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, 2010

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: Not applicable

Commission file number 001-33922

DRYSHIPS INC.

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

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

80 Kifissias Avenue
GR 15125 Amaroussion
Greece
(Address of principal executive offices)

Mr. George Economou
Tel: + 011 30 210-80 90-570, Fax: + 011 30 210 80 90 585
(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 class	Name of exchange on which registered
Common stock, $0.01 par value	The Nasdaq Stock Market LLC
Preferred Stock Purchase Rights	The Nasdaq Stock Market LLC

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, 2010, there were 369,649,777 shares of the registrant's common stock, $0.01 par value, 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions 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:

US GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

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

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

FORWARD-LOOKING STATEMENTS

DryShips Inc. ("DryShips" 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 therewith. This document and any other written or oral statements made by the Company or on its behalf may include forward-looking statements, which reflect its current views with respect to future events and financial performance. This document includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements." We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. When used in this document, the words "anticipate," "estimate," "project," "forecast," "plan," "potential," "may," "should," and "expect" reflect forward-looking statements.

Please note in this annual report, "we," "us," "our," "DryShips" and "the Company," all refer to DryShips Inc. and its subsidiaries, unless otherwise stated.

All statements in this document that are not statements of historical fact are forward-looking statements. Forward-looking statements include, but are not limited to, such matters as:

- future operating or financial results;
- statements about planned, pending or recent acquisitions, business strategy and expected capital spending or operating expenses, including drydocking and insurance costs;
- our ability to enter into new contracts for our drilling rigs and drillships and future utilization rates and contract rates for drilling rigs and drillships;
- future capital expenditures and investments in the construction, acquisition and refurbishment of drilling rigs and drillships (including the amount and nature thereof and the timing of completion thereof);
- statements about drybulk shipping market trends, including charter rates and factors affecting supply and demand;
- our ability to obtain additional financing;
- expectations regarding the availability of vessel acquisitions; and
- anticipated developments with respect to pending litigation.

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 it will achieve or accomplish these expectations, beliefs or projections described in the forward-looking statements contained in this annual report.

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 and currencies, general market conditions, including changes in charter rates and drybulk vessel, drilling rig, drillship and tanker values, failure of a seller to deliver one or more drilling rigs, drillships, drybulk or tanker vessels, failure of a buyer to accept delivery of a drilling rig, drillship, or vessel, inability to procure acquisition financing, default by one or more charterers of our ships, changes in demand for drybulk commodities, oil or petroleum products, changes in demand that may affect attitudes of time charterers, scheduled and unscheduled drydocking, changes in our voyage and operating expenses, including bunker prices, dry-docking and insurance costs, changes in governmental rules and regulations, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents, international hostilities and political events or acts by terrorists.

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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 Financial Data

The following table sets forth our selected consolidated financial data and other operating data as of and for the years ended December 31, 2006, 2007, 2008, 2009 and 2010. The following information should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and the consolidated financial statements and related notes included herein. The following selected consolidated financial data is derived from our audited consolidated financial statements and the notes thereto which have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). As a result of the restatement, interest and finance costs, loss before income taxes and equity in loss of investee, net loss, net loss attributable to Dryships Inc., net loss attributable to common stockholders, loss per common share attributable to Dryships Inc. common stockholders, basic and diluted, total assets, stockholders' equity, net cash provided by operating activities, net cash used in investing activities have been restated. See Note 1b to the consolidated financial statements.

3. A (i) STATEMENT OF OPERATIONS

(In thousands of Dollars except per share and share data)	Year Ended December 31,				
	2006	2007	2008	2009 (As restated)	2010
STATEMENT OF OPERATIONS					
Revenues	$ 248,431	$ 582,561	$ 1,080,702	$ 819,834	$ 859,745
Loss on forward freight agreements	22,473	—	—	—	
Voyage expenses	15,965	31,647	53,172	28,779	27,433
Vessels and drilling rigs operating expenses	54,164	63,225	165,891	201,887	190,614
Depreciation and amortization	58,011	76,511	157,979	196,309	192,891
Gain on sale of assets, net	(8,845)	(137,694)	(223,022)	(2,045)	(9,435)
Gain on contract cancellation	—	—	(9,098)	(15,270)	—
Contract termination fees and forfeiture of vessels deposits	—	—	160,000	259,459	—
Vessel impairment charge	—	—	—	1,578	3,588
Goodwill impairment charge	—	—	700,457	—	—
General and administrative expenses - cash[(1)]	12,540	17,072	57,856	52,753	63,064
General and administrative expenses - non-cash	—	—	31,502	38,070	24,200
Operating income/(loss)	94,123	531,800	(14,035)	58,314	367,390
Interest and finance costs	(42,392)	(51,231)	(113,194)	(84,430)	(67,825)
Interest income	1,691	5,073	13,085	10,414	21,866
Gain/(loss) on interest rate swaps	676	(3,981)	(207,936)	23,160	(120,505)
Other, net	214	(3,037)	(12,640)	(6,692)	9,960
Income/(loss) before income taxes and equity in loss of investee	54,312	478,624	(334,720)	766	210,866
Income taxes	—	—	(2,844)	(12,797)	(20,436)
Equity in loss of investee	—	(299)	(6,893)	—	
Net Income/(loss)	54,312	478,325	(344,457)	(12,031)	190,450
Less: Net income attribute to non controlling interests	—	—	(16,825)	(7,178)	(2,123)
Net income/(Loss) attributable to Dryships Inc.	54,312	478,325	(361,282)	(19,209)	188,327
Net Income/ (Loss) attributable to common stockholders	54,312	478,325	(361,809)	(26,706)	172,564
Earnings/(loss) per common share attributable to Dryships Inc. common stockholders, basic	$ 1.68	$ 13.40	$ (8.11)	$ (0.13)	$ 0.64
Weighted average number of common shares,					

basic	32,348,194	35,700,182	44,598,585	209,331,737	268,858,688
Earning / (loss) per common share attributable to Dryships Inc. common stockholders, diluted	$ 1.68	$ 13.40	$ (8.11)	$ (0.13)	$ 0.61
Weighted average number at common shares, diluted	32,348,194	35,700,182	44,598,585	209,331,737	305,425,852
Dividends declared per share	$ 0.80	$ 0.80	$ 0.80	$ —	—

(1) Cash compensation to members of our senior management and our directors amounted to $1.4 million, $1.5 million, $9.7 million, $5.3 million and $11.8 million for the years ended December 31, 2006, 2007, 2008, 2009 and 2010, respectively.

3.A.(ii) BALANCE SHEET AND OTHER FINANCIAL DATA

(In thousands of Dollars except per share and share data and fleet data)	As of and for the Year Ended December 31, 2006	2007	2008	2009 (As restated)	2010
Current assets	$ 25,875	$ 153,035	$ 720,427	$ 1,180,650	$ 1,065,110
Total assets	1,161,973	2,344,432	4,842,680	5,806,995	6,984,494
Current liabilities, including current portion of long-term debt	129,344	239,304	2,525,048	1,896,023	935,435
Total long-term debt, including current portion	658,742	1,243,778	3,158,870	2,684,684	2,719,692
Common stock	355	367	706	2,803	3,696
Number of shares outstanding	35,490,097	36,681,097	70,600,000	280,326,271	369,649,777
Stockholders' equity	444,692	1,021,729	1,291,572	2,812,542	3,363,253
OTHER FINANCIAL DATA					
Net cash provided by operating activities	99,082	407,899	540,129	294,124	477,801
Net cash used in investing activities	(287,512)	(955,749)	(2,110,852)	(169,950)	(1,680,748)
Net cash provided by financing activities	185,783	656,381	1,762,769	265,881	901,308
EBITDA [1]	153,024	600,994	(100,350)	263,913	447,613
DRYBULK FLEET DATA:					
Average number of vessels [2]	29.76	33.67	38.56	38.12	37.21
Total voyage days for drybulk carrier fleet [3]	10,606	12,130	13,896	13,660	13,372
Total calendar days for drybulk carrier fleet [4]	10,859	12,288	14,114	13,914	13,583
Drybulk carrier fleet utilization [5]	97.70%	98.71%	98.46%	98.17%	98.45%
(**In Dollars**)					
AVERAGE DAILY RESULTS					
Time charter equivalent [6]	21,918	45,417	58,155	30,425	32,184
Vessel operating expenses [7]	4,988	5,145	5,644	5,434	5,245
DRILLING RIG FLEET DATA:					
Average number of drilling rigs [2]	—	—	2.0	2.0	2.0
Total voyage days for drilling rig fleet [3]	—	—	410	695	677
Total calendar days for drilling rig fleet [4]	—	—	462	730	730

(In thousands of Dollars except per share and share data and fleet data)	As of and for the Year Ended December 31, 2006	2007	2008	2009	2010
Drilling rig fleet utilization [5]	—	—	88.66%	95.25%	92.72%
(In Dollars)					
AVERAGE DAILY RESULTS					
Rig operating expenses [7]	—	—	181,821	192,988	177,361

(1) EBITDA represents net income before interest, taxes, depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by U.S. GAAP and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is a basis upon which the Company measures its operations and efficiency.

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

(3) Total voyage days for the respective fleet are the total days the vessels in that fleet were in the Company's possession for the relevant period net of off-hire days associated with major repairs, drydockings or special or intermediate surveys.

(4) Calendar days are the total days the vessels in that fleet were in the Company's possession for the relevant period including off-hire days associated with major repairs, drydockings or special or intermediate surveys.

(5) Fleet utilization is the percentage of time that the vessels in that fleet were available for revenue-generating voyage days, and is determined by dividing voyage days by fleet calendar days for the relevant period.

(6) Time charter equivalent ("TCE") is a measure of the average daily revenue performance of a vessel on a per voyage basis. The Company's method of calculating TCE is determined by dividing voyage revenues (net of voyage expenses) by voyage days for the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. TCE revenues, a non-U.S. GAAP measure, provides additional meaningful information in conjunction with revenues from our vessels, the most directly comparable U.S. GAAP measure, because it assists Company's management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance. TCE is also a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods. The following table reflects the calculation of our TCE rates for the periods presented.

(7) Daily vessel/rig operating expenses, which includes crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs, is calculated by dividing vessel/rig operating expenses by drybulk carrier/drilling rig fleet calendar days for the relevant time period.

(Dollars in thousands)	For the Year Ended December 31, 2006	2007	2008	2009 (As restated)	2010
Net income/(loss) attributable to Dryships Inc.	54,312	478,325	(361,282)	(19,209)	188,327
Add: Net interest expense	40,701	46,158	100,109	74,016	45,959
Add: Depreciation and amortization	58,011	76,511	157,979	196,309	192,891
Add: Income taxes	—	—	2,844	12,797	20,436
EBITDA	153,024	600,994	(100,350)	263,913	447,613

Drybulk Carrier Segment (In thousands of Dollars, except for TCE rates, which are expressed in Dollars and voyage days)	Year Ended December 31, 2006	2007	2008	2009	2010
Voyage revenues	248,431	582,561	861,296	444,385	457,804
Voyage expenses	(15,965)	(31,647)	(53,172)	(28,779)	(27,433)
Time charter equivalent revenues	232,466	550,914	808,124	415,606	430,371
Total voyage days for drybulk fleet	10,606	12,130	13,896	13,660	13,372
Time charter equivalent (TCE) rate	21,918	45,417	58,155	30,425	32,184

Drilling Rig Carrier Segment (In thousands of Dollars)	Year Ended December 31, 2008	2009	2010
Revenue from drilling contracts	219,406	375,449	401,941
Drilling rig operating expenses	(86,180)	(126,282)	(119,369)
	133,226	249,167	282,572
Total employment days for drilling rigs	410	695	677

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk factors

Some of the following risks relate principally to the industries in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results, cash flows or our ability to pay dividends, if any, in the future, or the trading price of our common stock.

International Drybulk Shipping Industry Specific Risk Factors

While the drybulk carrier charter market has recently strengthened, it remains significantly below the high in 2008, which has adversely affected our revenues, earnings and profitability and our ability to comply with our loan covenants.

The drybulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. For example, the degree of charter hire rate volatility among different types of drybulk carriers has varied widely. The Baltic Drybulk Index, or BDI, declined from a high of 11,793 in May 2008 to a low of 663 in December 2008, which represents a decline of 94%. Over the comparable period of May through December 2008, the high and low of the Baltic Panamax Index and the Baltic Capesize Index represent a decline of 96% and 99%, respectively. During 2009 the BDI increased from a low of 772 and reached a high of 4,661 in November of 2009. In 2010, the BDI increased from 3,235 in January 2010 to a high of 4,209 in May 2010 and subsequently decreased to a low of 1,700 in July 2010. Following a short period of increase in the third quarter of 2010, the BDI fell to near July 2010 levels at the end of 2010. The BDI has further decreased in 2011 to 1,376 , as of April 12, 2011. The decline and volatility in charter rates has been due to various factors, including the lack of trade financing for purchases of commodities carried by sea, which had resulted in a significant decline in cargo shipments. In 2009 Chinese iron ore imports increased by 41% compared to 2008 and coal imports rose by 210% in the same period. 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 compliance with the covenants contained in our loan agreements.

We employed 30 of the 35 vessels in our drybulk carrier fleet on time charters and one vessel on bareboat charter at fixed rates and five vessels in the spot market as of April 12, 2011. Three of our drybulk carriers are employed on short term (spot) charters to Korea Lines Corporation, which has entered into a rehabilitation proceeding under the protection of the Korean Courts. See Item 4.B “Business Overview - Recent Developments.” If low charter rates in the drybulk market decline further for any significant period, this would have an adverse effect on our vessel values and our ability to comply with the financial covenants in our loan agreements. In such a situation, unless our lenders were willing to provide waivers of covenant compliance or modifications to our covenants, our lenders could accelerate our debt and we could face the loss of our vessels.

We may not be able to successfully charter our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

- supply and demand for energy resources, commodities, semi-finished and finished consumer and industrial products;
- changes in the exploration or production of energy resources, commodities, semi-finished and finished consumer and industrial products;
- the location of regional and global exploration, production and manufacturing facilities;
- the location of consuming regions for energy resources, commodities, semi-finished and finished consumer and industrial products;
- the globalization of production and manufacturing;
- global and regional economic and political conditions, including armed conflicts, terrorist activities, embargoes and strikes;
- 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 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.

We anticipate that the future demand for our drybulk carriers will be dependent upon continued 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. The capacity of the global drybulk carrier fleet seems likely to increase and economic growth may not continue. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

An over-supply of drybulk carrier capacity may lead to reductions in charter hire rates and profitability.

The market supply of drybulk carriers has been increasing, and the number of drybulk carriers on order is near historic highs. These newbuildings were delivered in significant numbers starting at the beginning of 2006 and through 2009. As of April 12, 2011, newbuilding orders had been placed for an aggregate of more than 49.4% of the existing global drybulk fleet, with deliveries expected during the next three years**.** An over-supply of drybulk carrier capacity may result in a reduction of charter hire rates. If such a reduction occurs, upon the expiration or termination of our vessels' current charters we may only be able to re-charter our vessels at reduced or unprofitable rates or we may not be able to charter these vessels at all.

The market values of our vessels may decrease, which could limit the amount of funds that we can borrow or trigger certain financial covenants under our current or future credit facilities and or we may incur a loss if we sell vessels following a decline in their market value.

The fair market values of our vessels are related to prevailing freight charter rates. While the fair market value of vessels and the freight charter market have a very close relationship as the charter market moves from trough to peak, the time lag between the effect of charter rates on market values of ships can vary.

The fair market value of our vessels may increase and decrease depending on a number of factors including:

- prevailing level of charter rates;
- general economic and market conditions affecting the shipping industry;
- types and sizes of vessels;
- supply and demand for vessels;
- other modes of transportation;
- cost of newbuildings;
- governmental and other regulations; and
- technological advances.

In addition, as vessels grow older, they generally decline in value. If the fair market value of our vessels declines, we may not be in compliance with certain provisions of our credit facilities, and our lenders could accelerate our indebtedness or require us to pay down our indebtedness to a level where we are again in compliance with our loan covenants. If our indebtedness is accelerated, we may not be able to refinance our debt or obtain additional financing. In addition, if we sell one or more of our vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our consolidated financial statements, the sale may be less than the vessel's carrying value on our consolidated financial statements, resulting in a loss and a reduction in earnings. Furthermore, if vessel values fall significantly we may have to record an impairment adjustment in our financial statements which could adversely affect our financial results.

An economic slowdown in the Asia Pacific region could exacerbate the effect of recent slowdowns in the economies of the European Union and may have a material adverse effect on our business, financial condition and results of operations.

We anticipate a significant number of the port calls made by our vessels will continue to involve the loading or discharging of drybulk commodities in ports in the Asia Pacific region. As a result, any negative changes in economic conditions in any Asia Pacific country, particularly in China, may exacerbate the effect of recent slowdowns in the economies of the European Union and may have a material adverse effect on our business, financial condition and results of operations, as well as our future prospects. 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 ("GDP") which had a significant impact on shipping demand. While the growth rate of China's GDP increased to approximately 10.3% for the year ended December 31, 2010, as compared to approximately 9.1% for the year ended December 31, 2009, the Chinese GDP growth rate remains below pre-2008 levels. China has recently imposed measures to restrain lending, which may further contribute to a slowdown in its economic growth. It is possible that China and other countries in the Asia Pacific region will continue to experience slowed or even negative economic growth in the near future. Moreover, the current economic slowdown in the economies of the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere. Our business, financial condition and results of operations, ability to pay dividends as well as our future prospects, will likely be materially and adversely affected by a further economic downturn in any of these countries.

The earthquake and resulting tsunami and nuclear power plant crisis that struck Japan in March 2011 could, in the near term, reduce drybulk trade to and from Japan, affect global charter rates and adversely affect our business.

In March 2011, a severe earthquake struck northern Japan. The earthquake created a severe tsunami, the effects of which were felt in Japan and other countries along the eastern cost of Asia and across the Pacific Ocean. In addition, the earthquake and resulting tsunami have caused several nuclear power plants located in Japan to fail and emit radiation which possibly could result in meltdowns that could have catastrophic effects. The full effect of these disasters, both on the Japanese and global economies and the environment, are not currently known, and may not be known for a significant period of time. These disasters will likely result in less drybulk trade to and from Japan, in the short term, and could reduce charter rates globally in the short term. In addition, there can be no assurances that vessels trading in the Pacific may not be impacted by the possible effects of spreading radiation. These disasters and the resulting economic effects, both in the region and globally, could have an adverse effect on our business and results of operations.

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

The Chinese economy differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. Prior to 1978, the Chinese economy was a planned economy. Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Annual and five-year state plans are adopted by the Chinese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through state plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a "market economy" and enterprise reform. Limited price reforms were undertaken with the result that prices for certain commodities are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. If the Chinese government does not continue to pursue a policy of economic reform, the level of imports to and exports from China could be adversely affected 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, such as changes in laws, regulations or export and import restrictions, all of which could adversely affect our business, operating results and financial condition.

Disruptions in world financial markets and the resulting governmental action in the United States and in other parts of the world could have a further material adverse impact on our results of operations, financial condition and cash flows, and could cause the market price of our common stock to further decline.

Recently, the United States and other parts of the world have exhibited weak economic conditions and were in a recession. For example, the credit markets in the United States have experienced significant contraction, de-leveraging and reduced liquidity, and the

United States federal government and state governments have implemented and are considering a broad variety of governmental action and/or new regulation of the financial markets. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The U.S. Securities and Exchange Commission (the "SEC"), other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws.

The uncertainty surrounding the future of the credit markets in the United States and the rest of the world has resulted in reduced access to credit worldwide. As of December 31, 2010, we had total long term gross debt outstanding of $2.9 billion, of which $2.2 billion represents secured bank debt and $0.7 billion represents unsecured convertible bonds.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. Major market disruptions and the current adverse changes in market conditions and regulatory climate in the United States and worldwide may adversely affect our business or impair our ability to borrow amounts under our credit facilities or any future financial arrangements. We cannot predict how long the current market conditions will last. However, these recent and developing economic and governmental factors, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition or cash flows, have caused the price of our common stock on the NASDAQ Global Select Market to decline and could cause the price of our common stock to decline further.

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 and in the Gulf of Aden off the coast of Somalia. Throughout 2008 and 2009, the frequency of piracy incidents increased significantly, particularly in the Gulf of Aden. For example, in November 2008, the MV *Sirius Star*, a tanker vessel not affiliated with us, was captured by pirates in the Indian Ocean while carrying crude oil estimated to be worth $100 million and was released in January 2009 upon a ransom payment of $3 million. In February 2009, the vessel MV *Saldanha*, which is owned by our subsidiary, Team-Up Owning Company Limited, was seized by pirates while transporting coal through the Gulf of Aden. In April 2009, the *Maersk Alabama*, a 17,000-ton containership not affiliated with us, was seized by Somali pirates. Both of these ships were later released. If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones, as the Gulf of Aden temporarily was in May 2008, or Joint War Committee "war and strikes" listed areas, premiums payable for such insurance coverage could increase significantly and such insurance coverage may be more difficult to obtain. Crew costs, including those due to employing onboard security guards, could increase in such circumstances. In addition, 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 it 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, 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, results of operations and cash flows.

The U.S. government recently imposed legislation concerning the deteriorating situation in Somalia, including acts of piracy offshore Somalia. On April 13, 2010, the President of the United States issued an Executive Order, which we refer to as the Order, prohibiting, among other things, the payment of monies to or for the benefit of individuals and entities on the list of Specially Designated Nationals ("SDNs") published by U.S. Department of the Treasury's Office of Foreign Assets Control. Certain individuals associated with piracy offshore Somalia are currently designated persons under the SDN list. The Order is applicable only to payments by U.S. persons and not by foreign entities such as DryShips Inc. Notwithstanding this fact, it is possible that the Order, and the regulations promulgated thereunder, may affect foreign private issuers to the extent that such foreign private issuers provide monies, such as ransom payments to secure the release of crews and ships in the event of detention hijackings, to any SDN for which they seek reimbursement from a U.S. insurance carrier. While additional regulations relating to the Order may be promulgated by the U.S. government in the future, we cannot predict what effect these regulations may have on our operations.

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

Terrorist attacks such as those in New York on September 11, 2001, in Spain on March 11, 2004, in London on July 7, 2005 and in Mumbai in 2008 and the continuing response of the United States to these attacks, as well as the threat of future terrorist attacks in the United States or elsewhere, continues to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. The continuing conflicts in Afghanistan and Iraq may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These

uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

Terrorist attacks on vessels, such as the October 2002 attack on the VLCC Limburg, a vessel not related to us, may in the future also negatively affect our operations and financial condition and directly impact our vessels or our customers. Future terrorist attacks could result in increased volatility of the financial markets in the United States and globally and may impact the economic recession in the United States and other countries. Any of these occurrences could have a material adverse impact on our revenues and costs.

Our revenues are subject to seasonal fluctuations, which could affect our operating results and our ability to pay dividends, if any, in the future.

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter-to-quarter volatility in our operating results, which could affect our ability to pay dividends, if any, in the future 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 in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues have historically been weaker during the fiscal quarters ended June 30 and September 30, and, conversely, our revenues have historically been stronger in fiscal quarters ended December 31 and March 31. This seasonality may adversely affect our operating results and our ability to pay dividends, if any, in the future.

Rising fuel prices may adversely affect our profits.

While we do not directly bear the cost of fuel or bunkers under our time and bareboat charters, fuel is a significant, if not the largest, expense in our shipping operations when vessels are under spot charter. Changes in the price of fuel may adversely affect our profitability. 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 ("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.

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.

Our business and the operation of our drybulk vessels and tankers are materially affected by 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.

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 the requirements set forth in the United Nations' International Maritime Organization's (the "IMO's") International Management Code for the Safe Operation of Ships and Pollution Prevention (the "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. Each of the vessels that has been delivered to us is ISM Code-certified and we expect that any vessels that we acquire in the future will be ISM Code-certified when delivered to us. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate

existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. 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, this may decrease our revenues.

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 drybulk and tanker vessels operate or are registered, which can significantly affect the ownership and operation of those vessels. These requirements include, but are not limited to, the International Convention on Civil Liability for Oil Pollution Damage of 1969, the International Convention for the Prevention of Pollution from Ships of 1975, the International Convention for the Prevention of Marine Pollution of 1973, the International Convention for the Safety of Life at Sea of 1974, the International Convention on Load Lines of 1966, the U.S. Oil Pollution Act of 1990 ("OPA") the U.S. Clean Air Act, the U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002. 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, elimination of tin-based paint, 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. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages. The April 2010 Deepwater Horizon oil spill in the Gulf of Mexico may also result in additional laws or regulatory initiatives, including the raising of liability caps under OPA that may affect our operations or require us to incur additional expenses to comply with such regulatory initiatives. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents.

TMS Bulkers Ltd. ("TMS Bulkers"), managers of the MV *Oliva*, one of our Panamax drybulk carriers, reported that on March 16, 2011, the vessel ran aground at Nightingale Island, which is part of the "Tristan Da Cunha" group of islands in the South Atlantic Ocean. At the time of the incident the vessel was on its way from Santos, Brazil to China, loaded with 65,266 metric tons of soya beans. The following day the vessel broke in two. Both the vessel and the cargo are lost and are considered to be actual total losses for insurance purposes. In addition, bunkers leaked from the damaged hull, which has affected the local birdlife and marine environment. There were no injuries to the 22 crew members on board.

TMS Bulkers activated its Emergency Response Plan and has deployed all appropriate resources in close cooperation with the local authorities to mitigate the damage arising from this accident. That response has included the attendance of a large local vessel, which was joined a few days later by a salvage tug with appropriate equipment for bird rehabilitation and oil clean-up operations, as well as salvage operations. A second tug and a small general cargo vessel also have been chartered to deliver additional equipment and a team of specialists from The Southern African Foundation for the Conservation of Coastal Birds (the "SANCCOB"). Oil pollution experts International Tanker Operators Pollution Federation ("ITOPF") have been coordinating the response to the casualty, in conjunction with TMS Bulkers and the vessel's Protection & Indemnity liability insurers (Gard). The vessel's hull was fully insured and the Hull & Machinery insurers were notified of the loss.

