle the debt, the Company recognizes a gain on restructuring for the difference between the carrying amount of the debt and the more clearly evident of: (a) the fair value of the transferred assets or (b) the fair value of the settled debt.
- (r) **Pension and Retirement Benefit Obligations—Crew:** The vessel owning companies employ the crew on board under short-term contracts (usually up to nine months) and, accordingly, they are not liable for any pension or post-retirement benefits.

2. Significant Accounting Policies - Continued

- (s) **Revenue and Expenses:** Revenue is recognized when a charter agreement exists, the vessel is made available to the charterer and collection of the related revenue is reasonably assured.

Time Charter Revenue: Time charter revenues are recorded ratably over the term of the charter as service is provided, including the amortization / accretion of the above / below market acquired time charters, where applicable. When two or more time charter rates are involved during the life term of a charter agreement, the Company recognizes revenue on a straight-line basis, and income accrued or deferred as a result is included in Other receivables or Deferred income, respectively. Time charter revenues received in advance of the provision of charter service are recorded as deferred income, and recognized when the charter service is rendered.

Revenue / Voyage charters: Voyage charter is a charter where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified freight rate per ton. If a charter agreement exists and collection of the related revenue is reasonably assured, revenue is recognized as it is earned ratably during the duration of the period of each voyage. A voyage is deemed to commence upon the latest between the completion of discharge of the vessel's previous cargo and the charter party date of the current voyage, and is deemed to end upon the completion of discharge of the current cargo. Demurrage income represents payments by a charterer to a vessel owner when loading or discharging time exceeds the stipulated time in the voyage charter and is recognized as it is earned.

Commissions: Charter hire commissions are deferred and amortized over the related charter period and are presented separately in the accompanying consolidated statements of comprehensive loss.

Voyage Expenses: Voyage expenses exclude commissions and consist of all costs that are unique to a particular voyage, primarily including port expenses, canal dues, war risk insurances and fuel costs. Voyage expenses also include losses from the sale of bunkers to charterers and bunkers consumed during off-hire periods and while traveling to and from dry-docking.

Vessel Operating Expenses: Vessel operating expenses are accounted for as incurred on the accrual basis. Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, and other miscellaneous expenses.

- (t) **Share based Compensation:** Share based payments to employees and directors, including grants of employee and directors stock options, are recognized in the statements of comprehensive income / (loss) based on their grant date fair values and amortized over the required service period.

- (u) **Segment Reporting:** The Company reports financial information and evaluates its operations by charter revenues and not by the length of ship employment for its customers (i.e., spot vs. time charters) or by geographical region as the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographical information is impracticable. The Company does not have discrete financial information to evaluate the operating results for each type of charter. Although revenue can be identified for these types of charters, management cannot and does not identify expenses, profitability or other financial information for these charters. As a result, management, including the Chief Executive Officer being the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet, and thus the Company has determined that it operates under one reportable segment.

2. Significant Accounting Policies - Continued

(v) **Derivatives:** The Company enters into interest rate swap agreements to manage its exposure to fluctuations of interest rate risk associated with its borrowings. All derivatives are recognized in the consolidated financial statements at their fair value. The fair value of the interest rate derivatives is based on a discounted cash flow analysis. When such derivatives do not qualify for hedge accounting, the Company recognizes their fair value changes in current period earnings. When the derivatives qualify for hedge accounting, the Company recognizes the effective portion of the gain or loss on the hedging instrument directly in other comprehensive income / (loss), while the ineffective portion, if any, is recognized immediately in current period earnings. The Company, at the inception of the transaction, documents the relationship between the hedged item and the hedging instrument, as well as its risk management objective and the strategy of undertaking various hedging transactions. The Company also assesses at hedge inception of whether the hedging instruments are highly effective in offsetting changes in the cash flows of the hedged items.

The Company discontinues cash flow hedge accounting if the hedging instrument expires and it no longer meets the criteria for hedge accounting or designation is revoked by the Company. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecasted transaction occurs. When the forecasted transaction occurs, any cumulative gain or loss on the hedging instrument is recognized in current period earnings. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to current period earnings as financial income or expense.

(w) **Fair value of financial instruments:** The fair value of the interest rate derivatives is based on a discounted cash flow analysis.

In accordance with the requirements of accounting guidance relating to Fair Value Measurements, the Company classifies and discloses its assets and liabilities carried at fair value 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.

(x) **Earnings per Share (EPS):** The computation of basic earnings per share is based on the weighted average number of common shares outstanding during the period determined using the two-class method of computing earnings per share. Non-vested share awards issued are included in the two-class method and income attributable to non-vested share awards is deducted from the net income reported for purposes of calculating net income available to common shareholders used in the computation of basic earnings per share. The computation of diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised. Such securities include non-vested share awards for which the assumed proceeds upon grant are deemed to be the amount of compensation cost attributable to future services and are not yet recognized and common shares issuable upon exercise of the Company's outstanding warrants, to the extent that they are dilutive, using the treasury method.

(y) **Subsequent Events:** The Company evaluates subsequent events or transactions up to the date in which the financial statements are issued according to the requirements of ASC 855.

2. Significant Accounting Policies - Continued

(z) ***Recent Accounting Pronouncements:***

The Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") jointly issued a standard that will supersede virtually all of the existing revenue recognition guidance in U.S. GAAP and is effective for annual periods beginning on or after December 15, 2016. The standard establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management is in the process of assessing the impact of the new standard on Company's financial position and performance.

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15 – Presentation of Financial Statements - Going Concern. ASU 2014-15 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 requires an entity's management to evaluate at each reporting period based on the relevant conditions and events that are known at the date of financial statements are issued, whether there are conditions or events, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to disclose the necessary information. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted.

3. Going Concern

As of December 31, 2014, the Company was in compliance with the financial and security ratio covenants contained in its debt agreements, with the exception of the security cover ratio covenant contained in the facility with Commerzbank AG. The respective breach was subsequently cured as in April 2015, the Company agreed with Commerzbank AG to waive the application of the security cover ratio covenant contained in the facility effective from December 31, 2014 until December 31, 2015 as discussed in Note 9.

Given the current drybulk charter rates, it is probable that the Company will not be in compliance with the minimum working capital requirement and the minimum liquidity requirement contained in certain of its loan and credit facilities on the applicable measurement dates in 2015. Furthermore, based on the Company's cash flow projections for 2015, cash on hand and cash provided by operating activities will not be sufficient to cover scheduled debt repayments due in 2015.

The Company is currently in negotiations with such lenders to obtain waivers for the affected covenants. The Company is also exploring several alternatives aiming to manage its working capital requirements and other commitments if current drybulk charter rates remain at today's low levels including negotiations for the restructuring of its loans. As management believes that the negotiations will be successful, the accompanying consolidated financial statements were prepared assuming that the Company will continue as a going concern. Therefore, 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. Transactions with Related Parties

(a) *Allseas*: The following amounts charged by Allseas are included in the accompanying consolidated statements of comprehensive loss:

	2012	2013	2014
Included in Commissions			
(1(i)) Charter hire commissions	\$ 646,987	\$ 750,533	\$ 708,153
Netted against Gain from sale of assets			
(1(ii)) Vessel sale & purchase commissions	\$ -	\$ -	\$ 745,000
Included in Vessel operating expenses			
(1(v)) Superintendent fees	\$ 338,826	\$ 399,626	\$ 481,200
Included in Dry-docking expenses			
(1(v)) Superintendent fees	\$ -	\$ 109,248	\$ 123,840
Management fees - related party			
(1(iii)) Management fees	\$ 3,428,548	\$ 4,104,271	\$ 4,628,813
(2) Financial accounting and reporting services	666,196	720,361	\$ 757,442
(3) Loretto agreement	-	1,049,784	\$ 880,015
Total Management fees	\$ 4,094,744	\$ 5,874,416	\$ 6,266,270
Included in General and administrative expenses			
(4) Administrative fees	\$ 36,085	\$ 38,598	\$ 37,746
(7) Executive services agreement	\$ 3,228,438	\$ 7,582,634	\$ 5,689,152

The following amounts charged by Allseas are capitalized and are included in vessels cost and advances for vessels under construction in the accompanying consolidated balance sheets: technical management and superintendent fees relating to newbuilding vessels (refer to 5–Newbuilding Supervision Agreement), and vessel purchase commissions (refer to 1(ii)–Vessel Commissions), which in the aggregate amounted to \$1,588,512 and \$3,804,918 for the years ended December 31, 2013 and 2014, respectively.

Following the cancellation of the newbuilding contract relating to Hull no. 656 as discussed in Note 5, for the year ended December 31, 2013, the Company recorded a loss from contract cancellation of \$568,658 relating to capitalized expenses for Hull no. 656, which includes technical management and superintendent fees (refer to 5–Newbuilding Supervision Agreement) charged by Allseas that in the aggregate amounted to \$444,421.

4. Transactions with Related Parties - Continued

(a) Allseas - Continued

(1) Ship-Owning Company Management Agreements

(i) **Charter Hire Commissions** - The Company paid Allseas 1.25% of the gross freight, demurrage and charter hire collected from the employment of the vessels ("Charter Hire Commission"), which are presented separately in the accompanying consolidated statements of comprehensive loss.

(ii) **Vessel Commissions** - The Company also paid Allseas a fee equal to 1.00% of the purchase price of any vessel bought, constructed or sold on behalf of the Company, calculated in accordance with the relevant memorandum of agreement, ("Vessel Commission"). Vessel commissions relating to vessel sale is included in the determination of the gain / loss on sale of assets presented in the accompanying consolidated statements of comprehensive loss. Vessel commissions relating to vessels bought or constructed are capitalized and included in vessels cost and advances for vessels under construction in the accompanying consolidated balance sheets.

(iii) **Management Services** - Each of the ship-owning companies has a management agreement with Allseas, under which management services are provided in exchange for a fixed daily fee per vessel. This fee is subject to adjustment on June 1 of each year based on the official Eurozone inflation rate. For the period from January 1, 2012 to May 31, 2012, the Company paid Allseas a management fee of €36.74 per vessel per day, while effective June 1, 2012, Allseas management fee was adjusted to €52.02 per vessel per day. Effective June 1, 2013, Allseas management fee was adjusted to €61.15 per vessel per day, while effective June 1, 2014, Allseas management fee was adjusted to €64.46 per vessel per day.