We and our liability insurers are in the process of determining the potential liabilities arising from the accident and the amounts involved. We anticipate that the majority of its costs and losses will be covered by our insurance.

Although we have arranged insurance to cover certain environmental risks, such insurance may not be sufficient to cover all such risks. As a result, claims against us, including claims that may be made against us as a result of the grounding of the vessel MV *Oliva* described above, could result in 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.

Increased inspection procedures and tighter import and export controls could increase costs and disrupt our business.

International shipping is subject to various security and customs inspections and related procedures in countries of origin, destination and trans-shipment points. Inspection procedures may result in the seizure of the contents of our vessels, delays in the loading, offloading or delivery of our vessels and the levying of customs duties, fines or other penalties against us.

It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, financial condition and results of operations.

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

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a claimant may seek to obtain security for its claim by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of money to have the arrest or attachment lifted. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could attempt to assert "sister ship" liability against a vessel in our fleet for claims relating to another of our vessels.

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

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

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.

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 do. Competition for the transportation of drybulk cargo by sea 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, competitors with greater resources could enter the drybulk shipping industry and operate larger fleets through consolidations or acquisitions and may be able to offer lower charter rates and higher quality vessels than we are able to offer. If we are unable to successfully compete with other drybulk shipping companies, this would have an adverse impact on our results of operations.

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.

The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator. Any of these circumstances or events could increase our costs or lower our revenues.

The shipping industry has inherent operational risks that may not be adequately covered by our insurance.

We procure insurance for our fleet against risks commonly insured against by vessel owners and operators. Our current insurance includes hull and machinery insurance, war risks insurance and protection and indemnity insurance (which includes environmental damage and pollution insurance). We may not be adequately insured against all risks or our insurers may not pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement vessel in the event of a loss. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs.

The operation of drybulk carriers has certain unique operational risks.

The operation of certain ship types, such as drybulk carriers, has certain unique risks. With a drybulk carrier, the cargo itself and its interaction with the ship can be a risk factor. By their nature, drybulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, drybulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold), and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach to the sea. Furthermore, any defects or flaws in the design of a drybulk carrier may contribute to vessel damage. Hull breaches in drybulk carriers may lead to the flooding of the vessels holds. If a drybulk carrier suffers flooding in its 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 our ability to pay dividends, if any, in the future. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

Offshore Drilling Industry—Specific Risk Factors

Our business in the offshore drilling sector depends on the level of activity in the offshore oil and gas industry, which is significantly affected by, among other things, volatile oil and gas prices and may be materially and adversely affected by a decline in the offshore oil and gas industry.

The offshore contract drilling industry is cyclical and volatile. Our business in the offshore drilling sector depends on the level of activity in oil and gas exploration, development and production in offshore areas worldwide. The availability of quality drilling prospects, exploration success, relative production costs, the stage of reservoir development and political and regulatory environments affect customers' drilling programs. Oil and gas prices and market expectations of potential changes in these prices also significantly affect this level of activity and demand for drilling units.

Oil and gas prices are extremely volatile and are affected by numerous factors beyond our control, including the following:

- worldwide production and demand for oil and gas;
- the cost of exploring for, developing, producing and delivering oil and gas;
- expectations regarding future energy prices;
- advances in exploration, development and production technology;
- the ability of OPEC to set and maintain levels and pricing;
- the level of production in non-OPEC countries;
- government regulations;
- local and international political, economic and weather conditions;
- domestic and foreign tax policies;
- development and exploitation of alternative fuels;
- the policies of various governments regarding exploration and development of their oil and gas reserves; and
- the worldwide military and political environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East or other geographic areas or further acts of terrorism in the United States, or elsewhere.

Declines in oil and gas prices for an extended period of time, or market expectations of potential decreases in these prices, could negatively affect our business in the offshore drilling sector. Crude oil inventories remain at high levels compared to historical levels, which may place downward pressure on the price of crude oil and demand for offshore drilling units. Sustained periods of low

oil prices typically result in reduced exploration and drilling because oil and gas companies' capital expenditure budgets are subject to their cash flow and are therefore sensitive to changes in energy prices. These changes in commodity prices can have a dramatic effect on rig demand, and periods of low demand can cause excess rig supply and intensify the competition in the industry which often results in drilling units, particularly lower specification drilling units, being idle for long periods of time. We cannot predict the future level of demand for our services or future conditions of the oil and gas industry. Any decrease in exploration, development or production expenditures by oil and gas companies could reduce our revenues and materially harm our business and results of operations.

In addition to oil and gas prices, the offshore drilling industry is influenced by additional factors, including:

- the availability of competing offshore drilling vessels;
- the level of costs for associated offshore oilfield and construction services;
- oil and gas transportation costs;
- the discovery of new oil and gas reserves;
- the cost of non-conventional hydrocarbons, such as the exploitation of oil sands; and
- regulatory restrictions on offshore drilling.

Any of these factors could reduce demand for our services and adversely affect our business and results of operations.

Any renewal of the recent worldwide economic downturn could have a material adverse effect on our revenue, profitability and financial position.

Although there are signs that the economic recession has abated in many countries, there is still considerable instability in the world economy and in the economies of countries such as Greece, Spain, Portugal and Italy which could initiate a new economic downturn, or introduce volatility in the global markets. A decrease in global economic activity would likely reduce worldwide demand for energy and result in an extended period of lower crude oil and natural gas prices. In addition, continued hostilities in the Middle East, recent tensions in the Middle East and North Africa following the protests in Egypt and the occurrence or threat of terrorist attacks against the United States or other countries could adversely affect the economies of the United States and those of other countries. Any prolonged reduction in crude oil and natural gas prices would depress the levels of exploration, development and production activity. Moreover, even during periods of high commodity prices, customers may cancel or curtail their drilling programs, or reduce their levels of capital expenditures for exploration and production for a variety of reasons, including their lack of success in exploration efforts. These factors could cause our revenues and margins to decline, decrease daily rates and utilization of our drilling units and limit our future growth prospects. Any significant decrease in daily rates or utilization of our drilling units could materially reduce our revenues and profitability. In addition, any instability in the financial and insurance markets, as experienced in the recent financial and credit crisis, could make it more difficult for us to access capital and to obtain insurance coverage that we consider adequate or are otherwise required by our contracts.

The offshore drilling industry is highly competitive and there is intense price competition, and as a result, we may be unable to compete successfully with other providers of contract drilling services that have greater resources than we have.

The offshore contract drilling industry is highly competitive with several industry participants, none of which has a dominant market share, and is characterized by high capital and maintenance requirements. Drilling contracts are traditionally awarded on a competitive bid basis. Price competition is often the primary factor in determining which qualified contractor is awarded the drilling contract, although drilling unit availability, location and suitability, the quality and technical capability of service and equipment, reputation and industry standing are key factors which are considered. Mergers among oil and natural gas exploration and production companies have reduced, and may from time to time further reduce the number of available customers, which would increase the ability of potential customers to achieve pricing terms favorable to them.

Many of our competitors in the offshore drilling industry are significantly larger than we are and have more diverse drilling assets and significantly greater financial and other resources than we have. In addition, because of the relatively small size of our drilling segment, we may be unable to take advantage of economies of scale to the same extent as some of our larger competitors. Given the high capital requirements that are inherent in the offshore drilling industry, we may also be unable to invest in new technologies or expand our drilling segment in the future as may be necessary for us to succeed in this industry, while our larger competitors with superior financial resources, and in many cases less leverage than we have, may be able to respond more rapidly to

changing market demands and compete more efficiently on price for drillship and drilling rig employment. We may not be able to maintain our competitive position, and we believe that competition for contracts will continue to be intense in the future. Our inability to compete successfully may reduce our revenues and profitability.

An over-supply of drilling units may lead to a reduction in dayrates and therefore may materially impact our profitability in our offshore drilling segment.

During the recent period of high utilization and high dayrates, industry participants have increased the supply of drilling units by ordering the construction of new drilling units. Historically, this has resulted in an over-supply of drilling units and has caused a subsequent decline in utilization and dayrates when the drilling units enter the market, sometimes for extended periods of time until the units have been absorbed into the active fleet. According to industry sources, the worldwide fleet of ultra-deepwater drilling units as of April 2011 consisted of 79 units, comprised of 42 semi-submersible rigs and 37 drillships. An additional 17 semi-submersible rigs and 40 drillships are under construction or on order as of April 2011, which would bring the total fleet to 136 drilling units by mid 2014. The entry into service of these new, upgraded or reactivated drilling units will increase supply and has already led to a reduction in dayrates as drilling units are absorbed into the active fleet. In addition, the new construction of high-specification rigs, as well as changes in our competitors' drilling rig fleets, could require us to make material additional capital investments to keep our fleet competitive. Lower utilization and dayrates could adversely affect our revenues and profitability. Prolonged periods of low utilization and dayrates could also result in the recognition of impairment charges on our drilling units if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these drilling units may not be recoverable.

The market value of our current drilling units and drilling units we may acquire in the future may decrease, which could cause us to incur losses if we decide to sell them following a decline in their market values.

If the offshore contract drilling industry suffers adverse developments in the future, the fair market value of our drilling units may decline. The fair market value of the drilling units we currently own or may acquire in the future may increase or decrease depending on a number of factors, including:

- prevailing level of drilling services contract dayrates;
- general economic and market conditions affecting the offshore contract drilling industry, including competition from other offshore contract drilling companies;
- types, sizes and ages of drilling units;
- supply and demand for drilling units;
- costs of newbuildings;
- governmental or other regulations; and
- technological advances.

If we sell any drilling units when drilling unit prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the drilling unit's carrying amount on our financial statements, resulting in a loss. Additionally, our lenders may accelerate loan repayments should there be a loss in the market value of our drilling units. Such loss or repayment could materially and adversely affect our business prospects, financial condition, liquidity, results of operations, and our ability to pay dividends to our shareholders.

Consolidation of suppliers may increase the cost of obtaining supplies, which may have a material adverse effect on our results of operations and financial condition.

We rely on certain third parties to provide supplies and services necessary for our offshore drilling operations, including but not limited to drilling equipment suppliers, catering and machinery suppliers. Recent mergers have reduced the number of available suppliers, resulting in fewer alternatives for sourcing key supplies. Such consolidation, combined with a high volume of drilling units under construction, may result in a shortage of supplies and services thereby increasing the cost of supplies and/or potentially inhibiting the ability of suppliers to deliver on time. These cost increases or delays could have a material adverse effect on our results of operations and result in rig downtime, and delays in the repair and maintenance of our drilling units.

Our international operations in the offshore drilling sector involve additional risks, including acts of piracy, which could adversely affect our business.

We operate in various regions throughout the world. Our two existing drilling rigs, the *Leiv Eiriksson* and the *Eirik Raude*, are currently demobilizing from operations in the Black Sea and operating offshore of Ghana, respectively, and our drillships, the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*, are scheduled to commence drilling and related operations in Greenland in May 2011 and offshore of Ghana and Cote d'Ivoire in the second quarter of 2011, respectively. In addition, our drillship, the *Ocean Rig Poseidon*, which is currently under construction, is scheduled to commence a contract in the third quarter of 2011 for drilling offshore of Tanzania and West Africa. In the past we have operated the *Eirik Raude* in the Gulf of Mexico, offshore of Canada, Norway, the U.K., and Ghana, while the *Leiv Eiriksson* has operated offshore of West Africa, Turkey, Ireland, west of the Shetland Islands and in the North Sea. Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and in the Gulf of Aden off the coast of Somalia. Throughout 2008 and 2009, the frequency of piracy incidents increased significantly, particularly in the Gulf of Aden. As a result of our international operations, we may be exposed to political and other uncertainties, including risks of:

- terrorist acts, war and civil disturbances;
- piracy;
- seizure, nationalization or expropriation of property or equipment;
- repudiation, nullification, indemnification or reregulation of contracts;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- political unrest;
- foreign and U.S. monetary policy and foreign currency fluctuations and devaluations;
- the inability to repatriate income or capital;
- complications associated with repairing and replacing equipment in remote locations;
- import-export quotas, wage and price controls, imposition of trade barriers;
- regulatory or financial requirements to comply with foreign bureaucratic actions;
- changing taxation policies;
- other forms of government regulation and economic conditions that are beyond our control; and
- governmental corruption.

We are indemnified to some extent against loss of capital assets, but generally not loss of revenue, from certain of these risks through provisions in our drilling contracts. In addition, international contract drilling operations are subject to various laws and regulations in countries in which we operate, including laws and regulations relating to:

- the equipping and operation of drilling units;
- repatriation of foreign earnings;
- oil and gas exploration and development;
- taxation of offshore earnings and earnings of expatriate personnel; and
- use and compensation of local employees and suppliers by foreign contractors.

Some foreign governments favor or effectively require (i) the awarding of drilling contracts to local contractors or to drilling units owned by their own citizens, (ii) the use of a local agent or (iii) foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may adversely affect our ability to compete in those regions. It is difficult to predict what governmental regulations may be enacted in the future that could adversely affect the international drilling industry. The actions of foreign governments, including initiatives by OPEC, may adversely affect our ability to compete. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject us to criminal sanctions or civil remedies, including fines, denial of export privileges, injunctions or seizures of our assets.

Our business and operations involve numerous operating hazards.

Our offshore drilling operations are subject to hazards inherent in the drilling industry, such as blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, punch throughs, craterings, fires, explosions and pollution, including spills similar to the events on April 20, 2010 related to the *Deepwater Horizon*, in which we were not involved. Contract drilling and well servicing require the use of heavy equipment and exposure to hazardous conditions, which may subject us to liability claims by employees, customers and third parties. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations. Our offshore drilling segment is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather and marine life infestations. Operations may also be suspended because of machinery breakdowns, abnormal drilling conditions, and failure of subcontractors to perform or supply goods or services, or personnel shortages. We customarily provide contract indemnity to our customers for claims that could be asserted by us relating to damage to or loss of our equipment, including rigs and claims that could be asserted by us or our employees relating to personal injury or loss of life.

Damage to the environment could also result from our operations, particularly through spillage of fuel, lubricants or other chemicals and substances used in drilling operations, leaks and blowouts or extensive uncontrolled fires. We may also be subject to property, environmental and other damage claims by oil and gas companies. Our insurance policies and contractual indemnity rights with our customers may not adequately cover losses, and we do not have insurance coverage or rights to indemnity for all risks. Consistent with standard industry practice, our clients generally assume, and indemnify us against, well control and subsurface risks under dayrate contracts. These are risks associated with the loss of control of a well, such as blowout or cratering, the cost to regain control of or re-drill a well and associated pollution. However, there can be no assurance that these clients will be willing or financially able to indemnify us against all these risks. We have no insurance coverage for named storms in the Gulf of Mexico and war risk worldwide. Furthermore, pollution and environmental risks generally are not totally insurable.

Our insurance coverage may not adequately protect us from certain operational risks inherent in the drilling industry.

We maintain insurance for our drilling units in accordance with industry standards. Our insurance is intended to cover normal risks in our current operations, including insurance against property damage, occupational injury and illness, loss of hire, certain war risk and third-party liability, including pollution liability.

Although we have obtained insurance for the full assessed market value of our drilling units, insurance coverage may not, under certain circumstances, be available, and if available, may not provide sufficient funds to protect us from all losses and liabilities that could result from our operations. We have also obtained loss of hire insurance which becomes effective after 45 days of downtime with coverage that extends for approximately one year. We received insurance payments under this policy when, in the first quarter of 2007, the *Eirik Raude* experienced 62 days of downtime operating offshore Newfoundland due to drilling equipment failure and hull structure repair that were the result of design issues. The principal risks which may not be insurable are various environmental liabilities and liabilities resulting from reservoir damage caused by our gross negligence. Moreover, our insurance provides for premium adjustments based on claims and is subject to deductibles and aggregate recovery limits. In the case of pollution liabilities, our deductible is $10,000 per event and $250,000 for protection and indemnity claims brought before any U.S. jurisdiction. Our aggregate recovery limits are $625 million for oil pollution and $500 million for all other claims under our protection and indemnity insurance which is provided by mutual protection and indemnity associations. Our deductible is $1.5 million per hull and machinery insurance claim. In addition, insurance policies covering physical damage claims due to a named windstorm in the Gulf of Mexico generally impose strict recovery limits, which may result in losses on any damage to our drilling units that may be operated in that region in the future. Our insurance coverage may not protect fully against losses resulting from a required cessation of rig operations for environmental or other reasons. Insurance may not be available to us at all or on terms acceptable to us, we may not maintain insurance or, if we are so insured, our policy may not be adequate to cover our loss or liability in all cases. The occurrence of a casualty, loss or liability against which we may not be fully insured could significantly reduce our revenues, make it financially impossible for us to obtain a replacement rig or to repair a damaged rig, cause us to pay fines or damages which are generally not insurable and that may have priority over the payment obligations under our indebtedness or otherwise impair our ability to meet our obligations under our indebtedness and to operate profitably.

Governmental laws and regulations, including environmental laws and regulations, may add to our costs or limit our drilling activity.

Our business in the offshore drilling industry is affected by laws and regulations relating to the energy industry and the environment in the geographic areas where we operate. The offshore drilling industry is dependent on demand for services from the oil and gas exploration and production industry, and, accordingly, we are directly affected by the adoption of laws and regulations that, for economic, environmental or other policy reasons, curtail exploration and development drilling for oil and gas. We may be

required to make significant capital expenditures to comply with governmental laws and regulations. It is also possible that these laws and regulations may, in the future, add significantly to our operating costs or significantly limit drilling activity. Our ability to compete in international contract drilling markets may be limited by foreign governmental regulations that favor or require the awarding of contracts to local contractors or by regulations requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Governments in some countries are increasingly active in regulating and controlling the ownership of concessions, the exploration for oil and gas, and other aspects of the oil and gas industries. Offshore drilling in certain areas has been curtailed and, in certain cases, prohibited because of concerns over protection of the environment. Operations in less developed countries can be subject to legal systems that are not as mature or predictable as those in more developed countries, which can lead to greater uncertainty in legal matters and proceedings.

To the extent new laws are enacted or other governmental actions are taken that prohibit or restrict offshore drilling or impose additional environmental protection requirements that result in increased costs to the oil and gas industry, in general, or the offshore drilling industry, in particular, our business or prospects could be materially adversely affected. The operation of our drilling units will require certain governmental approvals, the number and prerequisites of which cannot be determined until we identify the jurisdictions in which we will operate on securing contracts for the drilling units. Depending on the jurisdiction, these governmental approvals may involve public hearings and costly undertakings on our part. We may not obtain such approvals or such approvals may not be obtained in a timely manner. If we fail to timely secure the necessary approvals or permits, our customers may have the right to terminate or seek to renegotiate their drilling contracts to our detriment. The amendment or modification of existing laws and regulations or the adoption of new laws and regulations curtailing or further regulating exploratory or development drilling and production of oil and gas could have a material adverse effect on our business, operating results or financial condition. Future earnings may be negatively affected by compliance with any such new legislation or regulations.

We are subject to complex laws and regulations, including environmental laws and 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 requirements include, but are not limited to, the International Convention on Civil Liability for Oil Pollution Damage of 1969, the Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter of 1975, the International Convention for the Prevention of Marine Pollution of 1973, the International Convention for the Safety of Life at Sea of 1974, the International Convention on Load Lines of 1966, the U.S. Oil Pollution Act of 1990, or OPA, the U.S. Clean Air Act, U.S. Clean Water Act and the U.S. Maritime Transportation Security Act of 2002. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions, including greenhouse gases, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil in U.S. waters, including the 200-nautical mile exclusive economic zone around the United States. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other international and U.S. 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, such insurance may not be sufficient to cover all such risks. As a result, claims against us could result in a material adverse effect on our business, results of operations, cash flows and financial condition.

Although our drilling units are separately owned by our subsidiaries, under certain circumstances a parent company and all of the ship-owning affiliates in a group under common control engaged in a joint venture could be held liable for damages or debts owed by one of the affiliates, including liabilities for oil spills under OPA or other environmental laws. Therefore, it is possible that we could be subject to liability upon a judgment against us or any one of our subsidiaries.

While we conduct planned and systematic maintenance on our drilling rigs in an effort to prevent the release of oil, waste and other pollutants into the sea and into protected areas, our predecessor caused the release of less than one cubic meter of hydraulic oil in the Barents Sea on April 12, 2005, and future releases could occur, especially as our drilling rigs age. Any releases may be large in quantity, above our permitted limits or occur in protected or sensitive areas where public interest groups or governmental authorities have special interests. No sanctions were imposed as a result of the Barents Sea release, but future releases could result in fines and

other costs to us, such as costs to upgrade our drilling rigs, clean up the releases, and comply with more stringent requirements in our discharge permits. Moreover, these releases may result in our customers or governmental authorities suspending or terminating our operations in the affected area, which could have a material adverse effect on our business, results of operation and financial condition.

We expect that we will be able to obtain from our customers some degree of contractual indemnification against pollution and environmental damages in most of our contracts. But, such indemnification may not be enforceable in all instances or the customer may not be financially able to comply with its indemnity obligations in all cases. And, we may not be able to obtain such indemnification agreements in the future.

We currently maintain insurance coverage against certain environmental liabilities, including pollution caused by sudden and accidental oil spills. However, such insurance coverage may not be available in the future or we may not obtain the coverage. If it is available and we have the coverage, it may not be adequate to cover our liabilities. Any of these scenarios could have a material adverse effect on our business, operating results and financial condition.

Regulation of greenhouse gases and climate change could have a negative impact on our business.

In 2005, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change, which establishes a binding set of targets for reduction of greenhouse gas emissions, became binding on all those countries that had ratified it. International discussions are currently underway to develop a treaty to replace the Kyoto Protocol after its expiration in 2012. Although the United States is not a party to the Kyoto Protocol, it has taken a number of steps to limit emissions of greenhouse gas emissions, including imposing reporting and permitting requirements on certain categories of sources.

Because our business depends on the level of activity in the offshore oil and gas industry, existing or future laws, regulations, treaties or international agreements related to greenhouse gases and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and gas. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business.

The Deepwater Horizon oil spill in the Gulf of Mexico may result in more stringent laws and regulations governing deepwater drilling, which could have a material adverse effect on our business, operating results or financial condition.

On April 20, 2010, there was an explosion and a related fire on the *Deepwater Horizon*, an ultra-deepwater semi-submersible drilling unit that is not connected to us, while it was servicing a well in the Gulf of Mexico. This catastrophic event resulted in the death of 11 workers and the total loss of that drilling unit, as well as the release of large amounts of oil into the Gulf of Mexico, severely impacting the environment and the region's key industries. This event is being investigated by several federal agencies, including the U.S. Department of Justice and the U.S. Congress and is also the subject of numerous lawsuits. On May 30, 2010, the U.S. Department of the Interior issued a six-month moratorium on all deepwater drilling in the outer continental shelf regions of the Gulf of Mexico and the Pacific Ocean. On July 12, 2010, the Department of the Interior issued a revised moratorium (for the same six-month period) keyed more to drilling configuration and technology rather than a specific drilling depth. In Norway, a moratorium on new drilling was issued on June 8, 2010. Norway's energy minister has also indicated that Norway will not allow deepwater oil or gas drilling in new areas until the completion of the investigation into the explosion and oil release in the Gulf of Mexico.

On October 12, 2010, the U.S. government lifted the drilling moratorium, subject to compliance with enhanced safety requirements, including those set forth in Notices to Lessees 2010-N05 and 2010-N06, both of which were implemented during the drilling ban. Additionally, all drilling in the Gulf of Mexico will be required to comply with the Interim Final Rule to Enhance Safety Measures for Energy Development on the Outer Continental Shelf (Drilling Safety Rule) and the Workplace Safety Rule on Safety and Environmental Management Systems, both of which were issued on September 30, 2010.

Although we do not currently operate our drilling rigs in these regions, we may do so in the future. In any event, those developments could have a substantial impact on the offshore oil and gas industry worldwide. The ongoing investigations and proceedings may result in significant changes to existing laws and regulations and substantially stricter governmental regulation of our drilling units. For example, BP plc, the rig operator of the Deepwater Horizon, has reached an agreement with the U.S. government to establish a claims fund of $20 billion, which far exceeds the $75 million strict liability limit set forth under OPA. Amendments to existing laws and regulations or the adoption of new laws and regulations curtailing or further regulating exploratory or development drilling and production of oil and gas, may restrict our drilling activities or require costly compliance measures that could have a material adverse effect on our business, operating results or financial condition. Future earnings may be negatively affected by compliance with any such amended or new legislation or regulations.

Acts of terrorism and political and social unrest could affect the markets for drilling services, which may have a material adverse effect on our results of operations.

Acts of terrorism and political and social unrest, brought about by world political events or otherwise, have caused instability in the world's financial and insurance markets in the past and may occur in the future. Such acts could be directed against companies such as ours. Our drilling operations could also be targeted by acts of piracy. In addition, acts of terrorism and social unrest could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services and result in lower dayrates. Insurance premiums could increase and coverage may be unavailable in the future. U.S. government regulations may effectively preclude us from actively engaging in business activities in certain countries. These regulations could be amended to cover countries where we currently operate or where we may wish to operate in the future. Increased insurance costs or increased cost of compliance with applicable regulations may have a material adverse effect on our results of operations.

Hurricanes may impact our ability to operate our drilling units in the Gulf of Mexico or other U.S. coastal waters, which could reduce our revenues and profitability.

Hurricanes Ivan, Katrina, Rita, Gustav and Ike caused damage to a number of drilling units in the Gulf of Mexico. Drilling units that were moved off their locations during the hurricanes damaged platforms, pipelines, wellheads and other drilling units. The Minerals Management Service of the U.S. Department of the Interior, now known as the Bureau of Ocean Energy Management, Regulation and Enforcement ("BOEMRE"), issued guidelines for tie-downs on drilling units and permanent equipment and facilities attached to outer continental shelf production platforms, and moored drilling rig fitness that apply through the 2013 hurricane season. These guidelines effectively impose new requirements on the offshore oil and natural gas industry in an attempt to improve the stations that house the moored units and increase the likelihood of survival of offshore drilling units during a hurricane. The guidelines also provide for enhanced information and data requirements from oil and natural gas companies operating properties in the Gulf of Mexico. BOEMRE may issue similar guidelines for future hurricane seasons and may take other steps that could increase the cost of operations or reduce the area of operations for our ultra-deepwater drilling units, thus reducing their marketability. Implementation of new BOEMRE guidelines or regulations that may apply to ultra-deepwater drilling units may subject us to increased costs and limit the operational capabilities of our drilling units. The Company's drilling units do not currently operate in the Gulf of Mexico or other U.S. Coastal waters but may do so in the future.

Any failure to comply with the complex laws and regulations governing international trade could adversely affect our operations.

The shipment of goods, services and technology across international borders subjects our offshore drilling segment to extensive trade laws and regulations. Import activities are governed by unique customs laws and regulations in each of the countries of operation. Moreover, many countries, including the United States, control the export and re-export of certain goods, services and technology and impose related export recordkeeping and reporting obligations. Governments also may impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities.

The laws and regulations concerning import activity, export recordkeeping and reporting, export control and economic sanctions are complex and constantly changing. These laws and regulations may be enacted, amended, enforced or interpreted in a manner materially impacting our operations. Shipments can be delayed and denied export or entry for a variety of reasons, some of which are outside our control and some of which may result from failure to comply with existing legal and regulatory regimes. Shipping delays or denials could cause unscheduled operational downtime. Any failure to comply with applicable legal and regulatory trading obligations also could result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from government contracts, seizure of shipments and loss of import and export privileges.

New technologies may cause our current drilling methods to become obsolete, resulting in an adverse effect on our business.

The offshore contract drilling industry is subject to the introduction of new drilling techniques and services using new technologies, some of which may be subject to patent protection. As competitors and others use or develop new technologies, we may be placed at a competitive disadvantage and competitive pressures may force us to implement new technologies at substantial cost. In addition, competitors may have greater financial, technical and personnel resources that allow them to benefit from technological advantages and implement new technologies before we can. We may not be able to implement technologies on a timely basis or at a cost that is acceptable to us.

Tanker Industry—Specific Risk Factors

If the tanker industry, which historically has been cyclical and volatile, continues to be depressed or declines further in the future, our revenues, earnings and available cash flow may be adversely affected once our newbuilding tankers are delivered to us.

The tanker industry is both cyclical and volatile in terms of charter rates and profitability. After reaching highs during the summer of 2008, charter rates for crude oil carriers fell dramatically thereafter. While the rates have improved somewhat, they remain significantly below those high levels. The recent global financial crisis may adversely affect our ability to charter our newbuilding tankers upon their delivery to us and any charters that we enter into in the future may not be sufficient to allow us to operate our vessels profitably. Fluctuations in charter rates and tanker values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products. The factors affecting the supply and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for tanker capacity include:

- demand for oil and oil products;
- supply of oil and oil products;
- regional availability of refining capacity;
- global and regional economic and political conditions;
- actions taken by OPEC and major oil producers and refiners;
- the distance oil and oil products are to be moved by sea;
- changes in seaborne and other transportation patterns;
- environmental and other legal and regulatory developments;
- currency exchange rates;
- weather and climate conditions;
- competition from alternative sources of energy; and
- international sanctions, embargoes, import and export restrictions, nationalizations and wars.

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

- the number of newbuilding deliveries;
- the scrapping rate of older vessels;
- conversion of tankers to other uses;
- the price of steel;
- the number of vessels that are out of service; and
- environmental concerns and regulations.

Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price, supply and demand for tanker capacity. The recent global economic crisis may further reduce demand for transportation of oil over longer distances and supply of tankers to carry that oil, which may materially affect our revenues, profitability and cash flows.

Changes in the crude oil and petroleum products markets could result in decreased demand for our vessels and services.

Demand for our vessels and services in transporting crude oil and petroleum products will depend upon world and regional crude oil and petroleum products markets. Any decrease in shipments of crude oil or petroleum products in those markets could have a material adverse effect on our business, financial condition and results of operations. Historically, those markets have been volatile as a result of the many conditions and events that affect the price, production and transport of crude oil and petroleum products, including competition from alternative energy sources. In the long-term it is possible that crude oil and petroleum products demand may be reduced by an increased reliance on alternative energy sources, by a drive for increased efficiency in the use of crude oil and petroleum products as a result of environmental concerns, or by high oil prices. The current recession affecting the U.S. and world economies may result in protracted reduced consumption of crude oil and petroleum products and a decreased demand for our vessels and lower charter rates, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

An over-supply of tanker capacity may prolong currently low charter rates and vessel values or lead to further reductions in charter rates, vessel values, and profitability.

The market supply of tankers is affected by a number of factors such as demand for energy resources, oil, and petroleum products, as well as strong overall economic growth in parts of the world economy including Asia. If the capacity of new ships delivered exceeds the capacity of tankers being scrapped and lost, tanker capacity will increase. In addition, the tanker newbuilding order book which extends to 2014 equaled approximately 25.9% of the existing world oil tanker fleet as of April 12, 2011, according to industry sources and the order book may increase further in proportion to the existing fleet. If the supply of tanker capacity increases and if the demand for tanker capacity does not increase correspondingly, charter rates could materially decline. A reduction in charter rates and the value of our vessels may have a material adverse effect on our results of operations and available cash once we take delivery of our newbuilding tankers.

The tanker sector is highly competitive, and we may not be able to compete successfully for charters with new entrants or established companies with greater resources.

The tanker industry is highly competitive, capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than we do. Competition for the transportation of petroleum products and oil can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Due in part to the highly fragmented market, competitors with greater resources than we have could operate larger fleets than our tanker fleet will be once our newbuilding tankers are delivered to us and, thus, 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 attract new customers, which could adversely affect our business and operations.

Changes in fuel, or bunkers, prices may adversely affect profits.

With respect to our vessels we intend to employ on time charter, the charterer is generally responsible for the cost of fuel, or bunkers, however such cost may affect the charter rates for those vessels we intend on employing on voyage charters where the owner is responsible for the cost of fuel. Changes in the price of fuel may adversely affect our profitability. 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 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.

Our operating results may be adversely affected by seasonal fluctuations in the tanker industry.

The tanker sector has historically exhibited seasonal variations in demand and, as a result, in charter rates. This seasonality may result in quarter-to-quarter volatility in our operating results. The tanker sector is typically stronger in the fall and winter months in anticipation of increased consumption of oil and petroleum products in the northern hemisphere during the winter months. As a result, our revenues from our tankers may be weaker during the fiscal quarters ended June 30 and September 30, and, conversely, revenues may be stronger in fiscal quarters ended December 31 and March 31. This seasonality could materially affect our operating results and cash available for dividends in the future.

Company Specific Risk Factors

We may not be in compliance with financial covenants contained in our credit facilities.

Our 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 or drilling units under the applicable credit facility, determined in accordance

with the terms of that facility, does not fall below a certain percentage of the outstanding amount of the loan, which we refer to as a value maintenance clause, and to satisfy certain other financial covenants. In general, these financial covenants require us to maintain (i) minimum liquidity; (ii) a minimum market adjusted equity ratio; (iii) a minimum interest coverage ratio; (iv) a minimum market adjusted net worth and (v) a minimum debt service coverage ratio. As of December 31, 2008, we were in breach of certain financial covenants, mainly the loan-to-value ratios (also known as value maintenance clauses), contained in our loan agreements relating to $1.8 billion of our debt. A violation of these covenants, if not cured by providing additional collateral within specified grace periods constitutes an event of default under our credit facilities and provides our lenders with the right to 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, reclassify our indebtedness as current liabilities and accelerate our indebtedness and foreclose their liens on our vessels, which would impair our ability to continue to conduct our business. Even though none of the lenders declared an event of default under the loan agreements, these breaches constituted potential events of default and could have resulted in the lenders requiring immediate repayment of the loans. As of September 30, 2010, we had either regained compliance with these financial covenants or obtained waivers from our lenders resolving all of the above-mentioned breaches and, accordingly, we were in compliance with the loan-to-value ratios and other financial covenants applicable under our loan agreements as of that date. As of December 31, 2010, we were either in compliance with our financial covenants or had the ability to remedy shortfalls within specified grace periods. Some of our waiver agreements expire in 2011 and 2012, at which time the original covenants come back into effect. Prevailing charter rates, which are a principal factor impacting vessel values, have been extremely volatile in recent years and are largely dependent on global economic activity, particularly in China. Charter rates and vessel values, particularly in the drybulk sector, may remain at low levels for an extended period of time, in which case it may be difficult for us to comply with the financial and other covenants in our loan agreements absent extensions of the existing waivers. There can be no assurance that our lenders will extend these waivers, if we are not in compliance with our secured loan agreements, as they expire.

If our indebtedness is accelerated, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels if our lenders foreclose their liens. In addition, if the fair value of our vessels, deteriorates significantly from their currently depressed levels, we may have to record a further impairment adjustment to our financial statements, which would adversely affect our financial results and further hinder our ability to raise capital.

We expect that the lenders will not demand payment of the loans before their maturity, provided that we pay loan installments and accumulated or accrued interest as they fall due under the existing credit facilities. We plan to settle the loan interest and scheduled loan repayments with cash generated from operations.

Our credit facilities and waivers impose operating and financial restrictions on us, and if we receive additional waivers and/or amendments to our loan agreements, our lenders may impose additional operating and financial restrictions on us and/or modify the terms of our existing loan agreements.

In addition to certain financial covenants relating to our financial position, operating performance and liquidity, the restrictions contained in our loan agreements limit our ability to, among other things:

- pay dividends to investors or make capital expenditures if we do not repay amounts drawn under the credit facilities, if there is a default under the credit facilities or if the payment of the dividend or capital expenditure would result in a default or breach of a loan covenant;
- incur additional indebtedness, including through the issuance of guarantees;
- change the flag, class or management of our vessels;
- create liens on our assets;
- sell or otherwise change the ownership of our vessels;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; and
- drop below certain minimum cash deposits, as defined in our credit facilities.

In addition, certain subsidiaries may be restricted from paying dividends to us.

See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Breach of Loan Covenants.” In connection with future waivers or amendments, lenders may impose additional restrictions on us.

Therefore, we will need to seek permission from our lenders in order to engage in certain corporate 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. Our lenders' interests may be different from our interests, and we cannot guarantee that we will be able to obtain our lenders' permission 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 limit our ability to pay dividends, if any, in the future to you, finance our future operations, make acquisitions or pursue business opportunities.

Our ability to comply with the covenants and restrictions contained in our credit facilities may be affected by economic, financial and industry conditions and other factors beyond our control. Any default under the agreements governing our indebtedness, including a default under our credit facilities, that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could prevent us from paying dividends in the future. If we are unable to repay indebtedness the lenders under our credit facilities could proceed against the collateral securing that indebtedness. In any such case, we may be unable to repay the amounts due under our credit facilities. This could have serious consequences to 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, our charter rates and dayrates, our ability to obtain charters and drilling contracts, 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.

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

Thirty of our drybulk vessels are currently employed under time charters and one of our drybulk vessels is currently employed on bareboat charter. In addition, we employ five vessels in the spot market. The ability and willingness of each of our counterparties to perform its obligations under a time charter agreement with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the drybulk shipping industry and the overall financial condition of the counterparties. In addition, in challenging market conditions, there have been reports of charterers, including some of our 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.

Three of our drybulk vessels, the MV *Capri*, MV *Samatan* and MV *Capitola* are currently on short term (spot) charters to Korea Line Corp. ("KLC"), a South Korean shipping company that announced on January 25, 2011 it had filed a petition for the rehabilitation proceeding for court receivership in the Seoul Central District Court, and the court had issued a preservation order. We were entitled to a rate of $61,000, $39,500 and $39,500 per day under our charters with KLC for the MV *Capri*, MV *Samatan* and MV *Capitola*, respectively, which were scheduled to expire between May 2013 and June 2018. On February 15, 2011 KLC's application was approved by the Seoul Court, and Joint Receivers of KLC were appointed. Upon and with effect from March 14, 2011 the shipowning companies' original charter agreements with KLC were terminated by the Joint Receivers, and the shipowning companies entered into new short term charter agreements with the Joint Receivers at reduced rates of hire and others terms, with the approval of the Seoul Court. On April 1, 2011 the shipowning companies filed claims in the corporate rehabilitation of KLC for (i) outstanding hire due under the original charter agreements, and (ii) damages and loss caused by the early termination of the original charter agreements. There can be no assurance that KLC will make the required payments due to us under the new charter agreements.

As is the case with the MV *Capri*, MV *Samatan* and MV *Capitola,* some of the charters on which we deploy 18 of the other vessels in our fleet provide for charter rates that are significantly above current market rates. Should any other counterparty fail to honor its obligations under our charter agreements, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters could be at lower rates given currently decreased charter rate levels, particularly in the drybulk carrier market. 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 comply with covenants in our credit facilities.

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

We enter into drilling services contracts with our customers, newbuilding contracts with shipyards, interest rate swap agreements and forward exchange contracts, and have employed and may employ our drilling units on fixed-term and well contracts. Our drilling contracts, newbuilding contracts, and hedging agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the offshore contract drilling industry, the overall

financial condition of the counterparty, the dayrates received for specific types of drilling rigs and drillships and various expenses. In addition, in depressed market conditions, our customers may no longer need a drilling unit that is currently under contract or may be able to obtain a comparable drilling unit at a lower dayrate. As a result, customers may seek to renegotiate the terms of their existing drilling contracts or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under an agreement 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.

Our customers may seek to cancel or renegotiate some of our drilling contracts during periods of depressed market conditions or if we experience downtime, operational difficulties, or safety-related issues.

Currently, our contracts with customers are dayrate contracts, where we charge a fixed charge per day regardless of the number of days needed to drill the well. During depressed market conditions, a customer may no longer need a unit that is currently under contract or may be able to obtain a comparable unit at a lower daily rate. As a result, customers may seek to renegotiate the terms of their existing drilling contracts or avoid their obligations under those contracts. None of our customers has attempted to renegotiate their contracts with us. In addition, our customers may have the right to terminate, or may seek to renegotiate, existing contracts if we experience downtime or operational problems above the contractual limit or in the case of specified safety-related issues, if the unit is a total loss, if the unit is not delivered to the customer or, in certain circumstances, does not pass acceptance testing within the period specified in the contract or in other specified circumstances, which include events beyond the control of either party. Our contracts with our customers may include terms allowing them to terminate contracts with little or no prior notice and without penalty or early termination payments.

In addition, we could be required to pay penalties, which could be material, if some of our contracts with our customers are terminated due to downtime, operational problems or failure to deliver. Some of our other contracts with customers may be cancelable at the option of the customer upon payment of a penalty, which may not fully compensate us for the loss of the contract. In addition, a customer that is the subject of a bankruptcy filing may elect to reject its drilling contract. Early termination of a contract may result in a unit being idle for an extended period of time. The likelihood that a customer may seek to terminate a contract is increased during periods of market weakness. If our customers cancel some of our significant contracts and we are unable to secure new contracts on substantially similar terms, or at all, we may not ultimately realize our current backlog of contracted drilling revenue and our revenues and profitability could be materially reduced.

We have a substantial amount of debt, and we may lose the ability to obtain future financing and suffer competitive disadvantages.

We had outstanding indebtedness of $2.9 billion as of December 31, 2010. In addition, in January 2011, we drew down the full amount of our $325.0 million short-term facility in connection with the delivery of the *Ocean Rig Corcovado* and we repaid a short-term overdraft credit facility of $300.0 million. In March 2011, we repaid the remaining $115.0 million outstanding under our $230.0 million credit facility in connection with the delivery of the *Ocean Rig Olympia*.

We expect to incur substantial additional indebtedness in order to fund the aggregate remaining total construction costs and construction related expenses for our two newbuilding drillships, the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*, in the aggregate amount of approximately $766.0 million as of December 31, 2010 and any further growth of our fleet. We recently received the consent of our lenders to restructure the two $562.5 million credit facilities we have entered into with Deutsche Bank, which we refer to as the Deutsche Bank credit facilities, which is subject to completion of definitive documentation. In order to draw down the facility for the construction of the *Ocean Rig Mykonos*, we are required to secure suitable employment for the drillship, as required under the loan agreement, no later than August 2011. In the event we are unable to secure suitable employment for the *Ocean Rig Mykonos* by that date, our lenders are not required to fund certain drawdowns by us under the loan agreement unless we fully cash collateralize such borrowings; and we would be required to repay all outstanding amounts under the agreement. Further, we recently received a commitment letter from Nordea Bank Finland plc for a new $800 million secured term loan facility, which is subject to completion of definitive documentation, a portion of which we intend to draw down to prepay our $325 million short term loan agreement. In addition, in February 2011, we entered into a new $70 million secured term loan facility with an international lender to partially finance the construction costs of the newbuilding tankers *Saga* and *Vilamoura*. As of March 30, 2011, we drew down the full amount of this facility. In addition, we recently received a commitment letter, which is subject to completion of definitive documentation, from an international lender for a new $32.3 million secured term loan facility to partially finance the construction costs of the newbuilding tanker *Daytona*, which is scheduled to be delivered in April 2011.

This substantial level of debt and other obligations could have significant adverse consequences on our business and future prospects, including the following:

- we may not be able to obtain financing in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;

- we may not be able to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to service the debt;
- 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 loan 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 loan agreements and debt instruments;
- less leveraged competitors could have a competitive advantage because they have lower debt service requirements; and
- we may be less able to take advantage of significant business opportunities and to react to changes in market or industry conditions than our competitors.

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 effect 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 recently expanded into and have limited experience with respect to the oil tanker sector, which sector is currently at depressed levels and could have an adverse effect on our business, results of operation and financial condition.

In November 2010, we expanded into the oil tanker sector with our entry into construction contracts for six Aframax and six Suezmax high specification tankers. We took delivery of two of our newbuilding Aframax tankers, *Saga*, in January 2011 one of our newbuilding Suezmax tankers, *Vilamoura*, in March 2011, and the remaining tankers under construction are scheduled to be delivered to us between April 2011 and December 2013**.** The charter markets for crude oil carriers and product tankers have deteriorated significantly since summer 2008 and are currently at depressed levels. These markets may be further depressed through 2011 given the significant number of newbuilding vessels scheduled to be delivered. Attractive investment opportunities in these sectors may reflect these depressed conditions, however, the return on any such investment is highly uncertain in this extremely challenging operating environment.

We have not previously operated vessels in these sectors, which are intensely competitive, have unique operational risks and are highly dependent on the availability of and demand for crude oil and petroleum products as well as being significantly impacted by the availability of modern tanker capacity and the scrapping, conversion or loss of older vessels. An inability to successfully execute an expansion into any of these sectors could be costly, distract us from our drybulk and offshore drilling business and divert management resources, each of which could have an adverse effect on our business, results of operation and financial condition.

Our ability to establish oil tanker industry relationships and a reputation for customer service and safety, as well as to acquire and renew charters, will depend on a number of factors, including our ability to man our vessels with experienced oil tanker crews and the ability to manage such risks. Given our limited experience with respect to the oil tanker industry, there is no assurance that we will be able to address the variety of vessel management risks in the oil tanker sector or to develop and maintain commercial relationships with leading charter companies, which could adversely affect our expansion into the oil tanker sector.

We will need to procure significant additional financing, which may be difficult to obtain on acceptable terms, in order to complete the construction of any of the four additional newbuilding drillships for which we exercise our option as well as our ten remaining newbuilding oil tankers.

We, through our majority-owned subsidiary, Ocean Rig UDW Inc. ("Ocean Rig UDW"), have entered into contracts with Samsung Heavy Industries Co. Ltd. ("Samsung") for the construction of two ultra-deepwater newbuilding drillships, the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*. As of December 31, 2010, and after giving effect to the payments we made in connection with the delivery of the drillship *Ocean Rig Corcovado*, our newbuilding drillship that was delivered to us on January 3, 2011, and the *Ocean Rig Olympia*, our newbuilding drillship that was delivered to us on March 30, 2011, we had remaining yard installments of $766.0 million, all of which is payable in 2011 for the construction of the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*, which are scheduled to be delivered to us in July 2011 and September 2011, respectively.

In December 2010, we completed the sale of 28,571,428 common shares of Ocean Rig UDW in an offering made to both non-United States persons in Norway in reliance on Regulation S under the Securities Act and to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act (the "Private Placement"). We received net proceeds of $488.3 million from the Private Placement, $99.0 million of which was used to purchase an option contract with Samsung for the construction of up to four additional ultra-deepwater drillships, which would be "sister-ships" to the *Ocean Rig Corcovado,* the *Ocean Rig Olympia* and the two drillships currently under construction and would have the same specifications as the *Ocean Rig Poseidon*, one of our two drillships under construction.

We intend to apply the remaining proceeds of the Private Placement of approximately $389.3 million to partially fund remaining installment payments for our newbuilding drillships and for general corporate purposes. We intend to fund the balance of the remaining installments for our newbuilding drillships with borrowings under the two Deutsche Bank credit facilities following the restructuring of these facilities for which we have received consent from our lenders, subject to completion of definitive documentation which we expect to occur in April 2011. In addition, we intend to prepay our $325.0 million short term loan agreement with borrowings under a new $800 million secured term loan facility for which we have received a commitment letter.

In order to draw down the facility for the construction of the *Ocean Rig Mykonos*, we are required to secure suitable employment for the drillship, as required under the loan agreement, no later than August 2011. In the event we are unable to secure suitable employment for the *Ocean Rig Mykonos* by that date; and we would be required to repay all outstanding amounts under the agreement. Due to competition for drilling contracts, we may find it difficult to secure employment meeting these requirements.

In addition, as described above, we have entered into an option contract with Samsung to construct up to four additional ultra-deepwater drillships, with an estimated construction cost of $600.0 million each, which would be "sister-ships" to our current drillships and would have the same specifications as the *Ocean Rig Poseidon*. Each of the four options to build a drillship may be exercised by November 2011, with vessel deliveries ranging from 2013 to 2014 depending on when the options are exercised. We paid a non-refundable deposit of approximately $99.0 million in the aggregate to secure this contract. To the extent we exercise any of the options we have with Samsung for the construction of four additional newbuilding drillships, with an estimated cost of $2.4 billion in the aggregate, we will incur additional payment obligations for which we have not arranged financing. If, on the other hand, we do not exercise any of these options, we will sacrifice the corresponding deposits, for which we paid approximately $99.0 million in the aggregate.

Pursuant to the Drillship Master Agreement dated November 22, 2010, on February 25, 2011 and on March 18, 2011 the Company made additional payments to Samsung totaling $20 million in exchange for certain amendments to the originally agreed terms and conditions.

Furthermore, on November 22, 2010 and November 29, 2010, we entered into agreements with Samsung for the construction of six Aframax and six Suezmax oil tankers. We took delivery of one of our newbuilding Aframax tankers, *Saga*, on January 18, 2011 and one of our Suezmax tankers, *Vilamoura*, on March 23, 2011. The remaining tankers under construction are scheduled to be delivered to us between April 2011 and December 2013. As of March 30, 2011, we drew down the full amount of our $70 million secured term loan facility to partially finance the delivery of the newbuilding tankers *Saga* and *Vilamoura* and we have received a commitment letter for a new $32.3 million secured term loan facility to partially finance the construction cost of our newbuilding tanker *Daytona*. We have not secured financing for the remaining construction costs of this vessel or for our other nine remaining newbuilding tankers. We have remaining construction and construction-related costs with respect to our tankers under construction of $548.3 million in the aggregate, which amounts to approximately 71.11% of the total construction cost, $159.0 million of which is payable during 2011. In the current challenging financing environment, it may be difficult to obtain secured debt to finance these purchases or raise debt or equity in the capital markets.

The restructuring of the two Deutsche Bank credit facilities, the new $800 million secured term loan facility and the new $32.3 million term loan facility are subject to completion of definitive documentation. Furthermore, the draw down under Deutsche Bank credit facility to finance the construction of the *Ocean Rig Mykonos* is subject to our obtaining suitable employment for the drillship by August 2011. If we are unable to draw down under our loan agreements, we may not be able to obtain additional financing at all or on terms acceptable to us and unless we are successful in obtaining debt financing, or raising additional equity capital, we may not be able to complete these transactions. If for any reason we fail to take delivery of our two newbuilding drillships or our 10 newbuilding oil tankers, we would be prevented from realizing potential revenues from these projects and we could also lose our deposit money, which as of December 31, 2010, amounted to $697.6 million and $122.8 million, respectively, and incur additional costs and liability to the shipyards, which may pursue claims against us under our newbuilding construction contracts and retain and sell to third parties those newbuildings to the extent completed.

Construction of vessels is subject to risks, including delays and cost overruns, which could have an adverse impact on our available cash resources and results of operations.

We have entered into contracts with an established Chinese shipyard for the construction of two Panamax drybulk carriers, which we expect to take delivery of in November 2011 and January 2012, respectively. We, through our majority-owned subsidiary, Ocean Rig UDW, have also entered into contracts with Samsung for the construction of two ultra-deepwater drillships, which we

expect to take delivery of in July 2011 and September 2011, respectively. In addition, we have also entered into contracts with Samsung for the construction of five Aframax and five Suezmax high specification tankers, which we expect to take delivery of between April 2011 and December 2013. Currently, each of our newbuilding vessels is expected to be delivered to us on time.