(iv) **Pre-Delivery Services** – A lump sum fee of \$15,000 is payable to Allseas for pre-delivery services provided during the period from the date of the Memorandum of Agreement for the purchase of the vessel, until the date of delivery.

(v) **Superintendent Services** – Allseas is entitled to a superintendent fee of €500 per day for each day in excess of 5 days per calendar year for which a Superintendent performed on site inspection.

In January 2015, the Company's vessel owning subsidiaries signed amended and restated management agreements with Allseas, according to which a portion of the services that were previously provided by Allseas have been ceased. Pursuant to the terms of the amended and restated management agreements, effective January 2, 2015, Allseas is no longer providing chartering and sale and purchase services, and as such the fees related to these services have been terminated.

(2) **Accounting Agreement** – Allseas is entitled to a fee of €50,000 per annum, payable quarterly, for the provision of financial accounting services, and a fee of \$30,000 per vessel per annum, payable quarterly, for the provision of financial reporting services. These fees are included in Management fees - related party in the accompanying consolidated statements of comprehensive loss. For the years ended December 31, 2012, 2013 and 2014, an amount of \$666,196, \$720,361 and \$757,442 respectively, was paid to Allseas for financial accounting and reporting services. In February 2015, the Company agreed to renew the term of the agreement for one additional year, effective January 1, 2015.

4. Transactions with Related Parties - Continued

(a) *Allseas - Continued*

- (3) ***Tripartite Agreement between the Company, Allseas and Loretto Finance Inc.*** - On November 10, 2009, the Company, Allseas, and Loretto Finance Inc. ("Loretto"), a wholly owned subsidiary of Allseas, signed a tripartite agreement, as clarified and amended by a supplemental agreement, effective from December 1, 2012, whereby in the event of a capital increase, an equity offering or the issuance of common shares to a third party or third parties in the future, other than common shares issued pursuant to the Company's equity incentive plan as discussed in Note 13 (as the same may be further amended, amended and restated, supplemented or otherwise modified) or any future equity incentive plans may be adopted, the Company will issue, at no cost to Loretto, additional common shares in an amount equal to 2% of the total number of common shares issued pursuant to such capital increase, equity offering or third party issuance, as applicable. In accordance with the terms of the agreement, any common shares to be issued to Loretto under the agreement may only be issued once the capital increase, equity offering or third party issuance giving rise to the obligation to issue shares to Loretto under the agreement has closed and any applicable contingencies, forfeiture rights or conditions precedent relating to such capital increase, equity offering or third party issuance have lapsed or expired or have been cancelled or terminated, unless otherwise agreed by the mutual agreement of the parties. The fair value of the shares issued for no consideration are accounted as share based payment and presented as Management fees - related party in the year granted in the statement of comprehensive income / (loss). Accordingly, as of December 31, 2014, the Company has granted and issued to Loretto a total of 469,958 Class A common shares, of which 135,700 were issued in 2014.

In connection with the public offering that was completed in February 2014 (refer to Note 12), effective February 18, 2014, 135,700 Class A common shares, representing the 2% of the 6,785,000 Class A common shares sold in the public offering, were granted to Loretto. The fair value of such shares based on the average of the high-low trading price of the shares on February 18, 2014, was \$880,015, which was recorded as share based compensation and is included in Management fees – related party in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2014.

- (4) ***Administrative Service Agreement*** - The Company entered into an administrative service agreement with Allseas on November 12, 2008. Under the agreement, Allseas provides telecommunication services, secretarial and reception personnel and equipment, security facilities, office cleaning services and information technology services. The agreement provides that all costs and expenses incurred in connection with the provision of the above services by Allseas to be reimbursed on a quarterly basis.

4. Transactions with Related Parties - Continued

(a) Allseas - Continued

- (5) **Newbuildings Supervision Agreement** - The Company has entered into management agreements with Allseas relating to the supervision of each of the contracted newbuilding vessels, pursuant to which Allseas is entitled to: (1) a flat fee of \$375,000 per vessel for the first 12 month period commencing from the respective steel cutting date of each vessel, and thereafter the flat fee will be paid on a pro rata basis until the vessel's delivery to the Company, (2) a daily fee of €15 per vessel commencing from the date of the vessel's shipbuilding contract until the Company accepts delivery of the respective vessel, and (3) €500 per day for each day in excess of 5 days per calendar year for which a superintendent performed on site inspection.
- (6) **Compensation Agreement** - The Company has entered into a compensation agreement with Allseas whereby in the event that Allseas is involuntarily terminated as the manager of its fleet, it shall compensate Allseas with an amount equal to the sum of (i) three years of the most recent management fees and commissions, based on the fleet at the time of termination, and (ii) €3,000,000 (or \$3,642,000 based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014).
- (7) **Executive Services Agreement** - Effective January 1, 2011, the Company entered into an executive services agreement with Allseas, pursuant to which Allseas provides the services of the executive officers, which include strategy, business development, marketing, finance and other services, who report directly to the Company's Board of Directors. Under the agreement, prior to January 1, 2013, Allseas was entitled to an executive services fee of €2,500,000 per annum, payable in equal monthly installments, plus incentive compensation. Effective January 1, 2013, the executive services fee was adjusted to €2,700,000 per annum, while effective January 1, 2014, the executive services fee was adjusted to €2,900,000 per annum. The agreement has an initial term of five years and automatically renews for a successive five-year term unless sooner terminated. On March 6, 2013, the Company amended the terms of the termination clause of the executive services agreement, whereby, if the respective agreement is terminated by Allseas either for "good reason" or as a result of "change of control", as such terms are defined in the agreement, or terminated by the Company without "cause", as defined in the agreement, Allseas will be entitled to receive (i) the amount of the executive services fee payable through the "termination date," as defined in the agreement; (ii) compensation equal to three years' annual executive services fee then applicable; and (iii) an amount of the Company's common shares equal to 5% of the then issued and outstanding shares of the Company. For the year ended December 31, 2012, an amount of \$3,228,438 was paid to Allseas for the services of the executive officers, while no incentive compensation was remitted. For the year ended December 31, 2013, an amount of \$7,582,634 was paid to Allseas for the services of the executive officers, which includes incentive compensation of \$3,993,000. For the year ended December 31, 2014, an amount of \$5,689,152 was paid to Allseas for the services of the executive officers, which includes incentive compensation of \$1,848,900.

Each month, the Company funds a payment to Allseas to cover working capital equal to one month's worth of estimated operating expenses. At each balance sheet date, the excess of the amount funded to Allseas over payments made by Allseas for operating expenses is reflected as Due from related parties. As of December 31, 2013 and 2014, the amount due from Allseas was \$146,051 and \$843,510, respectively.

4. Transactions with Related Parties - Continued

- (b) **Seacommercial:** In January 2015, the Company's vessel owning subsidiaries signed brokerage services agreements with Seacommercial. Pursuant to the agreements, effective January 2, 2015, Seacommercial provides full brokerage services in exchange for fees representing the 1.25% Charter Hire Commission and the 1.00% Vessel Commission.
- (c) **Granitis Glyfada Real Estate Ltd. ("Granitis") - Leasing:** On September 13, 2007 and effective as of October 1, 2007, the Company entered into a rental agreement to lease office space in Athens, Greece, with Granitis, a company beneficially owned by the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer. The term of the lease was for 5 years beginning October 1, 2007 and expired on September 30, 2012. The monthly rental for the first year was €2,000, plus 3.6% tax, and thereafter would be adjusted annually for inflation increases in accordance with the official Greek inflation rate. On October 1, 2012, the rental agreement was renewed for an additional term of 5 years, beginning October 1, 2012 and expiring September 30, 2017, pursuant to which the monthly rental for the first year is €3,000, plus 3.6% tax, and thereafter will be adjusted annually for inflation increases in accordance with the official Greek inflation rate. Rent expense under this lease amounted to \$39,593, \$49,324 and \$49,001 for the years ended December 31, 2012, 2013 and 2014, respectively, and is included in General and administrative expenses in the accompanying consolidated statements of comprehensive loss.
- (d) **Crewcare Inc. ("Crewcare"):**
- (1) **Manning Agency Agreements** – Each of the Company's ship-owning subsidiaries has a manning agency agreement with Crewcare, a company beneficially owned by the Company's Chief Executive Officer, based in Manila, Philippines. Under the agreements, manning services are provided in exchange for a fixed monthly fee of \$95 per seaman for all officers and crew who serve on board each vessel, plus a recruitment fee of \$120 per seaman, payable on a one-off basis. In addition, the agreements also provide for a fee of \$30 per seaman for in-house training, and a fee of \$50 per seaman for extra in-house training. The expenses incurred amounted to \$321,648, \$382,517 and \$441,499 for the years ended December 31, 2012, 2013 and 2014, respectively, and are included in Vessels operating expenses. Administrative services are also being provided which represent payment of crew wages and related costs on behalf of the Company.
- (2) **Cadetship Program Agreements** – On October 5, 2013, each of the Company's ship-owning subsidiaries entered into a cadetship program agreement with Crewcare, pursuant to which Crewcare, at its own cost, is responsible for recruiting and training cadets to be assigned to the vessels. These services are being provided in exchange for a lump sum fee of \$5,000 per cadet employed on board the vessel for one-year on board training. The agreement has an initial term of one year with the option to renew for one more year by mutual agreement. The agreement was renewed for one additional year, effective October 5, 2014. The expenses incurred for the years ended December 31, 2013 and 2014, amounted to \$15,000 and \$360,000, respectively, and are included in Vessels operating expenses.

The balances due to Crewcare amounted to \$82,074 and \$166,354 as of December 31, 2013 and 2014, respectively.

- (e) **Box Ships Inc.:** As of December 31, 2013 and 2014, the Company held 13.6% and 11.0% of Box Ships' common stock, respectively. The decrease in the percentage of Box Ships' common stock held by the Company is mainly due to the Company's non-participation in the public offering of 5,500,000 common shares of Box Ships, which was completed on April 15, 2014 (refer to Note 8).