From time to time in the future, we may undertake new construction projects and conversion projects. In addition, we make significant upgrade, refurbishment, conversion and repair expenditures for our fleet from time to time, particularly as our vessels become older. Some of these expenditures are unplanned. These projects together with our existing construction projects and other efforts of this type are subject to risks of cost overruns or delays inherent in any large construction project as a result of numerous factors, including the following:

- shipyard unavailability;
- shortages of equipment, materials or skilled labor;
- unscheduled delays in the delivery of ordered materials and equipment;
- local customs strikes or related work slowdowns that could delay importation of equipment or materials;
- engineering problems, including those relating to the commissioning of newly designed equipment;
- latent damages or deterioration to the hull, equipment and machinery in excess of engineering estimates and assumptions;
- work stoppages;
- client acceptance delays;
- weather interference or storm damage;
- disputes with shipyards and suppliers;
- shipyard failures and difficulties;
- failure or delay of third-party equipment vendors or service providers;
- unanticipated cost increases; and
- difficulty in obtaining necessary permits or approvals or in meeting permit or approval conditions.

These factors may contribute to cost variations and delays in the delivery of our newbuilding vessels. Delays in the delivery of these newbuilding vessels or the inability to complete construction in accordance with their design specifications may, in some circumstances, result in a delay in contract commencement, resulting in a loss of revenue to us, and may also cause customers to renegotiate, terminate or shorten the term of a drilling contract or charter agreement, pursuant to applicable late delivery clauses. In the event of termination of one of these contracts, we may not be able to secure a replacement contract on as favorable terms. Additionally, capital expenditures for vessel upgrades, refurbishment and construction projects could materially exceed our planned capital expenditures. Moreover, our vessels that may undergo upgrade, refurbishment and repair may not earn a dayrate or charter hire, respectively, during the periods they are out of service. In addition, in the event of a shipyard failure or other difficulty, we may be unable to enforce certain provisions under our newbuilding contracts such as our refund guarantee, to recover amounts paid as installments under such contracts. The occurrence of any of these events may have a material adverse effect on our results of operations, financial condition or cash flows.

In the event our counterparties do not perform under their agreements with us for the construction of our newbuilding vessels and we are unable to enforce certain refund guarantees, 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.

We took delivery of our newbuilding drillships, the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*, on January 3, 2011 and March 30, 2011, respectively, from Samsung, which is located in South Korea. Currently, we have newbuilding contracts with Samsung for the construction of two sixth generation, advanced capability ultra-deepwater drillships, which are scheduled to be delivered in July 2011 and September 2011, respectively. As of December 31, 2010, we have made total yard payments in the amount of approximately $697.6 million for these two drillships and we have remaining yard installments in the amount of $766 million billion before we take possession of these drillships.

In addition, we have entered into an option contract with Samsung to construct up to four additional ultra-deepwater drillships, with an estimated construction cost of $600.0 million each, which would be "sister-ships" to our current drillships and would have the same specifications as the *Ocean Rig Poseidon,* one of our two drillships under construction. Each of the four options to build a drillship may be exercised by November 2011, with vessel deliveries ranging from 2013 to 2014 depending on when the options are exercised. We paid a non-refundable deposit of $99.0 million in the aggregate to secure this contract. Pursuant to the Drillship Master Agreement dated November 22, 2010, on February 25, 2011 and on March 18, 2011 the Company made additional payments to Samsung totaling $20 million in exchange for certain amendments to the originally agreed terms and conditions.

We took delivery of our newbuilding tankers, *Saga* and *Vilamoura* on January 18, 2011 and March 23, 2011, respectively, from Samsung. We have newbuilding contracts with Samsung for the construction of an additional 10 high-specification tankers, consisting of five Aframax and five Suezmax tankers, which are scheduled to be delivered to us between April 2011 and December 2013. As of December 31, 2010, we have made total yard payments in the amount of approximately $94.3 million for these ten tankers and we have remaining yard installments in the amount of $548.3 million before we take possession of these tankers.

Furthermore, we currently have newbuilding contracts with an established Chinese shipyard for the construction of two Panamax drybulk vessels scheduled to be delivered to us in November 2011 and January 2012. As of December 31, 2010, we have made total yard payments in the amount of approximately $13.2 million for these two vessels and we have remaining yard installments in the amount of $52.9 million before we take possession of these vessels.

In the event our counterparties under the construction contracts discussed above do not perform under their 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.

Our loan agreement for the Ocean Rig Mykonos requires us to secure employment for that drillship by August 2011 at a minimum specified dayrate and for a minimum specified term, which we have not yet satisfied.

Our ability to borrow amounts under our current credit facilities, including our cash requirements relating to the purchase of our two newbuilding ultra-deepwater drillships, is subject to the satisfaction of certain conditions precedent and compliance with terms and conditions included therein. In particular, our lenders under our $562.5 million loan agreement for financing of the *Ocean Rig Mykonos* are not required to fund drawdowns by us under such loan agreement and we will be required to repay all outstanding amounts in the event we do not obtain, by August 2011 an employment contract for the drillship at minimum dayrates of $545,000 for a two year contract, $550,000 for a three year contract and $510,000 for a five year contract and with charterers that are satisfactory to such lenders. Due to competition for drilling contracts, we may find it difficult to secure employment meeting these requirements. We have not secured employment for the *Ocean Rig Mykonos*. Prior to each drawdown of the two Deutsche Bank credit facilities, we will be required, among other things, to satisfy minimum security value requirements, and, prior to our entry into suitable employment contracts, as required by the loan agreement, we are required to meet such minimum security value requirement with additional cash collateral. To the extent that we are not able to satisfy these requirements, which may also occur if the value of our drilling units declines, we will not be able to draw down any amount under our credit facilities without obtaining a waiver or consent from the lender, which may be withheld by the lender.

If for any reason we fail to take this delivery of the *Ocean Rig Mykonos*, we would be prevented from realizing potential revenues from these newbuilding projects, we could also lose our deposit money, which as of December 31, 2010 amounted to $ 322.8 million in the aggregate for the *Ocean Rig Mykonos,* and we could incur additional costs and liability to Samsung, which may pursue claims against us under our newbuilding construction contracts and retain and sell to third parties such newbuildings to the extent completed.

We may be unable to secure ongoing drilling contracts, including for our one uncontracted drillship under construction, due to strong competition, and the contracts that we enter into may not provide sufficient cash flow to meet our cash flow obligations with respect to our indebtedness.

We have not yet secured drilling contracts for one of our newbuilding drillships, the *Ocean Rig Mykonos*, scheduled to be delivered to us during the third quarter of 2011. The existing drilling contracts for our drilling units currently employed are scheduled to expire from the fourth quarter of 2011 through the first quarter of 2013. We cannot guarantee that we will be able to obtain contracts for our one uncontracted newbuilding drillship or, upon the expiration or termination of the current contracts, for our drilling units currently employed or that there will not be a gap in employment between current contracts and subsequent contracts. In

particular, if the price of crude oil is low, or it is expected that the price of crude oil will decrease in the future, at a time when we are seeking to arrange employment contracts for our drilling units, we may not be able to obtain employment contracts at attractive rates or at all.

If the rates which we receive for the reemployment of our current drilling units are reduced, we will recognize less revenue from their operations. In addition, delays under existing contracts could cause us to lose future contracts if a drilling unit is not available to start work at the agreed date. Our ability to meet our cash flow obligations will depend on our ability to consistently secure drilling contracts for our drilling units at sufficiently high dayrates. We cannot predict the future level of demand for our services or future conditions in the oil and gas industry. If the oil and gas companies do not continue to increase exploration, development and production expenditures, we may have difficulty securing drilling contracts, including for the two newbuilding drillships we have agreed to acquire, or we may be forced to enter into contracts at unattractive dayrates. Either of these events could impair our ability to generate sufficient cash flow to make principal and interest payments under our indebtedness and meet our capital expenditure and other obligations.

We will depend upon the spot market in our tanker segment and any decrease in spot charter rates may adversely affect our financial condition and results of operations.

We currently employ our two operating tankers in spot market pools managed by Heidmar Inc., a company related to our Chairman and Chief Executive Officer. We intend to employ our remaining 10 newbuilding tankers, three of which are scheduled to be delivered to us in 2011, in spot market pools and as a result, our results of operations in our tanker segment will be significantly affected by conditions in the oil tanker spot market. The spot market is highly volatile and fluctuates based on tanker and oil supply and demand. The successful operation of our tankers in spot market pools depends on, among other things, our pool manager's ability to obtain profitable charters and minimizing, to the extent possible, time spent waiting for charters and traveling unladen to pick up cargo. In the past, there have been periods when spot rates have declined below operating costs of vessels. Future spot rates may decline significantly and may not be sufficient for us to operate our tankers profitably, which would have an adverse impact on our financial condition and results of operations.

The removal of any tanker vessels from the Sigma or Blue Fin tanker pools or any other pooling arrangement may adversely affect our operating results.

We currently employ our two operating tankers in spot market pools managed by Heidmar Inc., a related party, and we intend to employ our remaining 10 newbuilding tankers, three of which are scheduled to be delivered to us in 2011, in spot market pools. If we remove any tankers vessels from our pooling arrangements to operate under longer-term time charters, the benefits to us of the pooling arrangements could diminish. If for any reason our tanker vessels or any third party vessels cease to participate in the Sigma tanker pool or the Blue Fin tanker pool or another pooling arrangement, or if the pooling arrangements are significantly restricted, we may not achieve the benefits intended by pool participation and our results of operations could be harmed.

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.

Our earnings may be adversely affected if we are not able to take advantage of favorable charter rates for our drybulk vessels.

We charter our drybulk carriers to customers primarily pursuant to long-term or short-term time charters, which generally last from several days to several weeks, and long-term time charters, which can last up to several years. As of April 12, 2011, 34 of our drybulk vessels were employed under time charters with an average duration of two years. We may in the future extend the charter periods for additional vessels in our fleet. Our vessels that are committed to longer-term charters may not be available for employment on short-term charters during periods of increasing short-term charter hire rates when these charters may be more profitable than long-term charters.

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 market conditions improve, it is unlikely that we will reinstate the payment of dividends.

In light of a lower freight rate environment and a highly challenged financing environment, our board of directors, beginning with the fourth quarter of 2008, has suspended our common share dividend. Our dividend policy will be assessed by the board of

directors from time to time. The suspension allows us to preserve capital and use the preserved capital to capitalize on market opportunities as they may arise. 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 loan agreements, may limit our ability to pay dividends. Further, we may not be permitted to pay dividends if we are in breach of the covenants contained in our loan agreements. The waivers of our non-compliance with the covenants in our loan agreements that we received from our lenders prohibit us from paying dividends.

Investment in derivative instruments such as freight forward agreements could result in losses.

From time to time, we may take positions in derivative instruments including freight forward agreements ("FFAs"). FFAs and other derivative instruments may be used to hedge a vessel owner's exposure to the charter market by providing for the sale of a contracted charter rate along a specified route and period of time. Upon settlement, if the contracted charter rate is less than the average of the rates, as reported by an identified index, for the specified route and period, the seller of the FFA is required to pay the buyer an amount equal to the difference between the contracted rate and the settlement rate, multiplied by the number of days in the specified period. Conversely, if the contracted rate is greater than the settlement rate, the buyer is required to pay the seller the settlement sum. If we take positions in FFAs or other derivative instruments and do not correctly anticipate charter rate movements over the specified route and time period, we could suffer losses in the settling or termination of the FFA. This could adversely affect our results of operations and cash flows.

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 34 interest rate swaps for purposes of managing our exposure to fluctuations in interest rates applicable to indebtedness under 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. Most of 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 these contracts in our statement of operations. 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, under which loans have been advanced at a floating rate based on LIBOR and for which we have not entered into an interest rate swap or other hedging arrangement. 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. At December 31, 2010, the fair value of our interest rate swaps was a liability of $231 million.

We depend entirely on TMS Bulkers and TMS Tankers to manage and charter our drybulk fleet and our tankers under construction, respectively.

With respect to our operations in the drybulk and tanker shipping sectors, we currently have five employees, our Chief Executive Officer, our Chief Operating Officer, our Chief Financial Officer, our Senior Vice President Head of Accounting and Reporting and our Internal Auditor. As of January 1, 2011, we subcontract the commercial and technical management of our drybulk fleet and tankers under construction, including crewing, maintenance and repair to TMS Bulkers and TMS Tankers Ltd. ("TMS Tankers"), respectively. TMS Bulkers and TMS Tankers are beneficially majority-owned by our Chairman and Chief Executive Officer, Mr. George Economou and members of his immediate family. The remaining capital stock of TMS Bulkers and TMS Tankers is beneficially owned by the sister of Mr. Economou, Ms. Chryssoula Kandylidis, who serves on our board of directors. The loss of the services or TMS Bulkers or TMS Tankers 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 TMS Bulkers and TMS Tankers if they default on their obligations to us, you will have no recourse against either of them. Further, we are required to seek approval from our lenders to change our manager.

Under our management agreements with TMS Bulkers and TMS Tankers, TMS Bulkers and TMS Tankers shall not be liable to us for any losses or damages arising in the course of its performance under the agreement unless such loss or damage is proved to have resulted from the negligence, gross negligence or willful default by TMS Bulkers and TMS Tankers, its employees or agents and in such case TMS Bulkers's and TMS Tankers's liability per incident or series of incidents is limited to a total of ten times the annual management fee payable under the relevant agreement. The management agreements further provide that TMS Bulkers and TMS Tankers shall not be liable for any of the actions of the crew, even if such actions are negligent, grossly negligent or willful, except to the extent that they are shown to have resulted from a failure by TMS Bulkers and TMS Tankers to perform their obligations with respect to management of the crew. Except to the extent of the liability cap described above, we have agreed to indemnify TMS Bulkers and TMS Tankers and their employees and agents against any losses incurred in the course of the performance of the agreement.

TMS Bulkers and TMS Tankers are privately held company and there is little or no publicly available information about them.

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

We are dependent upon key management personnel, particularly our Chairman and Chief Executive Officer Mr. George Economou.

Our continued operations depend to a significant extent upon the abilities and efforts of our Chairman and Chief Executive Officer, Mr. George Economou. The loss of Mr. Economou's services to our Company could adversely affect our discussions with our lenders and management of our fleet during this difficult economic period and, therefore, could adversely affect our business prospects, financial condition and results of operations. We do not currently, nor do we intend to, maintain "key man" life insurance on any of our personnel, including Mr. Economou.

Our Chairman, Chief Executive Officer has affiliations with TMS Bulkers and TMS Tankers which could create conflicts of interest.

Our major shareholder is controlled by Mr. George Economou, who controls four entities that, in the aggregate, are deemed to beneficially own, directly or indirectly, approximately 13.9% of our outstanding common shares as of April 12, 2011 and a majority of the capital stock of TMS Bulkers and TMS Tankers. Mr. Economou is also our Chairman, Chief Executive Officer and a director of our Company. These responsibilities and relationships could create conflicts of interest between us, on the one hand, and TMS Bulkers and TMS Tankers, on the other hand. These conflicts may arise in connection with the chartering, purchase, sale and operations of the vessels in our fleet versus drybulk carriers and tankers managed by other companies affiliated with TMS Bulkers or TMS Tankers and Mr. Economou.

In particular, TMS Bulkers or TMS Tankers may give preferential treatment to vessels that are beneficially owned by related parties because Mr. Economou and members of his family may receive greater economic benefits.

We may have difficulty managing our planned growth properly.

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

- locate and acquire suitable vessels;
- identify and consummate acquisitions or joint ventures;
- enhance our customer base;
- manage our expansion; and
- obtain required financing on acceptable terms.

Growing any business by acquisition presents numerous risks, such as undisclosed liabilities and obligations, the possibility that indemnification agreements will be unenforceable or insufficient to cover potential losses and difficulties associated with imposing common standards, controls, procedures and policies, obtaining additional qualified personnel, managing relationships with customers and integrating newly acquired assets and operations into existing infrastructure. We may be unable to successfully execute our growth plans or we may incur significant expenses and losses in connection with our future growth which would have an adverse impact on our financial condition and results of operations.

If any of our vessels fail to maintain their class certification and/or fail any annual survey, intermediate survey, dry docking or special survey, that vessel or unit would be unable to carry cargo or operate, thereby reducing our revenues and profitability and violating certain covenants under our credit facilities.

The hull and machinery of every commercial drybulk vessel, tanker and drilling unit must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention ("SOLAS"). All of our drybulk vessels are certified as being "in class" by all the major Classification Societies (e.g., American Bureau of Shipping, Lloyd's Register of Shipping). Both our drilling rigs are certified as being "in class" by De Norske Veritas (DNV). The *Leiv Eiriksson* completed the 5-year class in 2006 and the *Eirik Raude* in 2007. The *Leiv Eiriksson* and the *Eirik Raude* are due for their next Special Periodic Survey in the first quarter of 2011 and 2012, respectively, while the *Ocean Rig Corcovado,* the *Ocean Rig Olympia*, and our drillships under construction are due for their first Special Periodical Survey in 2016. *Saga*, our tanker that was delivered to us in January 2011, *Vilamoura*, the tanker delivered to us in March 2011 are due for their first Special Periodical Survey in January 2016.

A vessel must undergo annual surveys, intermediate surveys, dry dockings 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 to three years for inspection of the underwater parts of such vessel.

If any vessel or drilling unit does not maintain its class and/or fails any annual survey, intermediate survey, dry docking or special survey, the vessel will be unable to carry cargo between ports, or operate, and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our credit facilities. Any such inability to carry cargo or be employed, or operate, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

The aging of our drybulk carrier 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 April 12, 2011, the 35 vessels in our drybulk carrier fleet had an average age of 8.1 years. 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 founded by Rio Tinto 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 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.

Our vessels and drilling units may suffer damage and we may face unexpected dry docking costs, which could adversely affect our cash flow and financial condition.

If our drybulk vessels or tankers suffer damage, they may need to be repaired at a dry docking facility. The costs of dry dock repairs are unpredictable and can be substantial. The loss of earnings while our vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings and reduce the amount of dividends, if any, in the future. We may not have insurance that is sufficient to cover all or any of these costs or losses and may have to pay dry docking costs not covered by our insurance.

If our drilling units suffer damage, they may need to be repaired at a yard facility. The costs of discontinued operations due to repairs are unpredictable and can be substantial. The loss of earnings while our rigs are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings and reduce the amount of dividends, if any, in the future. We may not have insurance that is sufficient to cover all or any of these costs or losses and may have to pay repair costs not covered by our insurance.

We may not be able to maintain or replace our drilling units as they age.

The capital associated with the repair and maintenance of our fleet increases with age. We may not be able to maintain our existing drilling units to compete effectively in the market, and our financial resources may not be sufficient to enable us to make expenditures necessary for these purposes or to acquire or build replacement drilling units.

Currently, our revenues in our offshore drilling segment depend on two drilling rigs and two drillships, which are designed to operate in harsh environments. The damage or loss of either of these drilling rigs could have a material adverse effect on our results of operations and financial condition.

Our revenues in our offshore drilling segment are dependent on two drilling rigs, the *Eirik Raude*, which is currently operating offshore of Ghana, and the *Leiv Eiriksson*, which is currently operating in the Black Sea, and the drillship *Ocean Rig Corcovado*, which is currently earning mobilization and winterization fees under its contract with Cairn Energy plc ("Cairn") and is scheduled to commence drilling and related operations in Greenland in May 2011. The *Ocean Rig Olympia* is scheduled to commence in the second quarter of 2011 contracts to drill a total of five wells with Vanco Cote d'Ivoire Ltd. and Vanco Ghana Ltd. (collectively, "Vanco") for exploration drilling offshore of Ghana and Cote d'Ivoire. Our drilling units may be exposed to risks inherent in deepwater drilling and operating in harsh environments that may cause damage or loss. The drilling of oil and gas wells, particularly exploratory wells where

little is known of the subsurface formations involves risks, such as extreme pressure and temperature, blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, punch throughs, craterings, fires, explosions, pollution and natural disasters such as hurricanes and tropical storms. In addition, offshore drilling operations are subject to perils peculiar to marine operations, either while on-site or during mobilization, including capsizing, sinking, grounding, collision, marine life infestations, and loss or damage from severe weather. The replacement or repair of a rig or drillship could take a significant amount of time, and we may not have any right to compensation for lost revenues during that time, despite our comprehensive loss of hire insurance policy. As long as we have only three drilling units in operation, loss of or serious damage to one of the drilling units could materially reduce our revenues in our offshore drilling segment for the time that a rig or drillship is out of operation. In view of the sophisticated design of the drilling units, we may be unable to obtain a replacement unit that could perform under the conditions that our drilling units are expected to operate, which could have a material adverse effect on our results of operations and financial condition.

We are exposed to U.S. Dollar and foreign currency fluctuations and devaluations that could harm our reported revenue and results of operations.

We generate all of our revenues in U.S. Dollars but currently incur approximately 50% of our operating expenses and the majority of our general and administrative expenses in currencies other than the U.S. Dollar, primarily the Euro. Our principal currency for our operations and financing for the offshore drilling sector is the U.S. Dollar. The dayrates for our two drilling rigs, the *Leiv Eiriksson* and the *Eirik Raude*, and our drillships, the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*, our principal source of revenues in the offshore drilling sector, are quoted and received in U.S. Dollars. The principal currency for operating expenses in the offshore drilling sector is also the U.S. Dollar; however, a significant portion of employee salaries and administration expenses, as well as parts of the consumables and repair and maintenance expenses are paid in Norwegian Kroner (NOK), Great British Pound (GBP), Canadian dollar (CAD) and Euro (EUR). Because a significant portion of our expenses are incurred in currencies other than the U.S. Dollar, our expenses may from time to time increase relative to our revenues as a result of fluctuations in exchange rates, particularly between the U.S. Dollar and the Euro, which could affect the amount of net income that we report in future periods. We use financial derivatives to operationally hedge some of our currency exposure. Our use of financial derivatives involves certain risks, including the risk that losses on a hedged position could exceed the nominal amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results.

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

LIBOR has recently 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 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 or pay dividends, if any, in the future.

We are a holding company and our subsidiaries 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. Under the waivers of our non-compliance with covenants in our loan agreements, we are prohibited from paying dividends during the waiver period. Furthermore, certain of our subsidiaries are obligated to use their surplus cash to prepay the balance on their long-term loans. If we are unable to obtain funds from our subsidiaries, our board of directors may not exercise its discretion to pay dividends in the future. 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, 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 dividends may be declared and paid out of our operating surplus; but in this case, there is no such surplus. Dividends may be declared or paid out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. Our ability to pay dividends, if any, in the future will also be subject to our satisfaction of certain financial covenants contained in our credit facilities and certain waivers related thereto. We may be unable to pay dividends in the anticipated amounts or at all.

As we expand our business, we may need to improve our operating and financial systems and will need to recruit suitable employees and crew for our vessels.

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, we will need to recruit suitable additional seafarers and shoreside administrative and management personnel. We may be unable to hire suitable employees as we expand our fleet. If we or our crewing agent encounters business or financial difficulties, we may not be able to adequately staff our vessels. If we are unable to grow our financial and operating systems or to recruit suitable employees as we expand our fleet, our financial performance and our ability to pay dividends, if any, in the future may be adversely affected.

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" ("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, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." 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 method of operation, we do not believe that we are, have been or 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 and voyage chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time and voyage 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 production of passive income.

There is substantial legal authority supporting this 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, it should be noted that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this 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 the nature and extent of our operations changed.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders will face adverse U.S. federal income tax consequences and information reporting obligations. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders), such shareholders would be subject to U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common shares, as if the excess distribution or gain had been recognized ratably over the U.S. shareholder's holding period of our common shares. See "Item 10.E Taxation" 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 may have to pay tax on United States source shipping income, which would reduce our earnings.

Under the U.S. Internal Revenue Code of 1986 (the "Code"), 50% of the gross shipping income of a vessel-owning or -chartering corporation, such as ourselves and certain of our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States may be subject to a 4% U.S. federal income tax without allowance for any deductions, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the Treasury Regulations promulgated thereunder.

We expect that we and each of our vessel-owning subsidiaries qualify for this statutory tax exemption and we have taken and intend to continue to 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 of the Code for a particular taxable year if shareholders with a five percent or greater interest in our common stock owned, in the aggregate, 50% or more of our outstanding common stock for more than half of the days during the taxable year. Due to the factual nature of the issues involved, it is possible that our tax-exempt status or that of any of our subsidiaries may change.

If we or our vessel-owning subsidiaries are not entitled to this exemption under Section 883 for any taxable year, we or our subsidiaries could be subject for those years to an effective 2% (i.e., 50% of 4%) U.S. federal income tax on our gross shipping

income attributable to transportation that begins or ends, but that does not both begin and end, in the United States. The imposition of this taxation could have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders.

The preferential tax rates applicable to qualified dividend income are temporary, and the enactment of proposed legislation could affect whether dividends paid by us constitute qualified dividend income eligible for the preferential rate.

Certain of our distributions may be treated as qualified dividend income eligible for preferential rates of U.S. federal income tax to non-corporate U.S. shareholders. In the absence of legislation extending the term for these preferential tax rates, all dividends received by such U.S. taxpayers in tax years beginning on January 1, 2013 or later will be taxed at graduated tax rates applicable to ordinary income.

In addition, legislation has been previously proposed in the U.S. Congress that would, if enacted, deny the preferential rate of U.S. federal income tax currently imposed on qualified dividend income with respect to dividends received from a non-U.S. corporation if the non-U.S. corporation is created or organized under the laws of a jurisdiction that does not have a comprehensive income tax system. Because the Marshall Islands imposes only limited taxes on entities organized under its laws, it is likely that if this legislation were enacted, the preferential tax rates of federal income tax may no longer be applicable to distributions received from us. As of the date of this prospectus, it is not possible to predict with certainty whether this proposed legislation will be enacted.

A change in tax laws, treaties or regulations, or their interpretation, of any country in which we operate our drilling units could result in a high tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.

We conduct our worldwide drilling operations through various subsidiaries. Tax laws and regulations are highly complex and subject to interpretation. Consequently, we are subject to changing tax laws, treaties and regulations in and between countries in which we operate. Our income tax expense is based upon our interpretation of tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, or in the interpretation thereof, or in the valuation of our deferred tax assets, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings in our offshore drilling segment, and such change could be significant to our financial results. If any tax authority successfully challenges our operational structure, inter-company pricing policies or the taxable presence of our key subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure; or if we lose a material tax dispute in any country, particularly in the United States, Canada, the United Kingdom, or Norway, our effective tax rate on our worldwide earnings from our offshore drilling operations could increase substantially and our earnings and cash flows from these operations could be materially adversely affected.

Our subsidiaries that provide services relating to drilling may be subject to taxation in the jurisdictions in which such activities are conducted. Such taxation would result in decreased earnings available to our shareholders. Ocean Rig ASA has transferred the domicile of its subsidiaries that own, directly or indirectly, the *Leiv Eiriksson* and the *Eirik Raude* to the Republic of the Marshall Islands. The *Leiv Eiriksson* and the *Eirik Raude* were transferred to the Marshall Island entities in December 2008 and the remainder of the rig-owning structure has been reorganized under Marshall Island entities during 2009.

Investors are encouraged to consult their own tax advisors concerning the overall tax consequences of the ownership of our common stock arising in an investor's particular situation under U.S. federal, state, local and foreign law.

A spin-off of our offshore drilling or tanker segment may have adverse tax consequences to shareholders.

Sometime in 2011, we may distribute, or spin-off, a voting and economic interest in our majority-owned subsidiary, Ocean Rig UDW, formerly known as Primelead Shareholders Inc., which owns and operates our drilling units. Also in 2011, we may spin-off our wholly-owned subsidiary, Olympian Heracles Holding Inc. ("Olympian Heracles Holding"), which owns our existing tanker Vessel and the construction contracts for our newbuilding tanker vessels. A spin-off of Ocean Rig UDW or Olympian Heracles Holding may be a taxable transaction to our shareholders depending upon their country of residence. A shareholder may recognize taxable gain and be subject to tax as a result of receiving shares of Ocean Rig UDW or Olympian Heracles Holding in the spin-off, notwithstanding that cash had not been received. In addition, after the spin-off, Ocean Rig UDW or Olympian Heracles Holding may be treated as a PFIC, which would have adverse U.S. federal income tax consequences to a U.S. shareholder of Ocean Rig UDW or Olympian Heracles Holding. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders), such U.S. shareholders would be subject to U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of shares of Ocean Rig UDW or Olympian Heracles Holding, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period in such shares. In the alternative, Ocean Rig UDW or Olympian Heracles Holding may

issue shares of its common stock in a public offering. If as a result of such issuance, our ownership of Ocean Rig UDW or Olympian Heracles Holding was reduced to less than 25% (but more than 0%) of the outstanding capital stock of such entity, our ownership of Ocean Rig UDW or Olympian Heracles Holding common stock could be treated as a passive asset for purposes of determining whether we are a PFIC for U.S. federal income tax purposes.

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

From time to time on charterers' instructions, our vessels may call on ports located in countries subject to sanctions and embargoes imposed by the United States government and countries identified by the U.S. government as state sponsors of terrorism. 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 ("CISADA"), which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to non-U.S. companies and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. Although we believe that we are 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 or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in our company. Additionally, some investors may decide to divest their interest, or not to invest, in our company simply because we do business with companies that do business in sanctioned countries. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. Investor perception of the value of our common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

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

For our drybulk vessels, we may be subject to increased premium payments, or calls, in amounts based on our claim records as well as the claim records of other members of the protection and indemnity associations in the International Group, which is comprised of 13 mutual protection and indemnity associations and insures approximately 90% of the world's commercial tonnage and through which we receive insurance coverage for tort liability, including pollution-related liability, as well as actual claims. Although there is no cap to the amount of such supplemental calls, historically, supplemental calls for our fleet have ranged from 0% to 40% of the annual insurance premiums, and in no year were such amounts material to the results of our operations. For the drilling units, we may be subject to increased premium payments, or calls, in amounts based on our claim records.

Our customers may be involved in the handling of environmentally hazardous substances and if discharged into the ocean may subject us to pollution liability which could have a negative impact on our cash flows, results of operations and ability to pay dividends, if any, in the future.

Our operations may involve the use or handling of materials that may be classified as environmentally hazardous substances. Environmental laws and regulations applicable in the countries in which we conduct operations have generally become more stringent. Such laws and regulations may expose us to liability for the conduct of or for conditions caused by others, or for our acts that were in compliance with all applicable laws at the time such actions were taken.

During our drilling operations in the past, we, through our subsidiary Ocean Rig UDW, have caused the release of oil, waste and other pollutants into the sea and into protected areas, such as the Barents Sea where on April 12, 2005, we discharged less than one cubic meter of hydraulic oil. While we conduct maintenance on our drilling units in an effort to prevent such releases, future releases could occur, especially as our rigs age. Such releases may be large in quantity, above our permitted limits or in protected or other areas in which public interest groups or governmental authorities have an interest. These releases could result in fines and other costs to us, such as costs to upgrade our drilling units, costs to clean up the pollution, and costs to comply with more stringent requirements in our discharge permits. Moreover, these releases may result in our customers or governmental authorities suspending or terminating our operations in the affected area, which could have a material adverse effect on our business, results of operation and financial condition.

We expect that we will be able to obtain some degree of contractual indemnification from our customers in most of our drilling contracts against pollution and environmental damages. But such indemnification may not be enforceable in all instances, the customer may not be financially capable in all cases of complying with its indemnity obligations or we may not be able to obtain such indemnification agreements in the future.

Failure to attract or retain key personnel, labor disruptions or an increase in labor costs could hurt our operations in the offshore drilling sector.

We require highly skilled personnel to operate and provide technical services and support for our business in the offshore drilling sector worldwide. As of December 31, 2010, we had approximately 564 employees, the majority of whom are permanent crew employed on the *Leiv Eiriksson*, the *Eirik Raude* and the *Ocean Rig Corcovado*. We will need to recruit additional qualified personnel as we take delivery of our newbuilding drillships. Competition for the labor required for drilling operations has intensified as the number of rigs activated, added to worldwide fleets or under construction has increased, leading to shortages of qualified personnel in the industry and creating upward pressure on wages and higher turnover. If turnover increases, we could see a reduction in the experience level of our personnel, which could lead to higher downtime, more operating incidents and personal injury and other claims, which in turn could decrease revenues and increase costs. In response to these labor market conditions, we are increasing efforts in our recruitment, training, development and retention programs as required to meet our anticipated personnel needs. If these labor trends continue, we may experience further increases in costs or limits on our offshore drilling operations. If we choose to cease operations in one of those countries or if market conditions reduce the demand for our drilling services in such a country, we would incur costs, which may be material, associated with workforce reductions.

Currently, none of our employees are covered by collective bargaining agreements. In the future, some of our employees or contracted labor may be covered by collective bargaining agreements in certain jurisdictions such as Brazil, Nigeria, Norway and the U.K. As part of the legal obligations in some of these agreements, we may be required to contribute certain amounts to retirement funds and pension plans and have restricted ability to dismiss employees. In addition, many of these represented individuals could be working under agreements that are subject to salary negotiation. These negotiations could result in higher personnel costs, other increased costs or increased operating restrictions that could adversely affect our financial performance. Labor disruptions could hinder our operations from being carried out normally and if not resolved in a timely cost-effective manner, could have a material impact our business.

Our operating and maintenance costs with respect to our offshore drilling units will not necessarily fluctuate in proportion to changes in operating revenues, which may have a material adverse effect on our results of operations, financial condition and cash flows.

Operating revenues may fluctuate as a function of changes in dayrates. However, costs for operating a drilling unit are generally fixed regardless of the dayrate being earned. Therefore, our operating and maintenance costs with respect to our offshore drilling units will not necessarily fluctuate in proportion to changes in operating revenues. In addition, should our drilling units incur idle time between contracts, we typically will not de-man those drilling units but rather use the crew to prepare the rig for its next contract. During times of reduced activity, reductions in costs may not be immediate, as portions of the crew may be required to prepare rigs for stacking, after which time the crew members are assigned to active rigs or dismissed. In addition, as our drilling units are mobilized from one geographic location to another, labor and other operating and maintenance costs can vary significantly. In general, labor costs increase primarily due to higher salary levels and inflation. Equipment maintenance expenses fluctuate depending upon the type of activity the unit is performing and the age and condition of the equipment. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are incurred. If we experience increased operating costs without a corresponding increase in earnings, this may have a material adverse effect on our results of operations, financial condition and cash flows.

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 have been and 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.

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

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977. 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 U.S. Foreign Corrupt Practices Act. 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.

Risks Relating to Our Common Stock

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

Our corporate affairs are governed by our amended and restated articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act (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 Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

Our Chairman and Chief Executive Officer, who may be deemed to beneficially own, directly or indirectly, approximately 13.9% of our common stock, may have the power to exert control over us, which may limit your ability to influence our actions.

As of April 12, 2011, our Chairman and Chief Executive Officer, Mr. George Economou, may be deemed to beneficially own, directly or indirectly, approximately 13.9% of the outstanding shares of our common stock and therefore may have the power to exert considerable influence over our actions. The interests of our Chairman and Chief Executive Officer may be different from your interests.

Future sales of our common stock could cause the market price of our common stock to decline.

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

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

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

Our common shares commenced trading on the NASDAQ National Market, now the NASDAQ Global Market, in February 2005. Our common shares now trade on the NASDAQ Global Select Market. We cannot assure you that an active and liquid public market for our common shares will continue. The price of our common stock may be volatile and may fluctuate due to factors such as:

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

- mergers and strategic alliances in the drybulk shipping industry;
- market conditions in the drybulk shipping industry and the general state of the securities markets;
- changes in government regulation;
- shortfalls in our operating results from levels forecast by securities analysts; and
- announcements concerning us or our competitors.

Recently, the trading price of our common stock has fallen below $5.00 and if it remains below that level, under stock exchange rules, our stockholders will not be able to use such shares as collateral for borrowing in margin accounts. This inability to use our common shares as collateral may depress demand as certain institutional investors are restricted from investing in shares priced below $5.00 and lead to sales of such shares creating downward pressure on and increased volatility in the market price of our common shares.

You may not be able to sell your shares of our common stock in the future at the price that you paid for them or at all.

Anti-takeover provisions in our organizational documents could make it difficult for our stockholders 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 stock.

Several provisions of our amended and restated articles of incorporation and bylaws could make it difficult for our stockholders 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 stockholders may consider favorable.

These provisions include:

- prior to the date of the transaction that resulted in the shareholder becoming an interested shareholder, our board of directors approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;
- authorizing our board of directors to issue "blank check" preferred stock without stockholder approval;
- providing for a classified board of directors with staggered, three-year terms;
- prohibiting cumulative voting in the election of directors;
- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote for the directors;
- prohibiting stockholder action by written consent;
- limiting the persons who may call special meetings of stockholders; and
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

Under our stockholders' rights plan adopted in 2008, amended in 2009 and further amended in 2010, our board of directors declared a dividend of one preferred share purchase right, or a right, to purchase one one-thousandth of a share of our Series A Participating Preferred Stock for each outstanding common share. 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. The rights may have anti-takeover effects. The rights will cause substantial dilution to any person or group that attempts to acquire us without the approval of our board of directors. As a result, the overall effect of the rights may be to render more difficult or discourage any attempt to acquire us. Because our board of directors can approve a redemption of the rights or a permitted offer, the rights should not interfere with a merger or other business combination approved by our board of directors. The adoption of the rights agreement was approved by our existing stockholders prior to the offering.

Although the Marshall Islands Business Corporation Act does not contain specific provisions regarding "business combinations" between corporations organized under the laws of the Republic of Marshall Islands and "interested shareholders," we have included provisions regarding such combinations in our articles of incorporation.

Our articles of incorporation contain provisions which prohibit us from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the person became an interested shareholder, unless:

- authorizing our board of directors to issue "blank check" preferred stock without stockholder approval;
- upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of our voting stock outstanding at the time the transaction commenced;
- at or subsequent to the date of the transaction that resulted in the shareholder becoming an interested shareholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of shareholders by the affirmative vote of at least 66 ²/₃% of the outstanding voting stock that is not owned by the interested shareholder; or
- the shareholder became an interested shareholder prior to the consummation of the Initial Public Offering.

For purposes of these provisions, a "business combination" includes mergers, consolidations, exchanges, asset sales, leases and other transactions resulting in a financial benefit to the interested shareholder and an "interested shareholder" is any person or entity that beneficially owns 15% or more of our outstanding voting stock and any person or entity affiliated with or controlling or controlled by that person or entity. Further, the term "business combination", when used in reference to us and any "interested shareholder" does not include any transactions for which definitive agreements were entered into prior to the date the articles were filed with the Republic of the Marshall Islands.

Item 4. Information on the Company

A. History and development of the Company

DryShips Inc., a corporation organized under the laws of the Republic of the Marshall Islands, was formed in September 2004. Our executive offices are located at Omega Building, 80 Kifissias Avenue, Amaroussion GR 151 25 Greece. Our telephone number is 011-30-210-809-0570.

Business Development and Capital Expenditures

On January 28, 2009, we entered into an ATM Equity Sales Agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated relating to the offer and sale of up to $500,000,000 of our common shares.

On March 19, 2009, we issued a total of 11,990,405 common shares to the nominees of Central Mare Inc. in connection with the disposal of three newbuilding Capesize vessels. See "Item 4. Information on the Company – Business Overview – Recent Developments in Our Drybulk Carrier Operations – Disposal of Three Capesize Newbuildings."

On January 28, 2009 and on April 2, 2009, we filed two prospectus supplements pursuant to our controlled equity offering and issued 71,265,000 and 24,404,595 common shares, respectively. The net proceeds of these offerings amounted to $487.5 million after commissions.

On May 7, 2009, we entered into another ATM Equity Sales Agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated and filed a prospectus supplement for the sale of up to $475.0 million of common shares, pursuant to which we sold 69,385,000 shares. The net proceeds of this offering amounted to $464.9 million after commissions.

On July 9, 2009, we entered into an agreement with entities affiliated with our Chairman and Chief Executive Officer to acquire the remaining 25% of the total issued and outstanding capital stock of Ocean Rig UDW. The consideration paid for the 25% interest in Ocean Rig UDW consisted of a one-time $50.0 million cash payment upon the closing of the transaction, and the issuance of 52,238,806 shares of Series A Convertible Preferred Stock with an aggregate face value of $280.0 million. The holders of our Series A Convertible Preferred Stock have demand Registration Rights exercisable at any time.

In November 2009, we offered $460 million aggregate principal amount of our 5% convertible senior notes due December 1, 2014 (the "Notes") resulting in net proceeds of $447.8 million. Concurrently with the offering of the Notes, we offered up to 26,100,000 common shares to loan to Deutsche Bank AG, London Branch pursuant to a share lending agreement.

In April 2010, we issued $240 million aggregate principal amount of Notes, resulting in net proceeds of $237.2 million, after commissions. Concurrently with that offering, we offered up to 10,000,000 common shares to loan to Deutsche Bank AG, London Branch pursuant to a share lending agreement.

In September 2010, we filed a registration statement on Form F-3ASR (Registration No. 333-169235) and a prospectus supplement pursuant to Rule 424(b) relating to the offer and sale of up to $350.0 million shares of common stock, pursuant to a sales agreement that we entered into with Deutsche Bank Securities Inc. From September 2010 through December 2010, we issued an aggregate of 74,818,706 common shares. The net proceeds, after deducting underwriting commissions of 2.0% and other issuance fees, amounted to $342.3 million.

In December 2010, Ocean Rig UDW, our majority-owned subsidiary, completed the Private Placement, in which it offered and sold an aggregate of 28,571,428 of its common shares (representing approximately 22% of the outstanding common stock of Ocean Rig UDW) in an offering made to both non-U.S. persons in Norway in reliance on Regulation S under the Securities Act and to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act at a price of $17.50 per share. A company controlled by our Chairman and Chief Executive Officer, Mr. George Economou, purchased 2,869,428 common shares, or 2.38% of the outstanding capital stock of Ocean Rig UDW, in the Private Placement. We received approximately $488.3 million in net proceeds from the Private Placement. Following the Private Placement, we own approximately 78% of the total issued and outstanding common stock of Ocean Rig UDW.

Also in December 2010, we entered into a share purchase program for the purchase of up to a total of $25.0 million of common stock of Ocean Rig UDW, which we may purchase from time to time through March 31, 2011 for cash in open market transactions on the Norwegian OTC market at prevailing market prices or in privately negotiated transactions at a maximum price of $17.50 per share. As of April 8, 2011, no share purchases have been made under this program.

In January 2011, pursuant to the terms of the Securities Purchase Agreement dated July 9, 2009 and the Certificate of Designations of Rights, Preferences and Privileges of Series A Convertible Preferred Stock of the Company (the "Certificate of Designations"), all of the conditions for the mandatory conversion of 25% of our 52,238,806 shares of Series A Convertible Preferred Stock into 10,242,903 shares of common stock were met on December 31, 2010, the contractual delivery date of the Ocean Rig Corcovado. In connection with the delivery of the newbuilding drillship *Ocean Rig Olympia* on March 30, 2011, all of the conditions for the mandatory conversion of an additional 13,059,701 shares of Series A Convertible Preferred Stock into an additional 10,242,903 shares of common stock were met on March 31, 2011, the contractual delivery date of the drillship. Following the mandatory conversion of such shares as described above, we had 31,923,010 shares of Series A Convertible Preferred Stock outstanding as of April 12, 2011, of which 26,119,404 shares represent the remaining 50% of the shares of Series A Convertible Preferred Stock issued on July 9, 2009 under the Securities Purchase Agreement and 5,803,606 shares represent accrued stock dividends issuable in connection with the conversion of the 26,119,402 shares or 50% of the shares of Series A Convertible Preferred Stock into shares of common stock, as set forth under the Certificate of Designations.

As of April 12, 2011, we had 399,136,033 common shares issued and outstanding.

During the year ended December 31, 2008, we purchased a total of seven drybulk carriers for an aggregate purchase price of $779.4 million, and sold seven vessels for an aggregate sale price of $401.1 million. In addition, as discussed further below, we, through our acquisition of Ocean Rig ASA, acquired two ultra-deep water semi-submersible drilling rigs. We also exercised a purchase option to acquire two newbuilding ultra-deepwater advanced capability drillships for an aggregate purchase price of $1.40 billion of which $766.0 million was outstanding as of December 31, 2010, which we expect to finance with borrowings under the two Deutsche Bank credit facilities following the restructuring of these facilities, which is subject to completion of definitive documentation. The draw down under the loan agreement to finance the construction cost of the *Ocean Rig Mykonos* is further subject to our obtaining suitable employment for the drillship, as required under the loan agreement.

During 2009 we: (i) took delivery of two newbuilding drybulk vessels, which we purchased for an aggregate price of $70.5 million; (ii) concluded the sale of one drybulk vessel for a sale price of $30.8 million which was contracted during 2008; (iii) contracted for the sale of two drybulk vessels during 2009 for an aggregate sale price of $43.5 million which were both delivered in 2010; (iv) cancelled the remaining of the fourteen contracts which we had entered into in 2008 and incurred a cancellation fee of $49.2 million, including the contracts for the construction of five Capesize newbuilding vessels; (v) acquired construction contracts for two newbuilding ultra-deepwater drillships for an aggregate purchase price of $1.38 billion a portion of which we financed with borrowings under our $325.0 million short-term facility and of which $576.5 million was outstanding as of December 31, 2010,; (vi) concluded the sale of three Capesize newbuildings, which were contracted in 2007 and 2008 and incurred a cancellation fee of $80.0 million; (vii) concluded the sale of the subsidiary that had previously contracted for the purchase of newbuilding drybulk carrier H2089 and incurred a cancellation fee of $20.0 million; and (viii) cancelled the acquisition of two newbuilding hulls, for which we entered into construction contracts in 2007 for an aggregate purchase price of $108.5. In addition, we also we issued a total of 11,990,405 common shares to the nominees of Central Mare Inc. in connection with the disposal of three newbuilding Capesize vessels.

During 2010, we (i) contracted for the construction of two newbuilding drybulk vessels scheduled to be delivered to us in 2011 and 2012, respectively, for a purchase price of $66.1 million, of which $52.9 million was outstanding as of December 31, 2010; (ii) contracted for the acquisition of one drybulk vessel for a purchase price of $43.0 million, which was delivered to us in 2010; (iii) completed the sale of three drybulk vessels for an aggregate sales price of $77.2 million, of which two vessels were contracted in 2009 and one vessel was contracted in 2010; (iv) entered into and subsequently novated to Ocean Rig UDW, our majority-owned subsidiary, a contract for the option to construct of up to four additional newbuilding drillships, in connection with which we paid an aggregate of $99.0 million in non-refundable slot-reservation fees upon our entry into the contract; and (v) entered into contracts for the construction of six Aframax and six Suezmax tankers scheduled to be delivered to us between 2011 and 2013 for an aggregate purchase price of $771.0 million of which $648.3 million is outstanding as of December 31, 2010, which we have financed in part with borrowings under our $70.0 million and $32.3 million loan facilities.

In January and March 2011, we took delivery of two of our four drillships under construction and two of our twelve tanker vessels under construction.

On April 12, 2011, Ocean Rig UDW announced the pricing of $500 million aggregate principal amount of 9.5% Senior Unsecured Bonds Due 2016 offered in a private placement. The proceeds of the offering are expected to be used to finance Ocean Rig's newbuilding drillships program and general corporate purposes. The offering is scheduled to close on April 27, 2011, subject to customary closing conditions.

We are engaged in the ocean transportation services of drybulk cargoes and crude oil worldwide through the ownership and operation of drybulk carrier vessels and oil tankers and offshore drilling services through the ownership and operation of ultra-deepwater drilling units.

As of the year ended December 31, 2010, our operating fleet consisted of 37 drybulk carriers, comprised of seven Capesize, 28 Panamax and two Supramax vessels, and two drilling rigs. In addition, as of December 31, 2010, we had under construction two Panamax drybulk vessels, four advanced capability, ultra-deepwater drillships and 12 oil tankers, comprised of six Aframax and six Suezmax vessels. In addition, in November 2010, the Company entered into an option contract for the construction of up to four additional drillships. In December 2010 this contract was novated to Ocean Rig UDW.

B. Business Overview

We are a Marshall Islands corporation with our principal executive offices in Athens, Greece. We were incorporated in September 2004. As of April 12, 2011, we owned, through our subsidiaries, a fleet of 35 drybulk carriers comprised of seven Capesize, 26 Panamax and two Supramax vessels, which have a combined deadweight tonnage of approximately **3.2** million dwt, and had contracts for two Panamax newbuilding drybulk carriers of 76,000 dwt each scheduled for delivery in the fourth quarter of 2011 and the first quarter of 2012, respectively. In May 2010, we agreed to acquire a Panamax vessel, the MV *Amalfi* (ex Gemini S), which was delivered to us in August 2010, and agreed to sell one of our Panamax vessels, the MV *Xanadu*, which we delivered to the new owner in September 2010. In addition, we sold our Panamax vessel, the MV *Primera*, which was delivered to the new owner on April 4, 2011. Our drybulk fleet principally carries a variety of drybulk commodities including major bulk items such as coal, iron ore, and grains, and minor bulk items such as bauxite, phosphate, fertilizers and steel products. As of April 12, 2011, the average age of the vessels in our drybulk fleet was 8.1 years. We are also an owner and operator of two ultra-deepwater semi-submersible drilling rigs and two ultra-deepwater drillships and have contracted for the construction of two additional ultra-deepwater drillships, which are discussed below in more detail. In addition, we have entered into an option contract to construct up to four additional ultra-deepwater drillships, which may be exercised at any time on or prior to November 22, 2011, with vessel deliveries ranging from 2013 to 2014, depending on when the options are exercised. Furthermore, we have contracted with Samsung for the construction of 12 high specification tankers, comprised of six Aframax and six Suezmax tankers, two of which were delivered to us in January and March 2011, respectively, and the remaining tankers under construction are scheduled to be delivered to us between April 2011 and December 2013.

Our Drybulk Vessels

As of April 12, 2011, thirty-four of our vessels are currently employed under time charters, with an average remaining duration of two years, and one of our vessels is currently employed on bareboat charter. Five of our vessels are currently employed on the spot market.

As of January 1, 2011, all of our drybulk carriers are managed by TMS Bulkers under separate ship management agreements. Mr. George Economou, our Chairman and Chief Executive Officer, has been active in shipping since 1976 and formed TMS Bulkers

in 2010, a successor to its affiliate, Cardiff Marine Inc. ("Cardiff"), which was formed in 1991. We are related with TMS Bulkers, a Marshall Islands corporation with offices in Greece, which is responsible for all technical and commercial management functions of our drybulk fleet. We believe that TMS Bulkers, as a successor to Cardiff, which was in the business of providing commercial and technical management for over 22 years, has established a reputation in the international shipping industry for operating and maintaining a fleet with high standards of performance, reliability and safety. TMS Bulkers is beneficially majority-owned by our Chairman and Chief Executive Officer, Mr. Economou, and members of his immediate family. The remaining capital stock of TMS Bulkers is beneficially owned by Ms. Chryssoula Kandylidis, who serves on our board of directors.

TMS Bulkers provides comprehensive ship management services, including technical supervision, such as repairs, maintenance and inspections, safety and quality, crewing and training, as well as supply provisioning. TMS Bulker's commercial management services include operations, chartering, sale and purchase, post-fixture administration, accounting, freight invoicing and insurance. TMS Bulkers, through Cardiff, its predecessor, completed early implementation of the IMO and ISM Code, in 1996. TMS Bulkers has obtained documents of compliance for its office and safety management certificates for its vessels as required by the ISM Code and is ISO 14001 certified in recognition of its commitment to overall quality.