4. Transactions with Related Parties - Continued

(e) Box Ships Inc. - Continued

On May 27, 2011, the Company granted Box Ships an unsecured loan of \$30,000,000. The loan was initially payable in one installment on the second anniversary of the Box Ships IPO on April 19, 2013. The loan bore interest at LIBOR plus a margin of 4.00%. As of December 31, 2012, the outstanding loan balance due from Box Ships was \$14,000,000. On February 28, 2013, Box Ships prepaid an amount of \$1,000,000 and reduced the outstanding balance of the respective loan to \$13,000,000. In addition, on March 11, 2013, the Company agreed to amend certain terms of the loan agreement. Pursuant to the amended agreement, the Company agreed to extend the maturity of the loan for one year, from April 19, 2013 to April 19, 2014. During the remaining term of the loan, Box Ships was required to make quarterly principal installments in the amount of \$1,000,000 each, with a final balloon payment of \$9,000,000 due on the maturity date. In consideration for the amendment of the loan agreement, Box Ships agreed to pay an amendment fee of \$65,000, which is included in Interest income in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2013, and to increase the margin from 4.00% to 5.00%. In April 2013, Box Ships paid the amendment fee of \$65,000. Pursuant to the amended loan agreement, on April 19, 2013 and on July 19, 2013, Box Ships proceeded with the first two quarterly principal installment payments of \$1,000,000 each. In addition, on August 5, 2013, Box Ships prepaid an amount of \$5,000,000 and reduced the outstanding balance of the respective loan to \$6,000,000, which was fully repaid on October 18, 2013. For the years ended December 31, 2012, 2013 and 2014, interest charged on the respective loan amounted to \$675,856, \$439,326 and \$0, respectively.

5. Advances for Vessels Under Construction

Advances for vessels under construction relate to the installments paid that were due to the respective shipyard including capitalized expenses.

In December 2013, the Company agreed to acquire, subject to certain closing conditions that were lifted in the first quarter of 2014, shipbuilding contracts for two additional Ultramax newbuilding drybulk carriers from Allseas (Hull numbers DY4050 and DY4052). The Ultramax newbuildings have a carrying capacity of 63,500 dwt each and are currently under construction at Yangzhou Dayang Shipbuilding Co. Ltd., with scheduled delivery in the third quarter of 2015. The acquisition cost of these two newbuildings is \$28,250,000 per vessel, or \$56,500,000 in the aggregate. In February 2014, the Company paid a first installment of \$5,592,661 per vessel. In addition, in February 2014, an amount of \$282,500 per vessel was paid to Allseas, representing vessel purchase commissions equal to 1% of the acquisition cost, pursuant to the newbuilding supervision agreements between the respective ship-owning companies and Allseas. Upon commencement of the steel cutting of each vessel in the second quarter of 2014, the Company paid a second installment of \$3,884,530 per vessel. The balance of the contract price, or \$18,772,809 per vessel, will be payable upon the delivery of each vessel.

In December 2013, the Company also entered into an agreement with Zhejiang Ouhua Shipbuilding, to cancel one of its two 4,800 TEU containership newbuilding contracts (Hull no. 656) at no cost to the Company, to transfer the deposit to the remaining containership (C/V Box King) and to reduce its contract price from the original \$57,500,000 to \$55,000,000.

5. Advances for Vessels Under Construction - Continued

As of December 31, 2013, the Company's newbuilding program consisted of one Handysize drybulk carrier (Hull no. 625), two Ultramax drybulk carriers (Hull numbers DY152 and DY153) and one 4,800 TEU containership (C/V Box King) with expected deliveries in 2014, as well as two Ultramax drybulk carriers (Hull numbers DY4050 and DY4052) with expected deliveries in 2015.

On January 7, 2014, the Company took delivery of its fourth Handysize drybulk carrier; the M/V Proud Seas (Hull no. 625). In January 2014, an amount of \$21,637,078 was paid to the shipyard representing the final installment of the respective vessel, which was financed from the syndicated secured loan facility led by Nordea Bank Finland Plc dated May 5, 2011 (refer to Note 9).

In March 2014, the Company entered into contracts with Jiangsu Yangzijiang Shipbuilding Co. for the construction of three Kamsarmax newbuilding drybulk carriers (Hull numbers YZJ1144, YZJ1145 and YZJ1142). The Kamsarmax newbuildings have a carrying capacity of 81,800 dwt each, with scheduled delivery between the second and fourth quarter of 2015. The acquisition cost of these three newbuildings is \$30,550,000 per vessel, or \$91,650,000 in the aggregate. In March 2014, the Company paid a first installment of \$9,165,000 per vessel. In addition, in March 2014, an amount of \$305,500 per vessel was paid to Allseas, representing vessel purchase commission equal to 1% of the acquisition cost, pursuant to the newbuilding supervision agreements between the respective ship-owning companies and Allseas. The balance of the contract price, or \$21,385,000 per vessel, will be payable upon the delivery of each vessel.

As of March 31, 2014, the Company assessed as probable the potential sale of the remaining containership under construction, the C/V Box King. As a result of the Company's intention to sell such vessel, an impairment loss of \$15,695,282 was recorded in the first quarter of 2014 and is included in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2014. The impairment loss was based on the Company's best estimate of the fair value of the vessel on a time charter free basis, and is in line with the sale price of the memorandum of agreement that the Company entered into on April 25, 2014, for the sale of the vessel to an unrelated third party, as discussed below.

On April 25, 2014, the Company entered into a memorandum of agreement for the sale of its 4,800 TEU containership newbuilding to an unrelated third party for \$42,500,000, less 3% commission. In May 2014, the Company also agreed with the shipyard to reduce the contract price of the respective vessel by \$770,000. In addition, the Company mutually agreed with China Development Bank to cancel the corresponding credit facility for the vessel, as discussed in Note 9.

The sale of the C/V Box King and its transfer to the new owners was concluded on May 23, 2014, and a gain of \$402,805 was incurred. The net proceeds from the sale of the vessel amounted to \$9,995,000 and represent the difference between the net sale price of the vessel and the outstanding contractual obligation due to the shipyard upon delivery that was resumed by the vessel's new owners.

In October 2014, the Company took delivery of the two Ultramax drybulk carriers; the M/V Gentle Seas and the M/V Peaceful Seas (Hull numbers DY152 and DY153). In October 2014, an aggregate amount of \$35,672,940 was paid to the shipyard representing the final installment of the two vessels, which was mainly financed from the loan facility with HSH Nordbank AG dated April 4, 2014, following a total drawdown of \$34,400,000 (refer to Note 9).

As of December 31, 2014, the Company's newbuilding program consisted of two Ultramax drybulk carriers (Hull numbers DY4050 and DY4052) and three Kamsarmax drybulk carriers (Hull numbers YZJ1144, YZJ1145 and YZJ1142) with scheduled delivery between the second and fourth quarter of 2015.

Paragon Shipping Inc.
Notes to Consolidated Financial Statements
(Expressed in United States Dollars – except for share data)

6. Vessels, Net

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance January 1, 2013	\$ 351,611,923	\$ (53,235,483)	\$ 298,376,440
Newbuilding deliveries	24,581,533	-	24,581,533
Depreciation for the period	-	(16,822,057)	(16,822,057)
Balance December 31, 2013	\$ 376,193,456	\$ (70,057,540)	\$ 306,135,916
Newbuilding deliveries	81,051,077	-	81,051,077
Depreciation for the period	-	(18,154,020)	(18,154,020)
Balance December 31, 2014	\$ 457,244,533	\$ (88,211,560)	\$ 369,032,973

All Company's vessels were first-priority mortgaged as collateral to the loans and credit facilities and related interest rate swaps outstanding as of December 31, 2014.

On January 29, 2013, the Company took delivery of the Handysize drybulk carrier; the M/V Priceless Seas.

During 2014, the Company took delivery of the Handysize drybulk carrier; the M/V Proud Seas, and the two Ultramax drybulk carriers; the M/V Gentle Seas and the M/V Peaceful Seas (refer to Notes 5 and 9).

7. Other Assets

Other assets of \$2,303,304 and \$4,367,134 as of December 31, 2013 and 2014, respectively, include deferred financing costs of \$2,297,121 and \$4,360,951, respectively, and utility deposits related to the leased office space of \$6,183 at December 31, 2013 and 2014.

The deferred financing costs comprise:

Balance January 1, 2013	\$ 2,596,029
Additions	642,825
Amortization	(941,733)
Balance December 31, 2013	\$ 2,297,121
Additions	4,172,546
Amortization	(2,108,716)
Balance December 31, 2014	\$ 4,360,951

8. Investment in Affiliate

The following table is a reconciliation of the Company's investment in affiliate as presented on the accompanying consolidated balance sheets:

Balance January 1, 2013	\$ 19,987,743
Equity in net income of affiliate	1,652,339
Equity in other comprehensive income of affiliate	77,165
Dividends received	(1,787,500)
Dilution effect	(390,821)
Impairment in investment in affiliate	(8,229,551)
Balance December 31, 2013	\$ 11,309,375
Equity in net income of affiliate	471,079
Equity in other comprehensive income of affiliate	16,139
Dilution effect	(221,679)
Impairment in investment in affiliate	(8,618,664)
Balance December 31, 2014	\$ 2,956,250

As of December 31, 2013 and 2014, the Company held 3,437,500 shares or 13.6% and 11.0% of Box Ships' common stock, respectively. The decrease in the percentage of Box Ships' common stock held by the Company is mainly due to the Company's non-participation in the public offering of 5,500,000 common shares of Box Ships, which was completed on April 15, 2014. The Company, on the basis of significant influence exercised over Box Ships through its shareholdings and shared executive management, accounted for its investment in Box Ships under the equity method and is separately reflected on Company's consolidated balance sheets.

The loss on investment in affiliate of \$8,620,372 for the year ended December 31, 2013, consists of \$390,821, relating to the dilution effect from the Company's non-participation in the public offering of 4,000,000 common shares of Box Ships, which was completed on March 18, 2013, as well as the aggregate impairment in investment in affiliate of \$8,229,551, relating to the difference between the fair value and the book value of the Company's investment in Box Ships, which the Company considered as other than temporary (refer to Note 11).

The loss on investment in affiliate of \$8,840,343, for the year ended December 31, 2014, consists of \$221,679, relating to the dilution effect from the Company's non-participation in the public offering of 5,500,000 common shares of Box Ships, which was completed on April 15, 2014, as well as the aggregate impairment in investment in affiliate of \$8,618,664, relating to the difference between the fair value and the book value of the Company's investment in Box Ships, which the Company considered as other than temporary (refer to Note 11).