Our Drilling Units

We currently own and operate two modern, fifth generation ultra-deepwater semi-submersible offshore drilling rigs, the *Leiv Eiriksson* and the *Eirik Raude*, and two sixth generation, advanced capability ultra-deepwater drillships, the *Ocean Rig Corcovado*, which we took delivery of on January 3, 2011 and the *Ocean Rig Olympia*, which we took delivery of on March 30, 2011. We have newbuilding contracts with Samsung for the construction of two sixth generation, advanced capability ultra-deepwater drillships, the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*. These newbuilding drillships are currently scheduled for delivery in July 2011 and September 2011, respectively. These newbuilding drillships, the *Ocean Rig Corcovado* and the *Ocean Rig Olympia* are "sister-ships" constructed by the same shipyard to the same high-quality design and vessel specifications.

In November 2010, we entered into a contract with Samsung that granted us options for the construction of up to four additional ultra-deepwater drillships, which would be "sister-ships" to the *Ocean Rig Corcovado,* the *Ocean Rig Olympia* and the two drillships currently under construction and would have the same specifications as the *Ocean Rig Poseidon*, one of our two drillships under construction. Each of the four options may be exercised at any time on or prior to November 22, 2011, with vessel deliveries ranging from 2013 to 2014 depending on when the options are exercised. We estimate the total construction cost to be $600.0 million per drillship. We paid a non-refundable slot reservation fee of $24.8 million per drillship, which fee will be applied towards the drillship contract price if the options are exercised. In December 2010, we novated the option agreement to Ocean Rig UDW, at a cost of $99.0 million. As of March 25, 2011, no options have been exercised under the contract. Pursuant to the Drillship Master Agreement dated November 22, 2010, on February 25, 2011 and on March 18, 2011 the Company made additional payments to Samsung totaling $20 million in exchange for certain amendments to the originally agreed terms and conditions.

We acquired our two drilling rigs, the *Leiv Eiriksson* and the *Eirik Raude*, through our acquisition of Ocean Rig ASA, a Norwegian offshore drilling services company whose shares were listed on the Oslo Stock Exchange, in a series of transactions from December 2007 to July 2008. In April 2008, we, through our subsidiary, DrillShips Investment Inc., exercised an option to acquire the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*. In May 2009, we acquired Drillships Holdings Inc., from certain unrelated parties and certain entities affiliated with our Chairman and Chief Executive Officer, which owned the construction contracts for the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*.

Our existing drilling rigs, the *Leiv Eiriksson* and the *Eirik Raude*, are managed by Ocean Rig AS, our majority-owned subsidiary. Ocean Rig AS also provides supervisory management services, including onshore management, to the *Ocean Rig Corcovado* and our newbuilding drillships pursuant to separate management agreements entered into with each of the drillship-owning subsidiaries. As of December 2010, we terminated our management agreements with Cardiff for supervisory services in connection with the construction of the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*.

The *Leiv Eiriksson* is employed under a contract with Petrobras Oil & Gas B.V. ("Petrobras Oil & Gas"), which we refer to as the Petrobras contract, for exploration drilling in the Black Sea at a maximum dayrate rate of $583,000. Under the Petrobras contract, the rig has had an earnings efficiency of 90% from the commencement of drilling operations on February 24, 2010 through December 31, 2010. The Petrobras contract was scheduled to expire in October 2012; however, the Company has entered into an agreement whereby the Petrobras contract will terminate and the rig will be released on or about May 1, 2011, following which the rig is scheduled to commence a contract with a term of approximately six months with Cairn for drilling operations in Greenland at a maximum operating dayrate of $550,000 and a mobilization fee of $7.0 million plus fuel costs. The contract period is scheduled to expire on October 31, 2011, subject to our customer's option to extend the contract period through November 30, 2011. Pursuant to the agreement discussed above, following the delivery of the *Ocean Rig Poseidon* from the shipyard, the *Ocean Rig Poseidon* is scheduled to commence a contract with Petrobras Tanzania Limited ("Petrobras Tanzania"), which is a company related to Petrobras Oil & Gas, for exploration drilling in Tanzania and West Africa, described below.

The *Eirik Raude* is employed under a contract with Tullow Oil plc ("Tullow Oil"), which we refer to as the Tullow Oil contract, for development drilling offshore of Ghana at a weighted average dayrate of $637,000, based upon 100% utilization. On February 15, 2011, the dayrate will increase to a maximum of $665,000, which rate will be effective until expiration of the contract in October 2011, following which the rig is scheduled to commence a two-well contract with Borders & Southern plc ("Borders & Southern") for drilling operations offshore the Falkland Islands at a maximum operating dayrate of $540,000 and a mobilization/demobilization fee of $28.0 million, including fuel costs. Our customer has an option to extend this contract to drill up to an additional three wells, in which case the dayrate would be reduced to between $540,000 and $530,000, depending on whether the option is exercised for one to three wells and the timing of such exercise. The estimated duration for the two-well program, including mobilization/demobilization periods, is approximately 140 days, and we estimate that the optional period to drill an additional three wells would extend the contract term by approximately 135 days.

The *Ocean Rig Corcovado* is employed under a contract with Cairn for a period of approximately ten months, under which the drillship is scheduled to commence drilling and related operations in Greenland in May 2011 at a maximum operating dayrate of $560,000. In addition, we are entitled to a mobilization fee of $17.0 million, plus fuel costs, and winterization upgrading costs of $12.0 million, plus coverage of yard stay costs at $200,000 per day during the winterization upgrade. The contract period is scheduled to expire on October 31, 2011, subject to our customer's option to extend the contract period through November 30, 2011.

The *Ocean Rig Olympia* is scheduled to commence in the second quarter of 2011 contracts to drill a total of five wells with Vanco, for exploration drilling offshore of Ghana and Cote d'Ivoire at a maximum operating dayrate of $415,000 and a daily mobilization rate of $180,000, plus fuel costs. The aggregate contract term is for approximately one year, subject to our customer's option to extend the term for (i) one additional well, (ii) one additional year, or (iii) one additional well plus one additional year. Vanco is required to exercise the option no later than the date on which the second well in the five well program reaches its target depth.

The *Ocean Rig Poseidon* is scheduled to commence a contract with Petrobras Tanzania in the third quarter of 2011 for a period of 544 days, plus a mobilization period, at a maximum dayrate of $632,000, including a bonus of up to $46,000. In addition, we are entitled to receive a separate dayrate of $422,500 for up to 60 days during relocation and a mobilization dayrate of $317,000, plus the cost of fuel.

We may sell a minority voting and economic interest in our majority-owned subsidiary, Ocean Rig UDW, in a public offering sometime in 2011. Alternatively, we may distribute, or spin-off, a minority voting and economic interest in Ocean Rig UDW to holders of our voting stock (including holders of our preferred shares), or complete some combination of a public offering and distribution to holders of our voting stock. Ocean Rig UDW comprises our entire offshore drilling segment, which represented approximately 62.6% of our total assets as of December 31, 2010 and 46.8% of our total revenues for the year ended December 31, 2010. There can be no assurance, however, that we will complete any such transaction, which, among other things, will be subject to market conditions.

Our Tankers

We currently own and operate one Aframax tanker, *Saga*, which we took delivery of on January 18, 2011 and one Suezmax tanker, *Vilamoura*, which we took delivery of on March 23, 2011. We have contracts with Samsung for the construction of an additional five high specification Aframax tankers and five high specification Suezmax tankers, scheduled to be delivered to us between April 2011 and December 2013.

We currently operate our two existing tankers under pooling arrangements that are managed by Heidmar Inc., a company related to our Chairman and Chief Executive Officer. See "Item 7.B Related Party Transactions — Pooling Arrangements."

To increase vessel utilization and thereby revenues, we participate in commercial pools with other like-minded shipowners of similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools consist of experienced commercial owners and operators, while technical management is performed by each shipowner. Pools negotiate charters with customers primarily in the spot market. Vessel pool arrangements provide the benefits of large-scale operating and chartering efficiencies that might not be available to smaller fleets. Under these pooling arrangements, the vessels operate under a spot charter agreement whereby the cost of bunkers and port expenses are borne by the pool and operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Members of the pool share in the revenue generated by the entire group of vessels in the pool. When the vessel is off-hire, the vessel's owner generally is not entitled to payment for the period of off-hire, unless the charterer of a vessel in the pool is responsible for the circumstances giving rise to the lack of availability.

We employ the Aframax tanker *Saga* in the Sigma tanker pool, which currently consists of 47 Aframax tankers, with twelve different pool partners, and we intend to employ our remaining five newbuilding Aframax tankers in the Sigma tanker pool.

We employ the Suezmax tanker *Vilamoura* in the Blue Fin tanker pool, which currently consists of 18 Suezmax tankers with eight different pool partners, and we intend to employ our remaining five newbuilding Suezmax tankers in the Blue Fin tanker pool. We believe the Blue Fin tanker pool is the second largest spot-market related Suezmax tanker pool, based on number of vessels.

Each pool participant that commits vessels to the pool must be accepted into the pool in accordance with the terms and conditions of the pool agreements entered into by each of the other participants. Pool participants are responsible for, among other things:

- maintaining their pool vessels in seaworthy condition and to the agreed technical and operational standards of the pool;
- maintaining all required ISM certificates and keeping the pool vessel classed with a classification society that is a member of the International Association of Classification Societies, or IACS;
- obtaining and maintaining a minimum number of agreed oil major approvals in accordance with the pool agreement;
- providing for inspections to insure that ship inspection reports are obtained at least every six months;
- obtaining, for its own account, in accordance with standards consistent with prudent first class owners of vessels, all relevant insurance policies for its pool vessels, including hull and machinery, protection and indemnity, or P&I, and war risk insurance policies; and
- providing for the technical management of its pool vessels, including all matters related to vessel seaworthiness, crewing and crew administration, victualling, maintenance and repairs, drydocking, provisioning (lube oils, stores and spare parts), compliance with class requirements and compliance with the requirements of relevant authorities.

The pool manager is responsible for the commercial management of each pool vessel, which includes, among other things:

- marketing the vessels;
- trading pattern analysis;
- handling of charters and employment contracts;
- commercial operations and payment and collection of expenses and revenues relating to commercial operations;
- handling of any post-fixture claims; and
- budgeting, accounting and performance of the pool.

The pool manager has sole authority to fix employment for the pool vessels. The pool manager has the authority to commit each pool vessel to an employment contract, on a voyage basis or on a time charter that is consistent with the pool agreement. Pursuant to the Sigma Tankers pool agreement, Heidmar Inc., as pool manager, is entitled to receive an agency fee of $387 per day for the vessel and a commission of 1.25% of the freight or charter hire earned by the vessel on contracts or charter parties entered into by the pool during the term of the agreement; which increases to 1.50% of freight or charter hire in the event the pool consists of less than 20 vessels. Pursuant to the Blue Fin Tankers pool agreement, Heidmar Inc., as pool manager, is entitled to receive an agency fee of $387 per day for the vessel and a commission of 1.25% of the freight or charter hire earned by the vessel on contracts or charter parties entered into by the pool during the term of the agreement. The agency fees and commissions are deducted from our pool earnings. Each participant bears other expenses related to its vessel, including husbandry (launch, service, stores, crew changes, fresh water, and certain other expenses), environmental compliance, loss of hire insurance costs and vetting and customer compliance costs.

Effective January 1, 2011, each of our tanker ship-owning companies entered into new management agreements with TMS Tankers. We are related with TMS Tankers, a Marshall Islands corporation with offices in Greece, which is responsible for the technical and commercial management functions of tankers under construction. We believe that TMS Tankers, as a successor to Cardiff, which was in the business of providing commercial and technical management for over 22 years, has established a reputation in the international shipping industry for operating and maintaining a fleet with high standards of performance, reliability and safety. TMS Tankers is beneficially majority-owned by the Company's Chief Executive Officer, Mr. Economou, and members of his immediate family. The remaining capital stock of TMS Tankers is beneficially owned by Ms. Chryssoula Kandylidis, who serves on our board of directors.

We may sell a minority voting and economic interest in our wholly-owned subsidiary, Olympian Heracles Holding, in a public offering sometime in 2011. Alternatively, we may distribute, or spin-off, a minority voting and economic interest in Olympian Heracles Holding to holders of our voting stock (including holders of our preferred shares), or complete some combination of a public offering and distribution to holders of our voting stock. Olympian Heracles Holding owns our Aframax tankers, *Saga* and *Vilamoura* and the contracts for our tankers under construction. There can be no assurance, however, that we will complete any such transaction, which, among other things, will be subject to market conditions.

Our Fleet

As of April 12, 2011, our fleet was comprised of the following vessels, including the Oliva, which was grounded.

Drybulk Vessels

	Year Built	DWT	Type	Current employment	Gross rate per day	Redelivery	
						Earliest	Latest
Capesize:							
Mystic	2008	170,040	Capesize	T/C	$52,310	Aug-2018	Dec-2018
Manasota	2004	171,061	Capesize	T/C	$67,000	Feb-2013	Apr-2013
Flecha	2004	170,012	Capesize	T/C	$55,000	Jul-2018	Nov-2018
Capri	2001	172,579	Capesize	Spot	(1)	Apr-2018	Jun-2018
Alameda	2001	170,662	Capesize	T/C	$27,500	Nov-2015	Jan-2016
Samsara	1996	150,393	Capesize	Spot			
Brisbane	1995	151,066	Capesize	T/C	$25,000	Dec-2011	Apr-2012
Average age based on year built/ Sum of DWT/ Total number of vessels	**8.7 years**	**1,155,813**	**7**				
Panamax:							
Oliva (2)	2009	75,208	Panamax	T/C	$17,850	Oct 2011	Dec-2011
Rapallo	2009	75,123	Panamax	T/C	$15,400	Aug-2011	Oct-2011
Amalfi ex. Gemini S	2009	75,000	Panamax	T/C	$39,750	Aug-2013	Dec-2013
Catalina	2005	74,432	Panamax	T/C	$40,000	Jun-2013	Aug-2013
Majorca	2005	74,747	Panamax	T/C	$43,750	Jun-2012	Aug-2012
Sorrento	2004	76,633	Panamax	T/C	$17,300	Sep-2011	Dec-2011
Avoca	2004	76,629	Panamax	T/C	$45,500	Sept-2013	Dec-2013
Ligari	2004	75,583	Panamax	T/C	$55,500	Jun-2012	Aug-2012
Saldanha	2004	75,707	Panamax	T/C	$52,500	Jun-2012	Sep-2012
Padre	2004	73,601	Panamax	T/C	$46,500	Sept-2012	Dec-2012
Mendocino	2002	76,623	Panamax	T/C	$56,500	Jun-2012	Sep-2012
Bargara	2002	74,832	Panamax	T/C	$43,750	May-2012	Jul-2012

Oregon	2002	74,204	Panamax	T/C	$16,350	Aug-2011	Oct-2011
Maganari	2001	75,941	Panamax	T/C	$14,500	Jul-2011	Sep-2011
Capitola	2001	74,816	Panamax	Spot	(1)	Jun-2013	Aug-2013
Samatan	2001	74,823	Panamax	Spot	(1)	May-2013	Jul-2013
Sonoma	2001	74,786	Panamax	T/C	$19,300	Sept-2011	Nov-2011
Ecola	2001	73,925	Panamax	T/C	$43,500	Jun-2012	Aug-2012
Levanto	2001	73,931	Panamax	T/C	$16,800	Sep-2011	Nov-2011
Coronado	2000	75,706	Panamax	T/C	$18,250	Sep-2011	Nov-2011
Conquistador	2000	75,607	Panamax	T/C	$17,750	Aug-2011	Nov-2011
Redondo	2000	74,716	Panamax	T/C	$34,500	Apr-2013	Jun-2013
Positano	2000	73,288	Panamax	T/C	$42,500	Sept-2013	Dec-2013
Marbella	2000	72,561	Panamax	T/C	$14,750	Aug-2011	Nov-2011
Ocean Crystal	1999	73,688	Panamax	T/C	$15,000	Aug-2011	Nov-2011
La Jolla	1997	72,126	Panamax	T/C	$14,750	Aug-2011	Nov-2011
Toro	1995	73,035	Panamax	T/C	$16,750	May-2011	Jul-2011
Average age based on year built / Sum of DWT/ Total number of vessels	**7.8 years**	**2,017,271**	**27**				
Supramax:							
Paros I (3)	2003	51,201	Supramax	BB	$27,135	Oct-2011	May-2012
Galveston ex. Pachino	2002	51,201	Supramax	Spot			
Average age based on year built / Sum of DWT/ Total number of vessels	**7.5 years**	**102,402**	**2**				
Totals (36)							
Average age based on year built / Sum of DWT/ Total number of vessels	**7.9 Years**	**3,275,486**	**36**				
Under Construction							
Panamax 1	2011	76,000	Panamax				
Panamax 2	2012	76,000	Panamax				
Capesize 1	2012	176,000	Capesize				
Capesize 2	2012	176,000	Capesize				

(1) See “Recent Developments” below concerning the charters for these vessels with KLC, a South Korean shipping company that announced on January 25, 2011 it had filed a petition for the rehabilitation proceeding for court receivership in the Seoul Central District Court.
(2) See “Recent Developments” below concerning the recent grounding of this vessel.
(3) The MV *Paros I* is employed under a bareboat charter.

Drilling Units

	Year Built or Scheduled Delivery / Generation	Design / Type	Water Depth to the Wellhead (ft)	Drilling Depth to the Oil Field (ft)	Customer	Contract Term	Maximum Dayrate	Drilling Location
Drilling Rigs:								
Leiv Eiriksson	2001 / 5th	Trosvik Bingo 9000	7,500	30,000	Petrobras Oil & Gas	Q4 2009 – Q2 2011	$583,000	Black Sea
					Cairn	Q2 2011 – Q4 2011	$550,000	Greenland
Eirik Raude	2002 / 5th	Trosvik Bingo 9000	10,000	30,000	Tullow Oil	Q4 2008 – Q4 2011	$647,000	Ghana
					Borders & Southern	Q42011 – Q2 2012	$540,000	Falkland Islands
Drillships:								
Ocean Rig Corcovado	January 2011 / 6th	S10000E / D8	10,000	35,000	Cairn	Q1 2011 – Q4 2011	$560,000	Greenland
Ocean Rig Olympia	March 2011 / 6th	S10000E / D8	10,000	35,000	Vanco	Q2 2011 – Q2 2012	$415,000	West Africa
*Ocean Rig Poseidon (Hull 1865)**	Q3 2011 / 6th	S10000E / D8	10,000	35,000	Petrobras Tanzania	Q3 2011 – Q1 2013	$632,000	Tanzania and West Africa
*Ocean Rig Mykonos (Hull 1866)**	Q3 2011 / 6th	S10000E / D8	10,000	35,000				

* Under construction.

Tankers

	Year Built	DWT	Type	Current employment	Gross rate per day	Redelivery	
						Earliest	Latest
Saga	2011	115,200	Aframax	Sigma Pool	N/A	N/A	N/A
Vilamoura	2011	158,300	Suezmax	Blue Fin Pool	N/A	N/A	N/A

	Year Built	DWT	Type
Under construction:			
Daytona	2011	115,200	Aframax
Belmar	2011	115,200	Aframax
Calida	2011	115,200	Aframax
Alicante	2012	115,200	Aframax
Mareta	2012	115,200	Aframax
Petalidi	2012	158,300	Suemax
Lipari	2012	158,300	Suezmax
Bordeira	2013	158,300	Suezmax
Esperona	2013	158,300	Suezmax
Blanca	2013	158,300	Suezmax

We actively manage the deployment of our drybulk fleet between long-term and short-term time charters, which generally last from several days to several weeks, and long-term time charters and bareboat charters, which can last up to several years. A time charter is generally a contract to charter a vessel for a fixed period of time at a set daily rate. Under time charters, the charterer pays voyage expenses such as port, canal and fuel costs. A voyage charter is generally a contract to carry a specific cargo from a load port to a discharge port for a specified total price. Under spot market voyage charters, we pay voyage expenses such as port, canal and fuel costs. Under both types of charters, we pay for vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs, as well as for commissions. We are also responsible for the drydocking costs relating to each vessel. Under a bareboat charter, the vessel is chartered for a stipulated period of time which gives the charterer possession and control of the vessel, including the right to appoint the master and the crew. Under bareboat charters, all voyage costs are paid by the Company's customers.

We deploy our drilling units on long-term charters, or drilling contracts that provide for a dayrate to be paid to us by the charterer. Under the drilling contracts, the customer typically pays us a fixed daily rate, depending on the activity and up-time of the rig. The customer bears all fuel costs and logistics costs related to transport to/from the rig. We remain responsible for paying the operating expenses for the rigs, including the cost of crewing, catering, insuring, repairing and maintaining the rig, the costs of spares and consumable stores and other miscellaneous expenses. The lease element of revenue is recognized to the statement of operations on a straight line basis. The drilling services element of mobilization revenues, contributions from customers and the direct incremental expenses of mobilization are deferred and recognized over the estimated duration of the drilling contracts. To the extent that deferred expenses exceed revenue to be recognized, it is expensed as incurred. Demobilization fees and expenses are recognized over the demobilization period.

Our drybulk vessels and drilling units operate worldwide within the trading limits imposed by our insurance terms and do not operate in areas where United States, European Union or United Nations sanctions have been imposed.

Tankers operating on time charters may be chartered for several months or years whereas tankers operating in the spot market typically are chartered for a single voyage that may last up to several weeks. Vessels on period employment at variable rates related to the market are either in a pool or operating under contract of affreightment for a specific charterer. Tankers operating in the spot market may generate increased profit margins during improvements in tanker rates, while tankers operating on time charters generally provide more predictable cash flows. Accordingly, we actively monitor macroeconomic trends and governmental rules and regulations that may affect tanker rates in an attempt to optimize the deployment of our fleet. We employ our two operating tankers in pooling arrangements and we intend to employ our ten remaining newbuilding tankers in tanker pools as these vessels are delivered to us.

Recent Developments

On January 3, 2011, we took delivery of our newbuilding drillship, the *Ocean Rig Corcovado*, the first to be delivered of the four sister drillship vessels constructed by Samsung. In connection with the delivery of *Ocean Rig Corcovado*, the final yard installment of $289.0 million was paid and the pre-delivery loan of $115.0 million relating to the *Ocean Rig Corcovado* under our $230.0 million credit facility was repaid in full.

On January 4, 2011, our majority-owned subsidiary, Ocean Rig UDW, entered into contracts with Cairn for the *Leiv Eiriksson* and the *Ocean Rig Corcovado* for a drilling period of approximately six months each plus mobilization. The total contract value, including mobilization, is approximately $95.0 million for the *Leiv Eiriksson* and $142.0 million for the *Ocean Rig Corcovado*.

On January 4, 2011 the Company announced that it had entered into a firm contract with Petrobras Tanzania for its 3rd drillship newbuilding the "Ocean Rig Poseidon". As part of this agreement the Leiv Eiriksson will be released early from the existing contract and will be made available in second quarter 2011. The firm contract period is for about 600 days plus a mobilization period. The total contract value including mobilization is $353 million.

On January 5, 2011 the Company drew down the full amount of the $325 million Deutsche Bank term loan facility, with its subsidiary Drillships Hydra Owners Inc. as borrower, for the purpose of (i) meeting the ongoing working capital needs of Drillships Hydra Owners Inc, (ii) financing the partial repayment of existing debt in relation to the purchase of the drillship identified as Samsung Hull 1837, or "Ocean Rig Corcovado", and (iii) financing the payment of the final installment associated with the purchase of said drillship. Dry Ships Inc., Drillships Holdings Inc and Ocean Rig UDW Inc. are joint guarantors and guarantee all obligations and liabilities of Drillships Hydra Owners Inc

On January 18, 2011, we took delivery of our newbuilding Aframax tanker, Saga, the first to be delivered of the six Aframax and six Suezmax tankers to be constructed by Samsung. In connection with the delivery of Saga, we paid construction and construction-related costs of $46.6 million.

The vessels Capri, Capitola and Samatan, were on long term time charter to KLC pursuant to charterparties respectively dated May 6, 2008, March 3, 2008 and March 3, 2008. On January 25, 2011 KLC filed with the 4th Bankruptcy Division of the Seoul Central District Court an application for rehabilitation pursuant to the Debtor Rehabilitation & Bankruptcy Act. On February 15, 2011 KLC's application was approved by the Seoul Court, and Joint Receivers of KLC were appointed. Upon and with effect from March 14, 2011 the shipowning companies' original charter agreements with KLC were terminated by the Joint Receivers, and the shipowning companies entered into new short term charter agreements with the Joint Receivers at reduced rates of hire and others terms, with the approval of the Seoul Court. On April 1, 2011 the shipowning companies filed claims in the corporate rehabilitation of KLC for (i) outstanding hire due under the original charter agreements, and (ii) damages and loss caused by the early termination of the original charter agreements.

On February 7, 2011, the Company executed definitive documentation for a $70 million secured term loan facility with an international lender to partially finance the construction costs of the newbuilding tankers, *Saga* and *Vilamoura*. As of March 30, 2011, the Company has drawn the full amount available under this facility.

On February 14, 2011 and April 12, 2011 and upon the delivery of Drillship Hull 1837 and Hull 1838, 50% of the shares of Series A Convertible Preferred Stock issued in July 2009 held by each holder, amounting to 26,119,402 were converted, at the conversion price, into 20,485,806 shares of common stock.

TMS Bulkers Ltd., managers of the MV *Oliva*, one of our Panamax drybulk carriers, reported that on March 16, 2011, the vessel run aground at Nightingale Island, which is part of the "Tristan Da Cunha" group of islands in the South Atlantic Ocean. At the time of the incident the vessel was on its way from Santos, Brazil to China, loaded with 65,266 metric tons of soya beans. The following day the vessel broke in two. Both the vessel and the cargo are lost and are considered to be actual total losses for insurance purposes. In addition, bunkers leaked from the damaged hull, which has affected the local birdlife and marine environment. There were no injuries to the 22 crew members on board.