Summarized financial information in respect of Box Ships Inc. is set out below:

	Year ended December 31,	
	2013	2014
INCOME STATEMENT DATA		
Net revenue	\$ 69,836,201	\$ 49,864,674
Operating income	23,631,192	1,966,947
Net income	\$ 15,307,658	\$ 2,623,515
As of December 31,		
BALANCE SHEET DATA		
Total current assets	\$ 31,691,262	\$ 22,011,255
Total non-current assets	397,915,376	375,837,950
Total assets	429,606,638	397,849,205
Total current liabilities	184,434,021	140,886,944
Total long-term liabilities	\$ 453,248	\$ 282,375

Paragon Shipping Inc.
Notes to Consolidated Financial Statements
(Expressed in United States Dollars – except for share data)

9. Long-Term Debt

The table below presents a breakdown of the Company's long-term debt as of December 31, 2013 and 2014:

		2013	2014
(a)	Commerzbank AG (August 12, 2011)	\$ 47,550,000	\$ 43,375,000
(b)	Unicredit Bank AG (November 19, 2007)	22,587,000	14,606,500
(c)	Bank of Scotland Plc (December 4, 2007)	33,616,864	-
(d)	Bank of Ireland (March 30, 2009)	13,400,000	8,350,000
(e-1)	HSH Nordbank AG (July 31, 2008)	20,625,000	-
(e-2)	HSH Nordbank AG (April 4, 2014)	-	46,713,600
(f)	HSBC Bank Plc (July 2, 2010)	16,800,000	14,460,000
(g-1)	Nordea Bank Finland Plc (May 5, 2011)	25,536,062	-
(g-2)	Nordea Bank Finland Plc (May 6, 2014)	-	78,273,638
(h)	Senior unsecured notes due 2021	-	25,000,000
Total		\$ 180,114,926	\$ 230,778,738

Disclosed as follows in the Consolidated Balance Sheets

Current portion of long-term debt	\$ 17,257,750	\$ 20,714,324
Long-term debt	162,857,176	210,064,414
Total	\$ 180,114,926	\$ 230,778,738

As of December 31, 2014, the minimum annual principal payments for the outstanding debt required to be made after the balance sheet date, excluding the subsequent agreements with Commerzbank AG, Unicredit Bank AG and Bank of Ireland discussed below, are as follows:

To December 31,		
2015		\$ 20,714,324
2016		32,226,824
2017		48,317,324
2018		11,642,324
2019		11,642,324
Thereafter		106,235,618
Total		\$ 230,778,738

9. Long-Term Debt - Continued

- (a) *Commerzbank AG (August 12, 2011)*: On April 1, 2015, the Company agreed with Commerzbank AG ("Commerzbank") to amend certain terms of the facility, including the deferral of a portion of its four scheduled quarterly installments due in 2015, and the waiver of the application of the financial and security cover ratio covenants contained in the facility, effective from December 31, 2014 until December 31, 2015. The Company also agreed to a \$3,000,000 partial prepayment, a portion of which was prepaid in the first quarter of 2015, while the balance is payable upon signing the final documentation.

The main terms and conditions of the loan agreement dated August 12, 2011, as subsequently amended, are as follows:

The loan agreement is secured by a first priority mortgage on the vessels: M/V Sapphire Seas, M/V Pearl Seas and M/V Diamond Seas.

The loan bears interest at LIBOR, plus any mandatory costs, plus a margin of (i) 3.00% on the outstanding amount of the loan, less any amounts that are deferred, and (ii) 4.50% on the amounts of the loan that have been deferred.

Excluding the agreement dated April 1, 2015 discussed above, the outstanding loan amount as of December 31, 2014 of \$43,375,000 was required to be repaid in 11 consecutive quarterly installments of \$1,425,000, plus a balloon repayment of \$27,700,000 payable simultaneously with the final installment in the third quarter of 2017.

Following the agreement dated April 1, 2015, and after giving effect to the \$3,000,000 partial prepayment discussed above, the outstanding loan amount of \$40,375,000 is required to be repaid in 4 consecutive quarterly installments of \$712,500, followed by 7 consecutive quarterly installments of \$1,425,000, plus a balloon repayment of \$27,550,000 payable simultaneously with the final installment in the third quarter of 2017.

Covenants (as defined in the respective loan agreement):

The ratio of EBITDA to net interest expenses is waived until December 31, 2015, and thereafter shall not be less than 3.00:1.00.

The market value adjusted net worth of the Company is waived until December 31, 2015, and thereafter shall not be less than \$100,000,000.

Maintain liquid assets requirement is waived until December 31, 2015, and thereafter shall equal an amount of no less than \$650,000 per vessel at all times.

The ratio of maximum net debt to total assets expressed as a percentage is waived until December 31, 2015, and thereafter shall not exceed 80%.

The aggregate fair market value of the mortgaged vessels to outstanding loan ratio is waived until December 31, 2015, and thereafter shall exceed 120%.

9. Long-Term Debt - Continued

- (b) **Unicredit Bank AG (November 19, 2007):** On September 13, 2013, the Company agreed with Unicredit Bank AG ("Unicredit") to extend the expiration date of the existing waiver relating to the financial covenant of total liabilities to EBITDA ratio for two quarters, from January 1, 2014 to July 1, 2014, for a nominal fee and an advance payment of \$1,500,000 to partially prepay the upcoming three quarterly loan installments, starting with the installment due in the fourth quarter of 2013. The advance payment of \$1,500,000 was paid on September 13, 2013. On January 20, 2014, the Company agreed with Unicredit to extend the existing waiver relating to the financial covenant of total liabilities to EBITDA ratio until January 1, 2015. On July 30, 2014, the Company agreed with Unicredit, subject to certain closing conditions including a \$7,000,000 prepayment, to eliminate the financial covenants relating to the minimum debt service coverage ratio, the minimum market value adjusted net worth and the maximum leverage ratio until the maturity of the loan. In addition, the Company also agreed to increase the required ratio of the fair market value of mortgaged vessels to outstanding loan from 110% to 130% at all times. The Company prepaid the amount of \$7,000,000 on September 30, 2014, which was applied against a pro-rate reduction of the remaining installments, excluding the balloon repayment. Furthermore, on March 27, 2015, the Company entered into a loan supplemental agreement and agreed to amended terms with Unicredit, including the deferral of one and a portion of five of its scheduled quarterly installments due in the second quarter of 2015 through the third quarter of 2016, and the waiver of the minimum liquid assets requirement and the security ratio covenant until the maturity of the loan.

The main terms and conditions of the loan agreement dated November 19, 2007, as subsequently amended, are as follows:

The loan agreement is secured by a first priority mortgage on the vessels: M/V Calm Seas and M/V Deep Seas.

The loan bears interest at LIBOR, plus a margin of (i) 2.75% on the outstanding amount of the loan, less any amounts that are deferred, and (ii) 5.00% on the amounts of the loan that have been deferred, excluding any amounts deferred pursuant to the supplemental agreement dated March 27, 2015.

Excluding the supplemental agreement dated March 27, 2015 discussed above, the outstanding loan amount as of December 31, 2014 of \$14,606,500 is required to be repaid in 7 consecutive quarterly installments of \$480,500, plus a balloon repayment of \$11,243,000 payable simultaneously with the final installment in the third quarter of 2016.

Following the supplemental agreement dated March 27, 2015 discussed above, the outstanding loan amount as of December 31, 2014 of \$14,606,500 is required to be repaid in 1 quarterly installment of \$480,500 in the first quarter of 2015, while no installment is due in the second quarter of 2015, followed by 5 consecutive quarterly installments of \$240,250, plus a balloon repayment of \$12,924,750 payable simultaneously with the final installment in the third quarter of 2016.

Covenants: The financial and security cover ratio covenants contained in the facility have been permanently waived until the maturity of the loan, pursuant to the supplemental agreement dated March 27, 2015.

- (c) **Bank of Scotland Plc (December 4, 2007):** On June 10, 2014, the Company completed the refinancing of the M/V Coral Seas and the M/V Golden Seas as discussed below, and repaid in full the then outstanding indebtedness under its existing loan agreement with Bank of Scotland Plc dated December 4, 2007.

9. Long-Term Debt - Continued

- (d) **Bank of Ireland (March 30, 2009):** On July 25, 2014, the Company agreed with Bank of Ireland to eliminate the financial covenant relating to the minimum debt service coverage ratio until the maturity of the loan. In addition, on September 30, 2014, the Company proceeded with a prepayment of \$4,000,000 with respect to its loan agreement with Bank of Ireland in return for a reduction in the next eight quarterly installments and an increase in the balloon at maturity. In addition, on March 27, 2015, the Company agreed with Bank of Ireland to waive 50% of the installment due in the first quarter of 2015, until April 30, 2015.

The main terms and conditions of the loan agreement dated March 30, 2009, as subsequently amended, are as follows:

The loan agreement is secured by a first priority mortgage on the vessel M/V Kind Seas.

The loan bears interest at LIBOR, plus a margin of 2.50%.

The outstanding loan amount as of December 31, 2014, of \$8,350,000 is required to be repaid in 3 consecutive quarterly installments of \$350,000, followed by 4 consecutive quarterly installments of \$400,000, followed by 3 consecutive quarterly installments of \$1,000,000, plus a balloon repayment of \$2,700,000 payable simultaneously with the final installment in the second quarter of 2017.

Covenants (as defined in the respective loan agreement):

The minimum requirement of market value adjusted net worth of the Company is waived until December 31, 2014 and thereafter, shall not be less than \$50,000,000.

The leverage ratio is waived until December 31, 2014 and thereafter, shall not be greater than 0.80:1.00.

Minimum liquid assets requirement is waived until December 31, 2014 and thereafter, the Company shall maintain liquid assets in an amount of no less than \$500,000 per vessel at all times.

The fair market value of the mortgaged vessel to outstanding loan ratio is waived until December 31, 2014 and thereafter, shall exceed 110%.

- (e-1) **HSH Nordbank AG (July 31, 2008):** On July 7, 2014, the Company completed the refinancing of the M/V Friendly Seas as discussed below, and repaid in full the then outstanding indebtedness under its existing loan agreement with HSH Nordbank AG ("HSH") dated July 31, 2008.

9. Long-Term Debt - Continued

(e-2) *HSH Nordbank AG (April 4, 2014)*: On April 4, 2014, the Company completed the documentation for a new loan agreement with HSH for a \$47,000,000 secured loan facility for the refinancing of the M/V Friendly Seas and the partial financing of the first two Ultramax newbuilding drybulk carriers, the Hull numbers DY152 and DY153. For M/V Friendly Seas, HSH agreed to finance the lower of \$12,600,000 or 60% of the vessel's market value upon the respective drawdown date. For each of the two Ultramax vessels, HSH agreed to finance the lower of \$17,200,000 or 65% of the vessels' market value upon their delivery. On July 7, 2014, the Company completed the refinancing of the M/V Friendly Seas. The Company drew a total amount of \$12,600,000 and repaid in full the then outstanding indebtedness under its existing loan agreement with HSH (dated July 31, 2008). In addition, in October 2014, the Company took delivery of its first two Ultramax drybulk carriers; the M/V Gentle Seas and the M/V Peaceful Seas (Hull numbers DY152 and DY153). The Company drew a total amount of \$34,400,000, which was used for the payment of the final installment of the two vessels to the shipyard (refer to Note 5).

The main terms and conditions of the loan agreement dated April 4, 2014 are as follows:

The loan agreement is secured by a first priority mortgage on the vessels: M/V Friendly Seas, M/V Gentle Seas and M/V Peaceful Seas.

The loan bears interest at LIBOR, plus a margin of 3.25%.

The outstanding loan amount as of December 31, 2014, of \$46,713,600 consists of the following: (i) \$12,313,600 relating to the M/V Friendly Seas, which is required to be repaid in 26 consecutive quarterly installments of \$286,400, plus a balloon repayment of \$4,867,200 payable simultaneously with the final installment in the second quarter of 2021, and (ii) \$34,400,000 relating to the M/V Gentle Seas and the M/V Peaceful Seas, which is required to be repaid in 28 consecutive quarterly installments of \$506,000, plus a balloon repayment of \$20,232,000 payable simultaneously with the final installment in the fourth quarter of 2021.

Covenants (as defined in the respective loan agreement):

The aggregate fair market value of the mortgaged vessels to outstanding loan ratio shall exceed 125%.

9. Long-Term Debt - Continued

- (f) **HSBC Bank Plc (July 2, 2010):** On April 8, 2014, the Company signed a supplemental agreement with HSBC Bank Plc ("HSBC") and agreed to amend the definitions of certain financial covenants, to prepay an amount of \$800,000 that was prepaid on April 10, 2014, and to reduce the outstanding scheduled quarterly installments from \$400,000 to \$380,000, commencing from the second quarter of 2014. In addition, on August 1, 2014, the Company agreed with HSBC to extend the existing waivers for the financial covenants relating to the minimum interest and debt service coverage ratios, from June 30, 2014 to December 31, 2015.

The main terms and conditions of the loan agreement dated July 2, 2010, as subsequently amended, are as follows:

The loan is secured by a first priority mortgage on the vessel M/V Dream Seas.

The loan bears interest at LIBOR, plus a margin of 3.00%.

The outstanding loan amount as of December 31, 2014, of \$14,460,000 is required to be repaid in 23 consecutive quarterly installments of \$380,000, plus a balloon repayment of \$5,720,000 payable simultaneously with the final installment in the third quarter of 2020.

Covenants (as defined in the respective loan agreement):

The ratio of total net debt to EBITDA shall be applicable and not exceed 9.00:1.00 from January 1, 2016 until December 31, 2016 and 8.00:1.00 thereafter.

The ratio of EBITDA to interest expense shall be applicable and not be less than 2.50:1.00 from January 1, 2016 until the final maturity of the facility.

The market value adjusted net worth of the Company shall be at least \$50,000,000 until December 31, 2013 and \$100,000,000 thereafter.

The ratio of total net debt to value adjusted total assets shall be applicable and not greater than 0.80:1.00 from January 1, 2014 until the final maturity of the facility.

The fair market value of the mortgaged vessel to outstanding loan ratio shall exceed 105% until December 31, 2013, 110% until December 31, 2014 and 120% thereafter.

9. Long-Term Debt - Continued

(g-1) *Nordea Bank Finland Plc (May 5, 2011)*: On January 7, 2014, we took delivery of our fourth Handysize drybulk vessel; the M/V Proud Seas (refer to Notes 5 and 6). Upon the delivery of the vessel, we drew the total amount of the then undrawn portion of the facility of \$25,394,427, by mortgaging both the M/V Priceless Seas and the M/V Proud Seas. On June 10, 2014, the Company completed the refinancing of the M/V Prosperous Seas, the M/V Precious Seas, the M/V Priceless Seas and the M/V Proud Seas as discussed below, and repaid in full the then outstanding indebtedness under its existing syndicated loan facility led by Nordea Bank Finland Plc ("Nordea") dated May 5, 2011.

(g-2) *Nordea Bank Finland Plc (May 6, 2014)*: On May 6, 2014, the Company completed the documentation for a senior secured loan facility with a syndicate of major European banks led by Nordea in an amount of \$160,000,000. This facility will be used for the refinancing of six vessels of its operating fleet (the four Handysize vessels M/V Prosperous Seas, M/V Precious Seas, M/V Priceless Seas and the M/V Proud Seas, and the Panamax vessels M/V Coral Seas and M/V Golden Seas), along with the financing of up to 60% of the market value of the remaining two Ultramax newbuilding drybulk carriers, the Hull numbers DY4050 and DY4052, and two of its Kamsarmax newbuilding drybulk carriers, the Hull numbers YZJ1144 and YZJ1145, that are expected to be delivered between the second and fourth quarter of 2015. On June 10, 2014, the Company completed the refinancing of the six vessels of its operating fleet discussed above. The Company drew a total amount of \$81,750,000 and repaid in full the then outstanding indebtedness under its existing loan agreements with Bank of Scotland Plc (dated December 4, 2007) and Nordea (dated May 5, 2011). Such refinancing resulted in the write off of the unamortized financing costs of the respective facilities of \$1,027,694, which is included in Interest and finance costs in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2014.

The main terms and conditions of the loan agreement dated May 6, 2014 are as follows:

The loan is secured by a first priority mortgage on the vessels: M/V Coral Seas, M/V Golden Seas, M/V Prosperous Seas, M/V Precious Seas, M/V Priceless Seas and M/V Proud Seas.

The loan bears interest at LIBOR, plus any mandatory costs, plus a margin of 3.20%.

The outstanding loan amount as of December 31, 2014, of \$78,273,638 is required to be repaid in 22 consecutive quarterly installments of \$1,738,181, plus a balloon repayment of \$40,033,656 payable simultaneously with the final installment in the second quarter of 2020.

9. Long-Term Debt - Continued

(g-2) *Nordea Bank Finland Plc (May 6, 2014) - Continued*

Covenants (as defined in the respective loan agreement):

The Company shall maintain a positive working capital at all times, excluding any balloon repayments of long-term loan facilities.

There is available to the Company cash and cash equivalents (including restricted but unpledged cash representing minimum liquidity required to be maintained under any financial indebtedness) which are not subject to any security interest, in an amount of not less than the greater of (i) 6% of total financial indebtedness and (ii) \$750,000 per vessel owned on the last day of the relevant test period. In the event that the Company pays any dividend or makes any other form of distribution, after the payment of such dividend or the making of such distribution there is available to the Company cash and cash equivalents in an amount of not less than the greater of (i) 8% of total financial indebtedness and (ii) \$1,000,000 per vessel owned on the last day of the relevant test period.

The ratio of market value adjusted shareholders' equity to the market value adjusted total assets shall be equal to or greater than 30%.

The aggregate fair market value of the mortgaged vessels to outstanding loan ratio shall exceed 135%.

(h) *Senior unsecured notes due 2021*: On August 8, 2014, the Company completed the offering of 1,000,000 senior unsecured notes due 2021 ("Notes"), pursuant to its effective shelf registration statement. The Notes were issued in minimum denominations of \$25.00 and integral multiples of \$25.00 in excess thereof, and bear interest at a rate of 8.375% per year, payable quarterly on each February 15, May 15, August 15 and November 15, commencing on November 15, 2014. The Notes will mature on August 15, 2021, and may be redeemed in whole or in part at any time or from time to time after August 15, 2017. The net proceeds from the offering amounted to \$23,856,583, net of underwriting discounts and commissions of \$812,500, and offering expenses payable by the Company of \$330,917. The Notes trade on NASDAQ under the symbol "PRGNL".

The indenture governing the Notes contains certain restrictive covenants, including limitations on asset sales and:

Limitation on Borrowings: Net borrowings not to exceed 70% of total assets.

Limitation on Minimum Net Worth: Net worth to always exceed \$100,000,000.

China Development Bank (May 17, 2013): Following the sale of the 4,800 TEU containership newbuilding as discussed in Note 5, in the first quarter of 2014 the Company mutually agreed with China Development Bank to cancel the corresponding credit facility for the vessel. Such cancelation resulted in the write off of the unamortized financing costs of the respective facility of \$483,054, which is included in Interest and finance costs in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2014.

9. Long-Term Debt - Continued

Additional Covenants: Each of the above loan and credit facilities are secured by first priority mortgages on all vessels described in Note 1, first assignments of all freights, earnings and insurances. They also contain covenants that require the Company to maintain adequate insurance coverage and to obtain the lender's consent before it changes the flag, class or management of the vessels, or enter into a new line of business. The facilities include customary events of default, including those relating to a failure to pay principal or interest, a breach of covenant, representation and warranty, a cross-default to other indebtedness and non-compliance with security documents, and prohibits the Company from paying dividends if the Company is in default on its facilities and if, after giving effect to the payment of the dividend, the Company is in breach of a covenant.

In addition, each of the above loan and credit facilities require a minimum balance of cash and cash equivalents to be maintained at all times with the respective lender, ranging from \$400,000 to \$750,000 per mortgaged vessel, in excess of any additional cash collateral to be maintained, as defined by the respective loan agreements.

Certain of the above loan and credit facilities restrict the amount of dividends the Company may pay to \$0.50 per share per annum and limit the amount of quarterly dividends the Company may pay to 100% of its net income for the immediately preceding financial quarter. In addition, under the existing loan and credit facilities, the Company is required to maintain minimum liquidity after payment of dividends equal to the greater of the next six months' debt service, 8% of total financial indebtedness or \$1,000,000 per vessel. Furthermore, according to the supplemental agreement the Company entered into with Unicredit on March 27, 2015 as discussed above, the Company is not permitted to declare or pay any dividends until all the deferred amounts of the facility's repayment installments have been repaid in full.