TMS Bulkers activated its Emergency Response Plan and has deployed all appropriate resources in close cooperation with the local authorities to mitigate the damage arising from this accident. That response has included the attendance of a large local vessel, which was joined a few days later by a salvage tug with appropriate equipment for bird rehabilitation and oil clean-up operations, as well as salvage operations. A second tug and a small general cargo vessel also have been chartered to deliver additional equipment and a team of specialists from SANCCOB. Oil pollution experts ITOPF have been coordinating the response to the casualty, in conjunction with TMS Bulkers and the vessel's Protection & Indemnity liability insurers (Gard). The vessel's hull was fully insured and the Hull & Machinery insurers were notified of the loss.

We and our liability insurers are in the process of determining the potential liabilities arising from the accident and the amounts involved. We anticipate that the majority of its costs and losses will be covered by our insurance.

Pursuant to the Drillship Master Agreement dated November 22, 2010, on February 25, 2011 and on March 18, 2011 the Company made additional payments to Samsung totaling $20 million in exchange for certain amendments to the originally agreed terms and conditions.

On March 23, 2011, we took delivery of our newbuilding Suezmax tanker, *Vilamoura*, the second to be delivered of the six Aframax and six Suezmax tankers to be constructed by Samsung. In connection with the delivery of *Vilamoura*, we paid construction and construction-related costs of approximately $71.0 million.

On March 25, 2011, the Company received a commitment letter and term sheet for a new $800.0 million secured term loan facility to partially finance the construction costs of the *Ocean Rig Corcovado* and *Ocean Rig Olympia*. The new secured term loan facility is subject to completion of definitive documentation and the Company intends to use a portion of the new facility to refinance its $325.0 million short term loan facility, dated December 21, 2010.

On March 28, 2011, the Company received approval from the facility agent on behalf of all lenders to restructure the two $562.5 million credit facilities, which we refer to herein as the Deutsche Bank credit facilities. The restructuring is subject to

completion of definitive documentation. The main terms of the restructuring are as follows: (i) the maximum amount permitted to be drawn will be reduced from $562.5 million to $495.0 million under each facility; (ii) in addition to the guarantee already provided by Dryships, our majority-owned subsidiary, Ocean Rig UDW Inc. will provide an unlimited recourse guarantee that will include certain financial covenants that will apply quarterly to Ocean Rig UDW Inc.; (iii) the Company will be permitted to draw under the facility with respect to the *Ocean Rig Poseidon* based upon the fixture of the drillship under its drilling contract with Petrobras Tanzania, and cash collateral deposited for this vessel will be released; and (iv) the Company will be permitted to draw under the facility with respect to the Ocean Rig Mykonos provided the Company has obtained suitable employment for such drillship no later than August 2011.

On March 30, 2011, we took delivery of our newbuilding drillship, the *Ocean Rig Olympia*. In connection with the delivery of *Ocean Rig Olympia*, the final yard installment of $288.4 million was paid and on March 18, 2011, the pre-delivery loan of $115.0 million relating to the *Ocean Rig Olympia* under our $230.0 million credit facility was prepaid in full.

On March 30, 2011, the Company received a firm commitment from an international lender for a $32.3 million secured term loan facility to partially finance the construction cost of the newbuilding tanker, *Daytona*, which is scheduled to be delivered in April 2011. This facility is subject to completion of definitive documentation, which the Company expects to occur in April 2011.

In March 2011, A U.S. District Court in Maryland resolved a case in which Cardiff, the former manager of the Company's vessel, MV *Capitola*, entered into a comprehensive settlement with the U.S. Department of Justice in connection with an investigation into MARPOL violations involving that vessel. The court applied a fine of approximately $2.4 million and instructed Cardiff to implement an Environmental Compliance Plan, or ECP, which the vessels' current operator, TMS Bulkers, will carry out.

On April 4, 2011, we delivered our Panamax drybulk carrier, the MV *Primera*, to her new owners.

On April 12, 2011 the Company concluded an order for two Capesize 176,000 dwt dry bulk vessels, with an established Chinese shipyard, for a price of $54.16 million each. The vessels are expected to be delivered in the third and the fourth quarter of 2012, respectively.

Our Drybulk Operations

Competition

Demand for drybulk carriers fluctuates in line with the main patterns of trade of the major drybulk cargoes and varies according to changes in the supply and demand for these items. We compete with other owners of drybulk carriers in the Capesize, Panamax and Supramax size sectors. Ownership of drybulk carriers is highly fragmented and is divided among approximately 1,500 independent drybulk carrier owners. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation as an owner and operator.

Customers

During the year ended December 31, 2010, four of our customers accounted for more than ten percent of our voyage revenue: Customer A (16%), Customer B (15%), Customer C (11%) and Customer D (10%). During the year ended December 31, 2009, four of our customers accounted for more than ten percent of our voyage revenue: Customer E (17%), Customer F (15%), Customer G (11%) and Customer H (10%). During the year ended December 31, 2008, two of our customers accounted for more than ten percent of our voyage revenue: Costumer I (20%) and Customer J (11%). Given our exposure to, and focus on, the long-term and short-term, or spot, time charter markets, we do not foresee any one client providing a significant percentage of our income over an extended period of time.

Management of our Drybulk Vessels

We do not employ personnel to run our vessel operating and chartering business on a day-to-day basis. Prior to January 1, 2011, Cardiff, a company affiliated with our Chairman and Chief Executive Officer, Mr. George Economou, served as our technical and commercial manager pursuant to separate management agreements with each of our drybulk vessel-owning subsidiaries. Effective January 1, 2011, we entered into new management agreements that replaced our management agreements with Cardiff, on the same terms as our management agreements with Cardiff, with TMS Bulkers, a related party, as a result of an internal restructuring of Cardiff for the purpose of enhancing its efficiency and the quality of its ship-management services.

TMS Bulkers utilizes the same experienced personnel utilized by Cardiff in providing us with comprehensive ship management services, including technical supervision, such as repairs, maintenance and inspections, safety and quality, crewing and training as well as supply provisioning. TMS Bulkers's commercial management services include operations, chartering, sale and purchase, post-fixture administration, accounting, freight invoicing and insurance.

TMS Bulkers is beneficially majority-owned by our Chairman and Chief Executive Officer, Mr. George Economou, and members of his immediate family. The remaining capital stock of TMS Bulkers is beneficially owned by Ms. Chryssoula Kandylidis,

who serves on our board of directors. Mr. Economou, under the guidance of our board of directors, manages our business as a holding company, including our own administrative functions, and we monitor TMS Bulkers's performance under the management agreements.

Management Agreements

Under our management agreements with TMS Bulkers, TMS Bulkers is entitled to a fixed management fee of Euro 1,500 (or $2,000 based on the Euro/U.S. Dollar exchange rate at December 31, 2010) per vessel per day, payable in equal monthly installments in advance and automatically adjusted each year to the Greek Consumer Price Index for the previous year by not less than 3% and not more than 5%. If we request that TMS Bulkers supervise the construction of a newbuilding vessel then in lieu of the fixed management fee, we will pay TMS Bulkers an upfront fee equal to 10% of the supervision cost budget for such vessel as approved by us. For any additional attendance above the budgeted superintendent expenses, the Company will be charged extra at a standard rate in Euro 500 ($700 based on the Euro/U.S. Dollar exchange rate as of December 31, 2010) per day.

In addition, TMS Bulkers is entitled to a commission of 1.25% of all monies earned by the vessel, which survives the termination of the management agreement until the termination of the charter agreement then in effect or the termination of any other employment arranged prior to such termination. TMS Bulkers also receives a sale and purchase commission of 1%. Under the management agreements, we may award TMS Bulkers an annual performance incentive fee.

From September 1, 2010 through January 1, 2011, Cardiff served as our technical and commercial manager pursuant to management agreements with the terms described above. Prior to September 1, 2010, we paid management fees to Cardiff that varied according to type of management service, including chartering, technical management, accounting and financial reporting services. Moreover, effective September 1, 2010, we terminated our agreement with Cardiff, according to which a quarterly fee of $250,000 was payable to Cardiff for services in relation to financial reporting requirements and monitoring of internal controls.

See "Item 7.B Related Party Transactions—Agreements with Cardiff, TMS Bulkers and TMS Tankers—Management Agreements—Drybulk Vessels."

Consultancy Agreement—Drybulk carrier, offshore drilling and tanker segments

On September 1, 2010, we entered into a consultancy agreement with Vivid Finance Limited ("Vivid Finance"), a company controlled by our Chairman and Chief Executive Officer, Mr. George Economou, pursuant to which Vivid Finance provides consulting services relating to (i) the identification, sourcing, negotiation and arrangement of new loan and credit facilities, interest swap agreements, foreign currency contracts and forward exchange contracts; (ii) the raising of equity or debt in the public capital markets; and (iii) the renegotiation of existing loan facilities and other debt instruments. In consideration for these services, Vivid Finance is entitled to a fee of twenty basis points, or 0.20%, on the total transaction amount. The consultancy agreement has a term of five years and may be terminated (i) at the end of its term unless extended by mutual agreement of the parties; (ii) at any time by the mutual agreement of the parties; and (iii) by us after providing written notice to Vivid Finance at least 30 days prior to the actual termination date.

Crewing and Employees

As of December 31, 2010, TMS Bulkers and TMS Tankers, employed approximately 150 people, all of whom are shore-based. In addition, TMS Bulkers and TMS Tankers] are responsible for recruiting, either directly or through a crewing agent, the senior officers and all other crew members for our vessels. We believe the streamlining of crewing arrangements will ensure that all our vessels will be crewed with experienced seamen that have the qualifications and licenses required by international regulations and shipping conventions.

Charter hire Rates

Charter hire rates paid for drybulk carriers are primarily a function of the underlying balance between vessel supply and demand, although at times other factors may play a role. Furthermore, the pattern seen in charter rates is broadly mirrored across the different charter types and between the different drybulk carrier categories. However, because demand for larger drybulk carriers 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 than those for smaller vessels.

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 redelivery regions. In general, a larger cargo size is quoted at a lower rate per ton than a smaller cargo size. Routes with costly ports or canals generally command higher rates 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 with ports where vessels load cargo also are generally quoted at lower rates, 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. 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 from a high of 11,793 in May 2008 to a low of 663 in December 2008, which represents a decline of 94%. Over the comparable period of May through December 2008, the high and low of the Baltic Panamax Index and the Baltic Capesize Index represent a decline of 96% and 99%, respectively. During 2009, the BDI increased from a low of 772 and reached a high of 4,661 in November of 2009. In 2010, the BDI increased from 3,235 in January 2010 to a high of 4,209 in May 2010 and subsequently decreased to a low of 1,700 in July 2010. Following a short period of increase in the third quarter of 2010, the BDI fell to near July 2010 levels at the end of 2010. The BDI has further decreased in 2011 to 1,376 as of April 12, 2011.

Vessel Prices

Drybulk vessel prices, both for new-buildings and secondhand vessels, have decreased significantly since the year ended 2008 as a result of the weakening of the drybulk shipping industry. The vessel values have also declined as a result of a slowdown in the availability of global credit. The lack of credit has resulted in the restriction to fund both vessel purchases and purchases of commodities carried by sea. There can be no assurance as to how long charter hire rates and vessel values will remain depressed or whether they will drop any further. Should the charter hire rates remain at these depressed levels for some time our revenue and profitability will be adversely affected.

The International Drybulk Shipping Industry

Drybulk cargo is cargo that is shipped in quantities and can be easily stowed in a single hold with little risk of cargo damage. According to industry sources, in 2010, approximately 2,496.6 million tons of drybulk cargo was transported by sea, including iron ore, coal and grains representing 40.9%, 37.8% and 8.0% of the total drybulk trade, respectively.

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. Between 2001 and 2007, trade in all drybulk commodities increased from 2,108 million tons to 2,961 million tons, an increase of 40.46%. One of the main reasons for that increase in drybulk trade was the growth in imports by China of iron ore, coal and steel products during the last eight years. Chinese imports of iron ore alone increased from 92.2 million tons in 2001 to approximately 382 million tons in 2007. In 2008, seaborne trade in all drybulk commodities increased to 2,202 million tons. However, demand for drybulk shipping decreased dramatically in the second quarter of 2008 evidenced by the decrease in Chinese iron ore imports which decreased from a high of 119.5 million tons in the second quarter of 2008 to a low of 96.2 million tons during the fourth quarter of 2008 representing a decrease of 19.5%. In 2009, seaborne trade in all drybulk commodities increased to 2,255.8 million tons as demand for drybulk shipping picked up following mainly an increase in Chinese iron ore imports from 443.7 million tons in 2008 to 628.1 million tons in 2009. In 2010, seaborne trade in all drybulk commodities increased to 2,496.6, representing a 10.7% increase from 2009. At the current time, seaborne trade is expected to increase by 6.9% in 2011 while Chinese iron ore imports are expected to rise by 12.0%.

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

- Capesize vessels, which have carrying capacities of more than 85,000 dwt. These vessels generally operate along long-haul iron ore and coal trade routes. There are relatively few ports around the world with the infrastructure to accommodate vessels of this size.
- Panamax vessels, which have a carrying capacity of between 60,000 and 85,000 dwt. These vessels carry coal, grains, and, to a lesser extent, minor bulks, including steel products, forest products and fertilizers. Panamax vessels are able to pass through the Panama Canal making them more versatile than larger vessels.
- Handymax vessels, which have a carrying capacity of between 35,000 and 60,000 dwt. The subcategory of vessels that have a carrying capacity of between 45,000 and 60,000 dwt called Supramax. These vessels operate along a

large number of geographically dispersed global trade routes mainly carrying grains and minor bulks. Vessels below 60,000 dwt are sometimes built with on-board cranes enabling them to load and discharge cargo in countries and ports with limited infrastructure.

- Handysize vessels, which have a carrying capacity of up to 35,000 dwt. These vessels carry exclusively minor bulk cargo. Increasingly, these vessels have operated along regional trading routes. Handysize vessels are well suited for small ports with length and draft restrictions that may lack the infrastructure for cargo loading and unloading.

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. The orderbook of new drybulk vessels scheduled to be delivered in 2011 represents approximately 22.5% of the world drybulk fleet. 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.

The Effect of Recent Developments in the International Drybulk Shipping Industry on Our Business

The BDI, a daily average of charter rates in 26 shipping routes measured on a time charter and voyage basis and covering Supramax, Panamax and Capesize drybulk carriers, declined from a high of 11,793 in May 2008 to a low of 663 in December 2008, which represents a decline of 94%. Over the comparable period of May through December 2008, the high and low of the Baltic Panamax Index and the Baltic Capesize Index represent a decline of 96% and 99%, respectively. During 2009, the BDI increased from a low of 772 and reached a high of 4,661 in November of 2009. In 2010, the BDI increased from 3,235 in January 2010 to a high of 4,209 in May 2010 and subsequently decreased to a low of 1,700 in July 2010. Following a short period of increase in the third quarter of 2010, the BDI fell to near July 2010 levels at the end of 2010. The BDI has further decreased in 2011 to 1,376 as of April 12, 2011.

The general decline in the drybulk carrier charter market is due to various factors, including the lack of trade financing for purchases of commodities carried by sea, which has resulted in a significant decline in cargo shipments, and the excess supply of iron ore in China, which has resulted in falling iron ore prices and increased stockpiles in Chinese ports.

The general decline in the drybulk carrier charter market has resulted in lower charter rates for our time charters and bareboat charters linked to the BDI.

In addition, the general decline in the drybulk carrier charter market has resulted in lower drybulk vessel values. We previously entered into contracts for the sale of MV *La Jolla*, MV *Paragon*, MV *Delray* and MV *Toro* for an aggregate purchase price of $245.4 million. As further discussed below, we agreed with the buyers of the MV *La Jolla* to retain the vessel in exchange for aggregate compensation of $9.0 million and we employ the vessel under time charter employment. Further, the sale of MV *Delray* will not close due to the buyer's repudiation of its obligations under the memorandum of agreement. A deposit on the vessel in the amount of $5.6 million was made by the buyer we are pursuing all legal remedies against the buyer. In addition, we reached an agreement with the buyers of the MV *Paragon* to sell the vessel for a reduced price of $30.8 million. With respect to the MV *Toro*, we entered into an agreement with Samsun, the buyers of the MV *Toro*, to sell the vessel at a reduced price of $36 million. As part of the agreement, the buyers released the deposit of $6.3 million to the Company immediately and were required to make a new deposit of $1.5 million towards the revised purchase price. On February 13, 2009, the Company proceeded with the cancellation of the sale agreement due to the buyer's failure to pay the new deposit of $1.5 million. In February 2009, Samsun was placed in corporate rehabilitation and its plan of reorganization was approved by its creditors. As part of this plan, we will recoup a certain percentage of the agreed-upon purchase price.

Our Offshore Drilling Operations

Competition

Our competition in the contract drilling industry ranges from large multinational companies to smaller, locally-owned companies. We believe we are competitive in terms of safety, pricing, performance, equipment, availability of equipment to meet customer needs and availability of experienced, skilled personnel. However, industry-wide shortages of supplies, services, skilled personnel and equipment necessary to conduct our business can occur. Competition for offshore drilling rigs and drillships is usually on a global basis, as these drilling rigs and drillships are highly mobile and may be moved, at a cost that may sometimes be substantial, from one region to another in response to customers' drilling programs and demand.

Customers

Our drilling customers generally fall within three categories: national oil companies, large integrated major oil companies and medium to smaller independent exploration and production companies. The customers that have contracted our drilling units are predominantly the large integrated major oil companies. During 2010, our contract with Customer A accounted for 43% of our total drilling revenues, and our contract with Customer B accounted for 57% of our total drilling revenues. During 2009, our contract with Customer A accounted for 38% of our total drilling revenues, and our contract with Customer B accounted for 62% of our total drilling revenues. During 2008, our contract with Customer A accounted for 54% of our total offshore drilling revenues, our contract with Customer B accounted for 26% of our total offshore drilling revenues and our contract with Customer C accounted for 20% of our total offshore drilling revenues.

Management of Our Offshore Drilling Operations

Management Agreement

Ocean Rig AS and various other subsidiaries of Ocean Rig UDW directly manage our two drill rigs, the *Leiv Eiriksson* and the *Eirik Raude*. In April 2008, we entered into management agreements with Ocean Rig AS for the supervision of the construction of the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*, scheduled to be delivered to us in July 2011 and September 2011, respectively, In addition, the owning companies of the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*, which we subsequently acquired in 2009, also entered into management agreements with Ocean Rig AS for the supervision of the construction of the two drillships on the same terms as the management agreements for the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*. The *Ocean Rig Corcovado* was delivered to us in January 2011 and the *Ocean Rig Olympia* was delivered to us in March 2011.

Under the terms of the management agreements, Ocean Rig AS, is among other things, responsible for (i) assisting in technical negotiations of construction contracts, (ii) securing contracts for the future employment the drillships, and (iii) providing commercial, technical and operational management for the drillships. Ocean Rig AS is entitled to fees of: (i) $250 per day until steel cutting; (ii) $2,500 per day from the date of steel cutting until the date of delivery of the applicable drillship to its owner; and (iii) $8,000 per day thereafter. The management fees are subject to an increase based on the U.S. Consumer Price Index for the preceding 12 months. Ocean Rig AS is also entitled to a commission fee equal to 0.75% of gross hire and charter hire for contracts or charter parties entered into during the term of the management agreement, payable on the date that the gross or charter hire money is collected. The agreements terminate on December 31, 2020, unless earlier terminated by Ocean Rig AS for non-payment within fifteen working days of request.

Effective December 21, 2010, we terminated our management agreements with Cardiff, pursuant to which Cardiff provided supervisory services in connection with the construction of the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*. Under the management agreements, we paid Cardiff a management fee of $40,000 per month per drillship. The management agreements also provided for: (i) a chartering commission of 1.25% on all freight, hire and demurrage revenues; (ii) a commission of 1% on all gross sale proceeds or purchase price paid for drillships; (iii) a commission of 1% on loan financing or refinancing; and (iv) a commission of 2% on insurance premiums. See “Item 7.B. Related Party Transactions—Agreements with Cardiff, TMS Bulkers and TMS Tankers—Management Agreements—Drilling Units.” These agreements were replaced with the Global Services Agreement described below.

Until December 31, 2010, the management of the drilling rigs *Leiv Eiriksson* and *Eirik Raude* was performed by Ocean Rig UDW and its subsidiaries under the Global Service Agreement described below. With effect from January 1, 2011, the Global Service Agreement was discontinued with respect to these two drill rigs and replaced by a management agreement between Ocean Rig AS, as manager, and Ocean Rig 1 Inc. and Ocean Rig 2 Inc. as the owners of *Leiv Eiriksson* and *Eirik Raude*, respectively. The management agreement is based on cost plus principles whereby the charges to the relevant drilling units are dependant primarily upon the cost base of Ocean Rig AS and the number and type of management agreements with regard to other drilling units owned and operated by Ocean Rig UDW.

With effect from January 3, 2011, the date Ocean Rig UDW took delivery of *Ocean Rig Corcovado*, Drillship Hydra Owners Inc., the owner of the *Ocean Rig Corcovado*, entered into a management agreement with Ocean Rig AS on similar terms as the management agreement between Ocean Rig AS and the owning companies of our two drilling rigs. The management agreement originally entered into for the *Ocean Rig Corcovado* described above was discontinued from the same date. Ocean Rig AS entered into new management agreements for each of the *Ocean Rig Olympia, Ocean Rig Poseidon* and *Ocean Rig Mykonos* effective from delivery of the respective drillship.

Global Services Agreement

Effective December 21, 2010, we entered into a global services agreement (the "Global Services Agreement") with Cardiff, a company controlled by our Chairman and Chief Executive Officer, Mr. George Economou, pursuant to which we have engaged Cardiff to act as consultant on matters of chartering and sale and purchase transactions for our offshore drilling units. Under the Global Services Agreement, Cardiff, or its subcontractor, (i) provides consulting services related to identifying, sourcing, negotiating and arranging new employment for our offshore assets, including our drilling units; and (ii) identifies, sources, negotiates and arranges the sale or purchase of our offshore assets, including our drilling units. In consideration of such services, Cardiff is entitled to a fee of 1.0% in connection with employment arrangements and 0.75% in connection with sale and purchase activities.

Crewing and Employees

As of December 31, 2010, our majority-owned subsidiary, Ocean Rig UDW and its management subsidiaries (collectively, the "Ocean Rig Group"), had approximately 564 employees, compared to 432 at year end 2009, with 445 employees directly employed by Ocean Rig Group and the balance of 119 employees representing permanent crew engaged through third party crewing agencies. The increase in the number of employees is due to the build up of the newbuild drillship project team in Korea and Norway and more local employees in Turkey Ghana. Of the total number of employees, approximately 160 were assigned to the *Eirik Raude*, approximately 143 were assigned to the *Leiv Eiriksson* and approximately 139 were assigned to our newbuild drillships. These numbers include shore-based support teams in Turkey and Ghana. The newbuild drillship project team, located in Korea and Norway, employed 50 employees, while the management and staff positions at the Stavanger office consisted of 59 employees. In addition, there were four employees based at the London office and two employees based in other locations.

Insurance for Our Offshore Drilling Rigs

We maintain insurance for our drilling units in accordance with industry standards. Our insurance is intended to cover normal risks in our current operations, including insurance against property damage, loss of hire, war risk and third-party liability, including pollution liability.

We have obtained insurance for the full assessed market value of our drilling units, as assessed by rig brokers. Our insurance provides for premium adjustments based on claims and is subject to deductibles and aggregate recovery limits. In the case of pollution liabilities, our deductible is $10,000 per event and in the case of other hull and machinery claims, our deductible is $1.5 million per event. Our insurance coverage may not protect fully against losses resulting from a required cessation of rig operations for environmental or other reasons.

We also have loss of hire insurance which becomes effective after 45 days of off-hire and coverage extends for approximately one year.

The principal risks which may not be insurable are various environmental liabilities and liabilities resulting from reservoir damage caused by our negligence. In addition, insurance may not be available to us at all or on terms acceptable to us, and there is no guarantee that even if we are insured, our policy will be adequate to cover our loss or liability in all cases.

The Offshore Drilling Industry

The international offshore drilling market has seen an increased trend towards deepwater and ultra deepwater exploration and subsequent development drilling. Due to the BP Macondo/Deepwater Horizon incident, there will be an increased focus on technical and operational issues due to the inherent risk of developing offshore fields in ultra deepwater. This may result in oil companies showing a higher preference for modern, more technologically advanced units capable of drilling in these environments.

Exploration and production ("E&P") spending by the oil and gas companies generally creates the demand for the oil service companies, of which offshore drilling contracting is a significant part. There is a strong relationship between E&P spending and oil companies' earnings, where the oil price is the most important parameter. Crude oil prices have maintained a trading range in excess of $60 per barrel since August 2009 and averaged approximately $80 per barrel in 2010. Crude oil prices fell to $34 per barrel in February 2009 following the onset of the global financial crisis, deteriorating global economic fundamentals and the resulting drop in crude oil demand in a number of the world's largest oil consuming nations. These factors had a negative impact on customer demand for offshore rigs throughout 2009. While the initial months of 2010 were characterized by a cautious pattern from many operators toward new exploration and production spending commitments similar to what was experienced in 2009, evidence was present that supported increased spending with a number of new drilling programs commencing in 2011 and beyond, largely supported by operators' increasing confidence in the re-establishment of global economic growth and the sustainability of crude oil prices. However, following the April 2010 Macondo well incident and subsequent government actions, a new level of uncertainty among operators developed, with many choosing to delay the commencement of certain projects in the U.S. Gulf of Mexico and other regions pending further clarity on a number of industry issues. Worldwide offshore fleet utilization remained flat at approximately 73% at December 31, 2010 compared to 74% at December 31, 2009. Utilization for the industry's deepwater fleet has historically been less

sensitive to the extreme fluctuations experienced within the shallow water market even during market downturns. The timing of potentially higher spending patterns, especially in deepwater, is expected to remain uncertain until operators have gained more clarity concerning the long-term implications of the Macondo well incident, including an understanding of the impact of new operating regulations and government oversight. We believe that sustained oil prices above $60 per barrel since mid-2009 have contributed to increased confidence among operators and should lead to increased exploration and production spending, especially in international locations. However, operators will need to be confident in stronger oil market fundamentals supported by broadening global economic improvement, leading to increased crude oil demand, especially among member countries of the Organization for Economic Cooperation and Development.