Covenants Compliance: As of December 31, 2014, the Company was in compliance with all debt covenants with respect to its debt agreements, with the exception of the security cover ratio covenant contained in the facility with Commerzbank. The respective breach was subsequently cured as in April 2015, the Company agreed with Commerzbank to waive the application of the security cover ratio covenant contained in the facility effective from December 31, 2014 until December 31, 2015 as discussed above.

Given the current drybulk charter rates, it is probable that the Company will not be in compliance with the minimum working capital requirement and the minimum liquidity requirement contained in certain of its loan and credit facilities on the applicable measurement dates in 2015. Furthermore, based on the Company's cash flow projections for 2015, cash on hand and cash provided by operating activities will not be sufficient to cover scheduled debt repayments due in 2015. The Company is currently in negotiations with such lenders to obtain waivers for the affected covenants. The Company is also exploring several alternatives aiming to manage its working capital requirements and other commitments if current drybulk charter rates remain at today's low levels including negotiations for the restructuring of its loans.

Other Information: As of December 31, 2014, the Company had an aggregate borrowing capacity of up to \$78,000,000 with respect to the undrawn portion of the syndicated loan facility led by Nordea (dated May 6, 2014), for the partial financing of the outstanding newbuilding program as discussed above.

The interest cost charged for the years ended December 31, 2012, 2013 and 2014 amounted to \$5,673,906, \$6,129,911 and \$7,451,854, respectively.

The capitalized interest for the years ended December 31, 2012, 2013 and 2014 amounted to \$611,655, \$786,263 and \$1,618,836, respectively.

The weighted average interest rate for the years ended December 31, 2012, 2013 and 2014 was 2.76%, 3.21% and 3.53%, respectively.

10. Interest Rate Swaps

The Company enters into interest rate swap transactions to manage interest costs and the risk associated with changing interest rates with respect to its variable interest rate loans and credit facilities. These interest rate swap transactions fix the interest rates as described below.

As of December 31, 2013 and 2014, the Company's outstanding interest rate swaps had a combined notional amount of \$68,976,781 and \$56,208,156, respectively. Details of the interest rate swap agreements which were effective during 2013 and 2014 are outlined below:

Interest rate swaps that did not qualify for hedge accounting:

Counterparty	Effective date	Termination date	Notional amount As of December 31, 2013	Notional amount As of December 31, 2014	Fixed rate	Floating rate
Unicredit Bank AG ⁽¹⁾	August 27, 2010	August 27, 2015	\$ 35,700,000	\$ 25,500,000	2.465%	3-month LIBOR
HSBC Bank Plc ⁽²⁾	April 10, 2012	April 10, 2017	-	\$ 4,560,000	1.485%	3-month LIBOR
HSH Nordbank AG ⁽³⁾	May 8, 2012	May 5, 2017	-	\$ 9,562,500	1.220%	3-month LIBOR
Nordea Bank Finland Plc ⁽⁴⁾	May 4, 2012	March 31, 2017	-	\$ 5,918,792	1.140%	3-month LIBOR
Nordea Bank Finland Plc ⁽⁵⁾	June 18, 2012	May 4, 2017	-	\$ 5,885,615	1.010%	3-month LIBOR
HSH Nordbank AG ⁽⁶⁾	August 6, 2012	May 5, 2017	-	\$ 4,781,250	0.980%	3-month LIBOR
TOTAL			\$ 35,700,000	\$ 56,208,157		

Interest rate swaps that qualified for hedge accounting:

Counterparty	Effective date	Termination date	Notional amount As of December 31, 2013	Notional amount As of December 31, 2014	Fixed rate	Floating rate
HSBC Bank Plc ⁽²⁾	April 10, 2012	April 10, 2017	\$ 5,040,000	-	1.485%	3-month LIBOR
HSH Nordbank AG ⁽³⁾	May 8, 2012	May 5, 2017	\$ 10,312,500	-	1.220%	3-month LIBOR
Nordea Bank Finland Plc ⁽⁴⁾	May 4, 2012	March 31, 2017	\$ 6,401,958	-	1.140%	3-month LIBOR
Nordea Bank Finland Plc ⁽⁵⁾	June 18, 2012	May 4, 2017	\$ 6,366,073	-	1.010%	3-month LIBOR
HSH Nordbank AG ⁽⁶⁾	August 6, 2012	May 5, 2017	\$ 5,156,250	-	0.980%	3-month LIBOR
TOTAL			\$ 33,276,781	-		

⁽¹⁾ The notional amount reduces by \$2,550,000 on a quarterly basis up until the expiration of the interest rate swap.

⁽²⁾ The notional amount reduces by \$120,000 on a quarterly basis up until the expiration of the interest rate swap.

⁽³⁾ The notional amount reduces by \$187,500 on a quarterly basis up until the expiration of the interest rate swap.

⁽⁴⁾ The notional amount reduces by \$120,792 on a quarterly basis up until the expiration of the interest rate swap.

⁽⁵⁾ The notional amount reduces by \$120,115 on a quarterly basis up until the expiration of the interest rate swap.

⁽⁶⁾ The notional amount reduces by \$93,750 on a quarterly basis up until the expiration of the interest rate swap.

Following the \$800,000 prepayment to HSBC and the refinancing of the loan agreements with HSH dated July 31, 2008 and Nordea dated May 5, 2011 as discussed in Note 9, the Company reassessed the criteria for hedge accounting with respect to the corresponding interest rate swaps and concluded that same were no longer met. Accordingly, all the above interest rate swaps did not qualify for hedge accounting as of December 31, 2014.

11. Financial Instruments and Fair Value Disclosures

The principal financial assets of the Company consist of cash and cash equivalents, restricted cash, trade receivables, amounts due from related parties, an investment in affiliate and marketable securities available for sale. The principal financial liabilities of the Company consist of long-term bank loans, senior unsecured notes due 2021, interest rate swaps, trade accounts payable, amounts due to related parties and accrued liabilities.

(a) **Interest rate risk:** The Company's long-term bank loans are based on LIBOR and hence the Company is exposed to movements in LIBOR. The Company entered into interest rate swap agreements, discussed in Note 10, in order to hedge its variable interest rate exposure.

11. Financial Instruments and Fair Value Disclosures - Continued

(b) *Concentration of credit risk:* Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of trade receivables, amounts due from related parties and cash and cash equivalents. The Company limits its credit risk with trade receivables by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its trade receivables. In addition, the Company also limits its exposure by diversifying among customers. The amounts due from related parties mainly relate to advance payments to Allseas to cover working capital equal to one month's worth of estimated operating expenses. The Company places its cash and cash equivalents with high credit quality financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions. The Company is exposed to credit risk in the event of non-performance by counterparties to derivative instruments. However, the Company limits its exposure by diversifying among counterparties considering their credit ratings.

(c) *Fair value:* The carrying values of cash and cash equivalents, restricted cash, trade receivables, amounts due from related parties, trade accounts payable, amounts due to related parties and accrued liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments. The fair value of long-term bank loans approximate their carrying value, predominantly due to the variable interest rate nature thereof. Derivative financial instruments are stated at fair values.

The Company's Notes trade on NASDAQ under the symbol "PRGNL" and therefore are considered Level 1 items in accordance with the fair value hierarchy. As of December 31, 2014, the fair value of the Company's Notes based on their quoted close price of \$17.00 per Note was \$17,000,000 in the aggregate.

When the interest rate swap contracts qualify for hedge accounting, the Company recognizes the effective portion of the gain / (loss) on the hedging instruments directly in other comprehensive income / (loss) in the statement of shareholders' equity, while any ineffective portion, if any, is recognized immediately in current period statement of comprehensive income / (loss). When the interest rate swap contracts do not qualify for hedge accounting, the Company recognizes their fair value changes in current period statement of comprehensive income / (loss).

Information on the location and amounts of derivative fair values in the consolidated balance sheets and derivative gains / (losses) in the consolidated statements of comprehensive income / (loss) and shareholders' equity are shown below:

Derivative Instruments – Balance Sheet Location

	Balance Sheet Location	December 31,	December 31,
		2013	2014
		Fair Value	Fair Value
Derivatives designated as hedging instruments			
Interest rate swaps	Non-Current Assets – Interest rate swaps	\$ (87,295)	\$ -
Interest rate swaps	Current liabilities – Interest rate swaps	294,505	-
Interest rate swaps	Long-Term Liabilities – Interest rate swaps	22,683	-
	Subtotal	\$ 229,893	\$ -
Derivatives not designated as hedging instruments			
Interest rate swaps	Non-Current Assets – Interest rate swaps	\$ -	\$ (66,475)
Interest rate swaps	Current liabilities – Interest rate swaps	685,960	589,896
Interest rate swaps	Long-Term Liabilities – Interest rate swaps	359,433	17,369
	Subtotal	\$ 1,045,393	\$ 540,790
Total derivatives		\$ 1,275,286	\$ 540,790

11. Financial Instruments and Fair Value Disclosures - Continued

Effect of Derivative Instruments designated as hedging instruments

Gain Recognized in Accumulated Other Comprehensive Loss – Effective Portion

	Year Ended December 31,	
	2013	2014
Interest rate swaps	\$ 131,112	\$ 131,238
Total	\$ 131,112	\$ 131,238

Location of Loss Transferred from Accumulated Other Comprehensive Loss in Statements of Comprehensive Loss – Effective Portion

	Year Ended December 31,	
	2013	2014
Interest rate swaps – Realized Loss Interest and finance costs	\$ (312,069)	\$ (98,656)
Total	\$ (312,069)	\$ (98,656)

There was no ineffective portion of the gain / (loss) on the hedging instruments for the years ended December 31, 2013 and 2014.

Effect of Derivative Instruments not designated as hedging instruments

	Location of Gain / (Loss) Recognized	Year Ended December 31,	
		2013	2014
Interest rate swaps – Fair value	Loss on derivatives, net	\$ 834,829	\$ 504,602
Interest rate swaps – Realized Loss	Loss on derivatives, net	(930,117)	(892,342)
Net loss on derivatives		\$ (95,288)	\$ (387,740)

Financial Instruments and Assets that are measured at fair value on a recurring basis

Interest rate swaps

The fair value of the Company's interest rate swap agreements (refer to Note 10) is determined using a discounted cash flow approach based on market-based LIBOR swap yield rates. LIBOR swap rates are observable at commonly quoted intervals for the full terms of the swaps and therefore are considered Level 2 items in accordance with the fair value hierarchy.

The following table summarizes the valuation of the Company's interest rate swaps as of December 31, 2013 and 2014.

Financial Instruments	Significant Other Observable Inputs (Level 2)	
	December 31,	December 31,
	2013	2014
Interest rate swaps – asset	\$ (87,295)	\$ (66,475)
Interest rate swaps – liability	1,362,581	607,265
Total	\$ 1,275,286	\$ 540,790

11. Financial Instruments and Fair Value Disclosures - Continued

Financial Instruments and Assets that are measured at fair value on a recurring basis - Continued

Marketable securities – shares of Korea Line Corporation ("KLC"):

The number of KLC shares held by the Company was 65,896 and 44,550 as of December 31, 2013 and 2014, respectively. These marketable securities have readily determinable fair values and are classified as available for sale. Such marketable securities are measured subsequently at fair value in the accompanying consolidated balance sheets. Unrealized gains / (losses) from available for sale securities are excluded from the statement of comprehensive income / (loss) and are recognized in accumulated other comprehensive income / (loss) until realized.

Pursuant to the amended KLC rehabilitation plan, on May 9, 2013, 58,483 additional shares of KLC were issued to the Company, increasing the total number of KLC shares held by the Company to 65,896. Based on the closing price of KLC shares as of May 9, 2013, the fair value of the 58,483 additional KLC shares was \$3,113,306, which was recognized as gain from marketable securities, net and is included in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2013. The decline of the fair value of the total 65,896 KLC shares as of September 30, 2013 and December 31, 2013, based on the respective latest publicly available information, was considered as other than temporary and therefore an aggregate loss of \$1,911,212 was recognized. The respective loss is included in gain from marketable securities, net in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2013, after reclassifying this amount from the Company's other comprehensive income / (loss).

In 2014, the Company sold a total of 21,346 KLC shares at an average sale price of \$23.52 per share. Following the sale of such shares, the number of KLC shares held by the Company was 44,550. The total cash received from the sale of these shares amounted to \$498,056, net of commissions. A loss from marketable securities, net, of \$25,529 was recorded for the year ended December 31, 2014, after reclassifying same from the Company's other comprehensive income / (loss).

The fair value of the 44,550 KLC shares as of December 31, 2014, based on the respective latest publicly available information, was \$955,535. The corresponding loss on change in the fair value of \$137,208 was recognized in other comprehensive income / (loss).

Furthermore, in April 2015, the Company sold an additional 18,133 KLC shares at an average sale price of \$22.62 per share. Following the sale of such shares, the number of KLC shares held by the Company was 26,417. The total cash expected to be received from the sale of these shares amounts to \$406,808, net of commissions (based on U.S. dollar/KRW exchange rate of \$1.000:KRW1,096.92 as of April 15, 2015).

Location of Recognized Gain / (Loss) from Marketable Securities

	Location of Gain / (Loss) Recognized	Year Ended December 31,	
		2013 Gain / (Loss)	2014 Gain / (Loss)
Marketable securities – Initial measurement	(Gain) / loss from marketable securities, net	\$ 3,113,306	\$ -
Marketable securities – Realized Loss	(Gain) / loss from marketable securities, net	(1,911,212)	(25,529)
Net gain / (loss) from marketable securities		\$ 1,202,094	\$ (25,529)

The fair value of the KLC shares is based on quoted prices of KLC share of stock (Korea SE: KS) and is considered to be determined through Level 1 inputs of the fair value hierarchy.

The following table summarizes the valuation of the KLC shares as of December 31, 2013 and 2014.

Financial Assets	Quoted Prices in Active Markets (Level 1)	
	December 31, 2013	December 31, 2014
KLC Shares – Marketable Securities	\$ 1,616,329	\$ 955,535

11. Financial Instruments and Fair Value Disclosures - Continued

Financial Assets that are measured at fair value on a non-recurring basis

Investment in Box Ships Inc.:

For the years ended December 31, 2013 and 2014, in accordance with the accounting guidance relating to loss in value of an investment that is other than a temporary decline, the Company recognized an impairment loss on its investment in Box Ships' common shares.

The decline in the fair value of the investment in Box Ships based on the closing price of Box Ships' common share as of September 30, 2013 and December 31, 2013, was considered as other than temporary and therefore an aggregate loss of \$8,229,551 was recognized. The respective loss is included in loss on investment in affiliate in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2013.

The decline in the fair value of the investment in Box Ships based on the closing price of Box Ships' common share as of March 31, 2014, June 30, 2014 and December 31, 2014, was considered as other than temporary and therefore an aggregate loss of \$8,618,664 was recognized. The respective loss is included in loss on investment in affiliate in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2014.

Location of Impairment Loss on Investment in Affiliate

	Location of Loss Recognized	Year Ended December 31,	
		2013	2014
Dilution effect	Loss on investment in affiliate	\$ (390,821)	\$ (221,679)
Impairment loss	Loss on investment in affiliate	(8,229,551)	(8,618,664)
Loss on investment in affiliate		\$ (8,620,372)	\$ (8,840,343)

The fair value of the investment in Box Ships is based on quoted prices of Box Ships share of stock (NYSE: TEU) and is considered to be determined through Level 1 inputs of the fair value hierarchy.

The following table summarizes the valuation of the Company's investment in Box Ships as of December 31, 2013 and 2014.

Financial Assets	Quoted Prices in Active Markets (Level 1)	
	December 31, 2013	December 31, 2014
Investment in equity affiliate – Box Ships Inc.	\$ 11,309,375	\$ 2,956,250

The fair value of the investment in Box Ships, based on the closing price of Box Ships' common share on the NYSE on April 15, 2015, of \$1.06, was \$3,643,750.

As of December 31, 2013 and 2014, the Company did not have any assets or liabilities measured at fair value on a recurring or non-recurring basis, other than the ones discussed above.

12. Capital Structure

(a) Common Stock:

Under the amended and restated articles of incorporation, the Company's authorized common stock consists of 755,000,000 shares of common stock, par value \$0.001 per share, divided into 750,000,000 Class A common shares and 5,000,000 Class B common shares.

Each holder of Class A common shares is entitled to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of Class A common shares are entitled to receive ratably all dividends, if any, declared by the Company's Board of Directors out of funds legally available for dividends. Upon dissolution, liquidation or sale of all or substantially all of the Company's assets, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, Class A common shareholders are entitled to receive pro rata the Company's remaining assets available for distribution. Holders of Class A common shares do not have conversion, redemption or pre-emptive rights.

On December 24, 2012, the Company entered into an agreement to sell 4,901,961 newly-issued Class A common shares to Innovation Holdings, an entity beneficially owned by Mr. Michael Bodouroglou, the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, for a total consideration of \$10,000,000. The transaction closed on December 24, 2012. In addition, Innovation Holding also received customary registration rights in respect of the common shares it received in the private placement. The documentation entered into in connection with the private placement was approved by the independent member of the Company's Board of Directors.

Effective February 15, 2013, 98,039 Class A common shares, representing the 2.0% of the 4,901,961 newly-issued Class A common shares sold to Innovation Holdings discussed above, were granted to Loretto. The fair value of such shares based on the average of the high-low trading price of the shares on February 15, 2013, was \$335,784, which was recorded as share based compensation and is included in Management fees – related party in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2013.

12. Capital Structure - Continued

(a) Common Stock - Continued

On September 27, 2013, the Company completed a public offering of 6,000,000 of its Class A common shares at \$5.75 per share, including the full exercise of the over-allotment option granted to the underwriters to purchase up to 782,609 additional common shares. The net proceeds from the offering, which amounted to \$31,881,984, net of underwriting discounts and commissions of \$2,070,000 and other offering expenses of \$548,016, would be used to fund the initial deposits and other costs associated with the purchase of two Ultramax newbuilding drybulk carriers, the Hull numbers DY152 and DY153, as discussed in Note 5, and general corporate purposes. In connection with the offering, effective September 27, 2013, 120,000 Class A common shares, representing the 2.0% of the 6,000,000 Class A common shares sold in the public offering, were granted to Loretto. The fair value of such shares based on the average of the high-low trading price of the shares on September 27, 2013, was \$714,000, which was recorded as share based compensation and is included in Management fees – related party in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2013.

On February 18, 2014, the Company completed a public offering of 6,785,000 of its Class A common shares at \$6.25 per share, including the full exercise of the over-allotment option granted to the underwriters to purchase up to 885,000 additional common shares. The net proceeds from the offering amounted to \$39,741,152, net of underwriting discounts and commissions and other offering expenses payable by the Company. In connection with the offering, effective February 18, 2014, 135,700 Class A common shares, representing the 2.0% of the 6,785,000 Class A common shares sold in the public offering, were granted to Loretto. The fair value of such shares based on the average of the high-low trading price of the shares on February 18, 2014, was \$880,015, which was recorded as share based compensation and is included in Management fees – related party in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2014.

On May 12, 2014, the Company's Board of Directors authorized a share buyback program of up to \$10,000,000 for a period of twelve months. The Company expects to repurchase these shares in the open market, at times and prices that are considered to be appropriate by the Company, but is not obligated under the terms of the program to repurchase any shares. Pursuant to the share buyback program, as of December 31, 2014, the Company had purchased and cancelled 30,000 of its common shares at an average price of \$5.6820 per share.

As of December 31, 2013 and 2014, the Company had a total of 17,669,442 and 24,809,142 Class A common shares outstanding, respectively, and no other class of shares outstanding.

(b) Preferred Stock:

Under the amended and restated articles of incorporation, the Company's authorized preferred stock consists of 25,000,000 shares of preferred stock, par value \$0.001 per share, and there was none issued and outstanding at December 31, 2013 and 2014.

13. Share Based Payments

Equity incentive plan – October 11, 2006

On October 11, 2006, the Company adopted an equity incentive plan, under which the officers, key employees and directors of the Company will be eligible to receive options to acquire shares of Class A common shares. The Board of Directors administers the plan. Under the terms of the plan, the Board of Directors are able to grant new options exercisable at a price per Class A common share to be determined by the Board of Directors but in no event less than fair market value as of the date of grant. The plan also permits the Board of Directors to award non-vested share units, non-qualified options, stock appreciation rights and non-vested shares.

On March 26, 2014, the Company's Board of Directors approved to cancel the remaining Class A common shares reserved for issuance under the equity incentive plan.

Equity incentive plan – March 26, 2014

On March 26, 2014, the Company adopted an equity incentive plan, under which the officers, key employees and directors of the Company will be eligible to receive options to acquire shares of Class A common shares. A total of 2,000,000 Class A common shares were reserved for issuance under the plan. The Board of Directors administers the plan. Under the terms of the plan, the Board of Directors are able to grant new options exercisable at a price per Class A common share to be determined by the Board of Directors but in no event less than fair market value as of the date of grant. The plan also permits the Board of Directors to award non-vested share units, non-qualified options, stock appreciation rights and non-vested shares.

(a) Options

As of December 31, 2013 and 2014, there were 2,800 options with an exercise price of \$120.00 outstanding and exercisable, which vested in 2010. Their weighted average remaining contractual life was 1.89 years as of December 31, 2014.

There were no unvested share options as of December 31, 2013 and 2014.

(b) Non-vested share awards

Until the forfeiture of any non-vested share award, all non-vested share awards regardless of whether vested, the grantee has the right to vote such non-vested share awards, to receive and retain all regular cash dividends paid on such non-vested share awards with no obligation to return the dividend if employment ceases and to exercise all other rights provided that the Company will retain custody of all distributions other than regular cash dividends made or declared with respect to the non-vested share awards. All share awards are conditioned upon the option holder's continued service as an employee of the Company, or a director through the applicable vesting date. The Company estimates the forfeitures of non-vested share awards to be immaterial. The Company will, however, re-evaluate the reasonableness of its assumption at each reporting period.

The accounting guidance relating to the Share based payments describes two generally accepted methods of accounting for non-vested share awards with a graded vesting schedule for financial reporting purposes: 1) the "accelerated method", which treats an award with multiple vesting dates as multiple awards and results in a front-loading of the costs of the award and 2) the "straight-line method" which treats such awards as a single award. Management has selected the straight-line method with respect to the non-vested share awards because it considers each non-vested share award to be a single award and not multiple awards, regardless of the vesting schedule. Additionally, the "front-loaded" recognition of compensation cost that results from the accelerated method implies that the related employee services become less valuable as time passes, which management does not believe to be the case. The grant date fair value is considered to be the average between the relevant highest and lowest price recorded on the grant date.

13. Share Based Payments - Continued

Equity incentive plan - Continued

(b) Non-vested share awards - Continued

The details of the non-vested share awards as of December 31, 2014, are outlined as follows:

Equity incentive plan – October 11, 2006

Grant date	Final Vesting date	Total shares granted	Grant date fair value	Shares cancelled	Shares vested	Non-vested share awards
November 26, 2013	December 31, 2015	200,000	\$ 5.165	-	100,000	100,000
November 26, 2013	December 31, 2015	12,000	\$ 5.165	-	6,000	6,000
December 19, 2013	December 31, 2015	16,000	\$ 6.380	-	8,000	8,000
January 31, 2014	December 31, 2015	32,000	\$ 6.670	3,000	14,500	14,500
TOTAL		260,000		3,000	128,500	128,500

Equity incentive plan – March 26, 2014

Grant date	Final Vesting date	Total shares granted	Grant date fair value	Shares cancelled	Shares vested	Non-vested share awards
December 10, 2014	December 31, 2016	200,000	\$ 2.440	-	-	200,000
December 10, 2014	December 31, 2016	20,000	\$ 2.440	-	-	20,000
TOTAL		220,000		-	-	220,000

13. Share Based Payments - Continued

Equity incentive plan - Continued

(b) Non-vested share awards - Continued

A summary of the activity for non-vested share awards for the year ended December 31, 2014 is as follows:

	Number of Shares	Weighted Average Fair Value
Non-vested, December 31, 2013	339,000	\$ 4.75
Granted	252,000	3.64
Cancelled	(3,000)	6.67
Vested	(239,500)	4.63
Non-vested, December 31, 2014	348,500	\$ 4.15

The remaining unrecognized compensation cost amounting to \$1,189,936 as of December 31, 2014, is expected to be recognized over the remaining weighted average period of 1.3 year, according to the contractual terms of those non-vested share awards.

On February 26, 2015, 70,000 non-vested Class A common shares were granted to employees of Allseas, with a grant date fair value of \$1.865 per share, which will vest ratably over a two-year period commencing on December 31, 2015.

On March 17, 2015, 30,000 non-vested Class A common shares were granted to executive officers of Allseas, with a grant date fair value of \$1.310 per share, which will vest ratably over a two-year period commencing on December 31, 2015.

Share based compensation amounted to \$2,536,702, \$805,469 and \$986,416 for the years ended December 31, 2012, 2013 and 2014, respectively and is included in general and administrative expenses.

14. Gain from Vessel Early Redelivery and Other (Income) / Expenses

Gain from vessel early redelivery represents income recognized in connection with the early termination of period time charters resulting from a request of the respective vessel charterers for which the Company received cash compensation of \$0, \$2,267,818 and \$0 in 2012, 2013 and 2014, respectively.

Other income for the year ended December 31, 2012, relates mainly to claim recoveries for damages that had been incurred in one of the Company's vessels of \$703,422, and to a cash compensation of \$29,137 received from KLC as the first annual installment in connection with the settlement agreement dated September 15, 2011.

Other income for the year ended December 31, 2013, relates mainly to a cash compensation of \$402,596 received from KLC representing the present value of the total outstanding cash payments the Company was entitled to receive in connection with the settlement agreement dated September 15, 2011 and pursuant to the amended KLC rehabilitation plan that was approved by the Seoul Central District Court in March 2013, and to claim recoveries of \$218,634 relating to a dispute regarding one of the Company's vessels.

During the third quarter of 2014, the Company recognized a charge of \$250,283, in relation to a special contribution, which was paid in October 2014. According to the Greek Law 4301/2014, the charge is a voluntary contribution calculated based on the carrying capacity of the Company's fleet, and is payable annually for four fiscal years, until 2017. The special contribution is included in Other expenses in the accompanying consolidated statement of comprehensive loss for the year ended December 31, 2014.

15. Income Taxes

The Company and its subsidiaries are incorporated either in the Marshall Islands or Liberia and under the laws of the Marshall Islands and Liberia, are not subject to income taxes.

The Company is also 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 thereto ("Shipping Income"), unless exempt from United States federal income taxation.

If the Company does not qualify for the exemption from tax under Section 883, it will be subject to a 4% tax on its "U.S. source shipping income," imposed without the allowance for any deductions. For these purposes, "U.S. source shipping income" means 50% of the shipping income that will be derived by the Company that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States. For 2012, 2013 and 2014, the Company qualified for the benefits of Section 883.

16. Earnings per Share ("EPS")

The following table sets forth the computation of basic and diluted net loss per share for the years ended December 31, 2012, 2013 and 2014:

Basic EPS – Class A Common Shares

The two class method EPS is calculated as follows:

Numerators	Years Ended December 31,		
	2012	2013	2014
Net loss	\$ (17,557,125)	\$ (16,953,032)	\$ (51,796,181)
Less: Net loss attributable to non-vested share awards	444,326	351,877	832,333
Net loss attributable to common shareholders	\$ (17,112,799)	\$ (16,601,155)	\$ (50,963,848)
Denominators			
Weighted average common shares outstanding, basic and diluted	6,035,910	12,639,128	23,326,062
Net loss per common share, basic and diluted:	\$ (2.84)	\$ (1.31)	\$ (2.18)

Weighted Average Shares – Basic - In calculating basic EPS, the Company includes the effect of vested share awards and Class A common shares issued for exercised stock option awards from the date they are issued or vested.

Weighted Average Shares – Diluted - In calculating diluted EPS, the Company includes the potential dilution that could occur if securities or other contracts to issue common stock were exercised. In calculating diluted EPS, the following dilutive securities are included in the shares outstanding unless their effect is anti-dilutive:

- Unvested share awards outstanding under the Company's Stock Incentive Plan
- Class A common shares issuable upon exercise of the Company's outstanding options

The Company excluded the dilutive effect of 2,800 (2012 and 2013: 2,800) stock option awards, and 348,500 (2012: 58,335 and 2013: 339,000) non-vested share awards in calculating dilutive EPS for its Class A common shares as their effect was anti-dilutive.

17. Commitments and Contingencies

From time to time the Company expects to be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. Such claims, even if lacking in merit, could result in the expenditure of significant financial and managerial resources. The Company is not aware of any claim or contingent liability, which is reasonably possible and should be disclosed, or probable and for which a provision should be established in the accompanying financial statements.

Rental Expense

In relation to the rental agreement with Granitis as discussed in Note 4, fixed future minimum non-cancelable rent commitments as of December 31, 2014, based on the Euro/U.S. dollar exchange rate of €1.0000:\$1.2140 as of December 31, 2014, amount to:

For the year ending	Amount
December 31, 2015	\$ 44,508
December 31, 2016	44,508
December 31, 2017	33,381
Total	\$ 122,397

Charter Hire

Future minimum charter hire receipts, based on vessels committed to non-cancelable time charter contracts (including fixture recaps) as of December 31, 2014, net of commissions are:

For the year ending	Amount
December 31, 2015	\$ 4,308,843
Total	\$ 4,308,843

Charter hires are not generally received when a vessel is off-hire, including time required for normal periodic maintenance of the vessel. In arriving at the minimum future charter revenues, an estimated off-hire time of 18 days to perform any 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.

Newbuildings

Future newbuilding installments based on the non-cancelable newbuilding contracts as of December 31, 2014 are:

For the year ending	Amount
December 31, 2015	\$ 101,700,617
Total	\$ 101,700,617

18. Subsequent Events

Related Party Agreements

In January 2015, the Company's vessel owning subsidiaries signed amended and restated management agreements with Allseas, and brokerage services agreements with Seacommercial, as discussed in Note 4.

Inactive Non-Vessel Owning Subsidiaries

In March and April 2015, the Company proceeded with the dissolution of certain inactive non-vessel owning subsidiaries, as discussed in Note 1.

Loan and Credit Facilities

In March and April 2015, the Company agreed with Unicredit and Commerzbank to amend certain terms of the facilities, including the deferral or the partial deferral of certain scheduled quarterly installments, and the waiver of certain financial and security cover ratio covenants, as discussed in Note 9.

In addition, on March 27, 2015, the Company agreed with Bank of Ireland to waive 50% of the installment due in the first quarter of 2015, until April 30, 2015, as discussed in Note 9.

Sale of KLC Shares

In April 2015, the Company sold a total of 18,133 KLC shares at an average sale price of \$22.62 per share, as discussed in Note 11.