Geological successes in exploratory markets, such as the numerous discoveries to date in the pre-salt formation offshore Brazil, the lower tertiary trend in the U.S. Gulf of Mexico and deeper waters offshore Angola, along with the continued development of a number of deepwater projects in each of these regions, are expected to produce long-term growing demand from clients for deepwater rigs. Following a record 25 deepwater discoveries in 2009, operators announced a record 31 deepwater discoveries in 2010 covering an expanding number of offshore basins, such as Ghana, the pre-salt formation offshore Brazil and Sierra Leone, further supporting the long-term sustainability of deepwater drilling demand. Announced discoveries in 2010 included discoveries along East Africa offshore Mozambique and Tanzania, representing the initial deepwater wells drilled offshore in this vast, emerging province. Additional exploration drilling opportunities offshore East Africa are expected to develop in the future with client interest expressed offshore Kenya and Madagascar. In addition, international oil companies are experiencing greater access to other promising areas offshore, such as India, Malaysia, Brunei, Australia, Sao Tomé, Príncipe, Liberia, Gabon, Greenland and the Black Sea. We anticipate that the combination of drilling successes, greater access to offshore basins, enhanced hydrocarbon recovery methods and continued advances in offshore drilling technology, which support increased efficiency in field development efforts like parallel drilling activities, will support the long-term outlook for deepwater rig demand. However, the increase in deepwater drilling capacity, particularly in 2011 and 2012 when as many as 12 uncommitted new deepwater rigs are expected to complete construction programs and enter the active global fleet, could place dayrates for these rigs under additional pressure. In addition, delays in the U.S. Gulf of Mexico could lead to an imbalance of supply, leading to a more challenging environment in the short-term.

Longer-term, we believe the fundamentals are strong, growth in demand will likely return once the economic woes recede and the supply of oil and gas will remain constrained, with deepwater basins being the primary source of incremental supply.

Our Tanker Operations

Seasonality

Historically, oil trade and therefore charter rates increased in the winter months and eased in the summer months as demand for oil in the Northern Hemisphere rose in colder weather and fell in warmer weather. The tanker industry in general is less dependent on the seasonal transport of heating oil than a decade ago as new uses for oil and oil products have developed, spreading consumption more evenly over the year. Most apparent is a higher seasonal demand during the summer months due to energy requirements for air conditioning and motor vehicles.

Competition

The market for international seaborne crude oil transportation services is highly fragmented and competitive. Seaborne crude oil transportation services generally are provided by two main types of operators: major oil company captive fleets (both private and state-owned) and independent ship-owner fleets. In addition, several owners and operators pool their vessels together on an ongoing basis, and such pools are available to customers to the same extent as independently owned and operated fleets. Many major oil companies and other oil trading companies, the primary charterers of the vessels owned or controlled by us, also operate their own vessels and use such vessels not only to transport their own crude oil but also to transport crude oil for third party charterers in direct competition with independent owners and operators in the tanker charter market. Competition for charters is intense and is based upon price, location, size, age, condition and acceptability of the vessel and its manager. Competition is also affected by the availability of other size vessels to compete in the trades in which the Company engages. Charters are to a large extent brokered through international independent brokerage houses that specialize in finding the optimal ship for any particular cargo based on the aforementioned criteria. Brokers may be appointed by the cargo shipper or the ship owner.

Management of our Tankers under Construction

Management Agreements

Effective January 1, 2011, we entered into separate management agreements with TMS Tankers, a company controlled by our Chairman and Chief Executive Officer, Mr. George Economou, for each of our tankers under construction, which we amended on

January 13, 2011. Each management agreement provides for a construction supervisory fee of 10% of the budget for the vessel under construction, payable up front in lieu of a fixed management fee. Once the vessel is operating, TMS Tankers is entitled to a management fee of Euro 1,700 (or $2,300 based on the Euro/U.S. Dollar exchange rate as of December 31, 2010) per vessel per day, payable in equal monthly installments in advance and automatically adjusted each year to the Greek Consumer Price Index for the previous year by not less than 3% and not more than 5%.

In addition, under the management agreements, TMS Tankers is entitled to a chartering commission of 1.25% of all monies earned by the vessel and a vessel sale and purchase commission of 1%. The management agreements further provide that in our discretion, we may pay TMS Tankers an annual performance incentive fee.

Each management agreement has a term of five years and is automatically renewed for successive five-year periods unless we provide notice of termination in the fourth quarter of the year immediately preceding the end of the respective term.

The International Tanker Market

International seaborne oil and petroleum products transportation services are mainly provided by two types of operators: major oil company captive fleets (both private and state-owned) and independent shipowner fleets. Both types of operators transport oil under short-term contracts (including single-voyage "spot charters") and long-term time charters with oil companies, oil traders, large oil consumers, petroleum product producers and government agencies. The oil companies own, or control through long-term time charters, approximately one third of the current world tanker capacity, while independent companies own or control the balance of the fleet. The oil companies use their fleets not only to transport their own oil, but also to transport oil for third-party charterers in direct competition with independent owners and operators in the tanker charter market.

Average crude tanker spot freight rates were weaker during the third and fourth quarters of 2010. An oversupply of vessels relative to tanker demand was the main factor which weighed upon tanker rates. The oversupply is attributed to a relatively high number of new tanker deliveries over the course of 2010 coupled with the return to the fleet of vessels that were previously being used for floating storage. Some strength in spot tanker rates was seen towards the end of the year when cold winter weather in Europe and North America led to an increase in both oil demand and weather-related transit delays. Rates subsequently weakened, however, in January 2011 upon easing of weather-related seasonal factors.

The oil transportation industry has historically been subject to regulation by national authorities and through international conventions. Over recent years, however, an environmental protection regime has evolved which has a significant impact on the operations of participants in the industry in the form of increasingly more stringent inspection requirements, closer monitoring of pollution-related events, and generally higher costs and potential liabilities for the owners and operators of tankers.

In order to benefit from economies of scale, tanker charterers will typically charter the largest possible vessel to transport oil or products, consistent with port and canal dimensional restrictions and optimal cargo lot sizes. A tanker's carrying capacity is measured in deadweight tons, or dwt, which is the amount of crude oil measured in metric tons that the vessel is capable of loading. The oil tanker fleet is generally divided into the following five major types of vessels, based on vessel carrying capacity: (i) Ultra Large Crude Carrier, or ULCC, with a size range of approximately 320,000 to 450,000 dwt; (ii) Very Large Crude Carrier, or VLCC, with a size range of approximately 200,000 to 320,000 dwt; (iii) Suezmax-size range of approximately 120,000 to 200,000 dwt; (iv) Aframax-size range of approximately 80,000 to 120,000 dwt; (v) Panamax-size range of approximately 60,000 to 80,000 dwt; and (v) small tankers of less than approximately 60,000 dwt. ULCCs and VLCCs typically transport crude oil in long-haul trades, such as from the Arabian Gulf to China via the Cape of Good Hope. Suezmax tankers also engage in long-haul crude oil trades as well as in medium-haul crude oil trades, such as from West Africa to the East Coast of the United States. Aframax-size vessels generally engage in both medium-and short-haul trades of less than 1,500 miles and carry crude oil or petroleum products. Smaller tankers mostly transport petroleum products in short-haul to medium-haul trades.

Environmental and Other Regulations in the Shipping Industry

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

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the United States Coast Guard, harbor master or

equivalent), classification societies, flag state administrations (countries of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

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 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. 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 could result in additional legislation or regulation that could negatively affect our profitability.

International Maritime Organization

The IMO, the United Nations agency for maritime safety and the prevention of pollution by ships adopted the International Convention for the Prevention of Marine Pollution, 1973, as modified by the related Protocol of 1978 relating thereto, which has been updated through various amendments, or the MARPOL Convention. The MARPOL Convention establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms.

In September 1997, the IMO adopted Annex VI to the MARPOL Convention, Regulations for the Prevention of Pollution from Ships, to address air pollution from ships. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as chlorofluorocarbons), emissions of volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. We believe that all our vessels are currently compliant in all material respects with these regulations. In October 2008, the IMO adopted amendments to Annex VI regarding particulate matter, nitrogen oxide and sulfur oxide emissions standards which entered into force on July 1, 2010. The amended Annex VI would reduce air pollution from vessels by establishing a series of progressive standards to further limit the sulfur content in fuel oil, which would be phased in by 2020, and by establishing new tiers of nitrogen oxide emission standards for new marine diesel engines, depending on their date of installation. Additionally, more stringent emission standards could apply in coastal areas designated as Emission Control Areas, such as the United States and Canadian coastal areas recently designated by the IMO's Marine Environment Protection Committee. U.S. air emissions standards are now equivalent to these amended Annex VI requirements. We may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

Safety Management System Requirements

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. We believe that all our vessels are in substantial compliance with SOLAS and LL Convention standards.

Under Chapter IX of SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, our operations are also subject to environmental standards and requirements contained in the ISM Code promulgated by the IMO. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical manager have 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 for each vessel they operate. This certificate evidences compliance by a vessel's management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We have obtained documents of compliance for our offices and safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance, or the DOC, and safety management certificate, or the SMC, are renewed as required.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatory to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004, or the BWM Convention. 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. The BWM Convention has not yet entered into force because a sufficient number of states have failed to adopt it. However, the IMO's Marine Environment Protection Committee passed a resolution in March 2010 encouraging the ratification of the Convention and calling upon those countries that have already ratified to encourage the installation of ballast water management systems. If mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could be significant.

Although the United States is not a party, many countries have ratified the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended in 2000, or the CLC. Under this convention and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain defenses and limitations. Vessels trading with states that are parties to these conventions must provide evidence of insurance covering the liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC.

The IMO also has adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, which imposes strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel and 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.

Compliance Enforcement

Noncompliance with the ISM Code or other IMO regulations may subject the shipowner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future.

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

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

The U.S. Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its 200 nautical mile exclusive economic zone. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners, operators and bareboat charterers are responsible parties who 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 oil spills from their vessels. OPA limits the liability of responsible parties with respect to tankers over 3,000 gross tons to the greater of $2,000 per gross ton or $17,088,000 per double hull tanker, and with respect to non-tank vessels, the greater of $1,000 per gross ton or $854,400 for any non-tank vessel, respectively, and permits individual states to impose their own liability regimes with regard to oil

pollution incidents occurring within their boundaries. CERCLA, which applies to owners and operators of vessels, contains a similar liability regime and provides for cleanup, removal and natural resource damages. 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 $0.5 million for any other vessel.

These limits of liability do not apply, however, where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party's gross negligence or willful misconduct. These limits also do not apply if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law.

OPA also requires owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the limit of their potential liability under OPA and CERCLA. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, self-insurance or a guaranty. We have complied with the U.S. Coast Guard's financial responsibility regulations by providing a certificate of responsibility evidencing sufficient self-insurance.

We currently maintain pollution liability coverage insurance in the amount of $625 million per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage it could have an adverse effect on our business and results of operation.

OPA specifically permits U.S. coastal states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, 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 vessels 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 U.S. Clean Water Act, or CWA, prohibits the discharge of oil, hazardous substances or ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In addition, most 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 United States Environmental Protection Agency, or EPA, has enacted rules requiring a permit regulating ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters under the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or VGP. To be covered by the VGP, owners of certain vessels must submit a Notice of Intent, or NOI, at least 30 days before the vessel operates in United States waters. Compliance with the VGP could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other disposal arrangements, and/or otherwise restrict our vessels from entering United States waters. In addition, certain states have enacted more stringent discharge standards as conditions to their required certification of the VGP. As part of a settlement of litigation challenging the VGP, EPA has recently agreed to propose a new VGP with numerical restrictions on ballast water organisms by November 2011. We have submitted NOIs for our vessels where required and do not believe that the costs associated with obtaining and complying with the VGP will have a material impact on our operations.

The U.S. Clean Air Act of 1970, as amended by the Clean Air Act Amendments of 1977 and 1990, or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels 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, or SIPs, designed to attain national health-based air quality standards in primarily major metropolitan and/or industrial areas. Several SIPs regulate 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

The European Union has adopted legislation that would: (1) ban manifestly sub-standard vessels (defined as those over 15 years old that have been detained by port authorities at least twice in a six month period) from European waters and create an obligation of port states to inspect vessels posing a high risk to maritime safety or the marine environment; and (2) provide the European Union with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies.

In October 2009, the European Union amended a previously adopted 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. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

Greenhouse Gas Regulation

The IMO is evaluating mandatory measures to reduce greenhouse gas emissions from international shipping, which include market-based instruments and energy efficiency standards. The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from marine vessel. In the United States, the EPA has issued a proposed finding that greenhouse gases endanger the public health and safety and has adopted regulations relating to the control of greenhouse gas emissions from certain mobile and large stationary sources. Although the EPA findings and regulations do not extend to vessels and vessel engines, EPA is separately considering a petition from the California Attorney General and environmental groups to regulate greenhouse gas emissions from ocean-going vessels under the CAA. In addition, climate change initiatives are being considered in the U.S. Congress. Any passage of climate control legislation or other regulatory initiatives by the IMO, EU, 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 that we cannot predict with certainty at this time.

Environmental and Other Regulations in the Offshore Drilling Industry

Our offshore drilling operations include activities that are subject to numerous international, federal, state and local laws and regulations, including the International Convention for the Prevention of Pollution from Ships, or MARPOL, the International Convention on Civil Liability for Oil Pollution Damage of 1969, generally referred to as CLC, the International Convention on Civil Liability for Bunker Oil Pollution Damage, or Bunker Convention, the U.S. Oil Pollution Act of 1990, or OPA, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Outer Continental Shelf Lands Act, and Brazil's National Environmental Policy Law (6938/81), Environmental Crimes Law (9605/98) and Law 9966/2000 relating to pollution in Brazilian waters. These laws govern the discharge of materials into the environment or otherwise relate to environmental protection. In certain circumstances, these laws may impose strict liability, rendering the Company liable for environmental and natural resource damages without regard to negligence or fault on its part.

For example, the United Nations' International Maritime Organization, or IMO, adopted MARPOL and Annex VI to MARPOL to regulate the discharge of harmful air emissions from ships, which include rigs and drillships. Rigs and drillships must comply with MARPOL limits on sulfur oxide and nitrogen oxide emissions, chlorofluorocarbons, and the discharge of other air pollutants, except that the MARPOL limits do not apply to emissions that are directly related to drilling, production, or processing activities.

Our drilling units are subject not only to MARPOL regulation of air emissions, but also to the Bunker Convention's strict liability for pollution damage caused by discharges of bunker fuel in ratifying states. We believe that all of our drilling units are currently compliant in all material respects with these regulations. In October 2008, IMO's Maritime Environment Protection Committee, or MEPC, adopted amendments to the Annex VI regulations which entered into force on July 1, 2010, that will require a progressive reduction of sulfur oxide levels in heavy bunker fuels and create more stringent nitrogen oxide emissions standards for marine engines in the future. The Company may incur costs to comply with these revised standards.

Furthermore, any drillships that we may operate in United States waters, including the U.S. territorial sea and the 200 nautical mile exclusive economic zone around the United States, would have to comply with OPA and CERCLA requirements that impose liability (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 of oil or other hazardous substances, other than discharges related to drilling.

The U.S. BOEMRE periodically issues guidelines for rig fitness requirements in the Gulf of Mexico and may take other steps that could increase the cost of operations or reduce the area of operations for the Company's units, thus reducing their marketability. Implementation of BOEMRE guidelines or regulations may subject the Company to increased costs or limit the operational capabilities of its units and could materially and adversely affect the Company's operations and financial condition.

Numerous governmental agencies issue regulations to implement and enforce the laws of the applicable jurisdiction, which often involve lengthy permitting procedures, impose difficult and costly compliance measures, particularly in ecologically sensitive areas, and subject operators to substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. Some of these laws contain criminal sanctions in addition to civil penalties. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly compliance or limit contract drilling opportunities, including changes in response to a serious marine incident that results in significant oil pollution or otherwise causes significant adverse environmental impact, such as the April 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico, could adversely affect the Company's financial results. While the Company believes that it is in substantial compliance with the current laws and regulations, there is no assurance that compliance can be maintained in the future.

In addition to the MARPOL, OPA, and CERCLA requirements described above, our international operations in the offshore drilling segment are subject to various laws and regulations in countries in which we operate, including laws and regulations relating to the importation of and operation of drilling units and equipment, currency conversions and repatriation, oil and gas exploration and development, environmental protection, taxation of offshore earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of drilling units and other equipment. New environmental or safety laws and regulations could be enacted, which could adversely affect our ability to operate in certain jurisdictions. Governments in some countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and gas and other aspects of the oil and gas industries in their countries. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil and gas companies and may continue to do so. Operations in less developed countries can be subject to legal systems that are not as mature or predictable as those in more developed countries, which can lead to greater uncertainty in legal matters and proceedings.

Implementation of new environmental laws or regulations that may apply to ultra-deepwater drilling units may subject us to increased costs or limit the operational capabilities of our drilling units and could materially and adversely affect our operations and financial condition.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002, or the MTSA came into effect. To implement certain portions of the MTSA, in July 2003, the 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. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facility Security Code, or the ISPS Code. The ISPS Code is designed to protect ports and international shipping against terrorism. After July 1, 2004, to trade internationally, a vessel must attain an International Ship Security Certificate 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 a ship security plan;
- 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 and of 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, which are reviewed every five years and are subject to intermediate verification every 2.5 years.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt from MTSA vessel security measures non-U.S. vessels that have on board, as of July 1, 2004, a valid International Ship Security Certificate attesting to the vessel's compliance with SOLAS security requirements and the ISPS Code. Our managers intend to implement the various security measures addressed by MTSA, SOLAS and the ISPS Code, and we intend that our fleet will comply with applicable security requirements. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code.

Inspection by Classification Societies

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

The classification society also undertakes 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, at intervals of 12 months from 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 may be carried out on 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. Upon a shipowner's request, 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. Vessels under five years of age can waive drydocking in order to increase available days and decrease capital expenditures, provided the vessel is inspected underwater.

Most vessels are also drydocked 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.

For Mobile Offshore Drilling Unit's plans are submitted to the Classification Society for inspections in lieu of dry docking.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies. All our vessels are certified as being "in class" by all the major Classification Societies (e.g., American Bureau of Shipping, 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.

Class Surveys — mobile offshore drilling units. Class renewal surveys, also known as special surveys or class work, are carried out for the unit's hull, machinery, drilling equipment, and for any special equipment classed, at the intervals indicated by the character of classification, normally every five years. At the special survey the unit is thoroughly examined. The classification society may grant a grace period for completion of the entire or parts of the special survey. This normally not more than 3 months.

Substantial amounts of money have to be spent for renewals and repairs to pass a special survey, as several spares and components have a defined lifetime of 5 to 15 years. This is accelerated if the unit experiences excessive wear and tear.

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 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. Both our drilling rigs are certified as being "in class" by De Norske Veritas (DNV). The *Leiv Eiriksson* completed the 5-year class in 2006 and the *Eirik Raude* in 2007. The *Leiv Eiriksson* and the *Eirik Raude* are due for their next Special Periodic Survey in the first quarter of 2011 and 2012, respectively, while the *Ocean Rig Corcovado*, the *Ocean Rig Olympia* and our drillships under construction are due for their first Special Periodical Survey in 2016.

Risk of Loss and Liability Insurance

The operation of any vessel includes risks such as mechanical failure, hull damage, collision, property loss and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental incidents, 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 United States 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 United States market.

We maintain hull and machinery insurance, war risks insurance, protection and indemnity cover, and freight, demurrage and defense cover for our fleet in amounts that we believe to be prudent to cover normal risks in our operations. However, we may not be able to achieve or maintain this level of coverage throughout a vessel's useful life. Furthermore, while we believe that the insurance coverage that we will obtain is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Hull & Machinery and War Risks Insurance

We maintain marine hull and machinery and war risks insurance, which includes the risk of actual or constructive total loss, for all of our vessels. Our vessels are each covered up to at least fair market value with deductibles of $100,000—$150,000 per vessel per incident. We also maintain increased value coverage for most of our vessels. Under this increased value coverage, in the event of total loss of a vessel, we will be able to recover the sum insured under the increased value policy in addition to the sum insured under the hull and machinery policy. Increased value insurance also covers excess liabilities which are not recoverable under our hull and machinery policy by reason of under insurance.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which insure liabilities to third parties in connection with our shipping activities. This includes third-party liability and other related expenses resulting from the injury or death of crew, passengers and other third parties, the loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal. Our P&I coverage is subject to and in accordance with the rules of the P&I Association in which the vessel is entered. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs." Our coverage is limited to approximately $4.25 billion, except for pollution which is limited to $1 billion and passenger and crew which is limited to $3 billion.

Our current protection and indemnity insurance coverage for pollution is $1 billion per vessel per incident. The fourteen P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Each P&I Association has capped its exposure to this pooling agreement at $4.25 billion. As a member of a P&I Association which is a member of the International Group, we are subject to calls payable to the associations based on the 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.

Insurance for our Offshore Drilling Units

We maintain insurance for our drilling units in accordance with industry standards. Our insurance is intended to cover normal risks in our current operations, including insurance against property damage, loss of hire, war risk and third-party liability, including pollution liability. The insurance coverage is established according to the Norwegian Marine Insurance Plan of 1996, version 2010, which together with the London Drilling Standard Form Plan is the industry standard. We have obtained insurance for the full assessed market value of our drilling units, as assessed by rig brokers. Our insurance provides for premium adjustments based on claims and is subject to deductibles and aggregate recovery limits. In the case of pollution liabilities, our deductible is $10,000 per event and in the case of other hull and machinery claims, our deductible is $1.5 million per event. Our insurance coverage may not protect fully against losses resulting from a required cessation of drilling unit operations for environmental or other reasons. We also have loss of hire insurance which becomes effective after 45 days of off-hire and coverage extends for approximately one year. The principal risks which may not be insurable are various environmental liabilities and liabilities resulting from reservoir damage caused by our negligence. In addition, insurance may not be available to us at all or on terms acceptable to us, and there is no guarantee that even if we are insured, our policy will be adequate to cover our loss or liability in all cases. Following the delivery to us of our newbuilding drillships, we plan to maintain insurance for those drillships in accordance with the Norwegian Marine Insurance Plan of 1996, version 2010. This insurance would also be intended to cover normal risks in our current operations, including insurance against property damage, loss of hire, war risk, third-party liability, including pollution liability and loss of hire.

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 in which the vessel operates, the nationality of the vessel's crew and the age of a vessel. We have been able to obtain 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 us doing business.

C. Organizational Structure

As of December 31, 2010, we own all of our drybulk vessels through our wholly-owned subsidiaries. We own our drilling units through our majority-owned subsidiary, Ocean Rig UDW. We currently own approximately 78% of the outstanding capital stock of Ocean Rig UDW. We own our two existing tanker vessels and the newbuilding contracts for the remaining ten tanker vessels through wholly-owned subsidiaries. Please see Exhibit 8.1 to this Annual Report for a list of our significant subsidiaries.

D. Property, Plant and Equipment

We do not own any real property. We lease office space in Athens, Greece from a son of George Economou. Through our subsidiaries, we lease office space in Nicosia, Cyprus; Stavanger, Norway; London, UK; Taccoradi, Ghana; and Accra, Ghana. Our interests in the drybulk vessels, drilling units and tankers under construction in our fleet are our only material properties. See "Our Fleet" in this section.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

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

Our Drybulk Carrier Segment

Factors Affecting Our Results of Operations – Drybulk Carrier Segment

We charter our drybulk carriers to customers primarily pursuant to time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, and we also pay commissions to one or more unaffiliated ship brokers and to in-house brokers associated with the charterer for the arrangement of the relevant charter. The vessels in our fleet are primarily employed on long-term time charters. We also charter one of our vessels on bareboat charters. Under a bareboat charter, the vessel is chartered for a stipulated period of time which gives the charterer possession and control of the vessel, including the right to appoint the master and the crew. Under bareboat charters all voyage costs are paid by our customers.

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 in our possession including off-hire days associated with major repairs, drydockings or special or intermediate surveys. Calendar days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during that period.
- **Voyage days**. We define voyage days as the total number of days in a period during which each vessel in our fleet was in our possession net of off-hire days associated with major repairs, drydockings or special or intermediate surveys. The shipping industry uses voyage days (also referred to as available 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 our voyage days during a period by the number of our calendar 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 such as scheduled repairs, vessel upgrades, drydockings or special or intermediate surveys.
- **Spot charter rates**. Spot charter rates are volatile and fluctuate on a seasonal and year to year basis. Fluctuations 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.
- **TCE rates**. We define TCE rates as our voyage and time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. TCE rate, a non-U.S. GAAP measure, provides additional meaningful information in conjunction with revenues from our drybulk carriers, the most directly comparable U.S. GAAP measure, because it assists Company management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance. TCE rate is also a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters generally are expressed in such amounts.

The following table reflects our voyage days, calendar days, fleet utilization and TCE rates for our drybulk carrier segment for the periods indicated.

(Dollars in thousands except Average number of vessels)

	Year Ended December 31,				
	2006	2007	2008	2009	2010
Average number of vessels	29.76	33.67	38.56	38.12	37.21
Total voyage days for fleet	10,606	12,130	13,896	13,660	13,372
Total calendar days for fleet	10,859	12,288	14,114	13,914	13,583
Fleet Utilization	97.70%	98.71%	98.45%	98.17%	98.45%
Time charter equivalent	21,918	45,417	58,155	30,425	32,184

Voyage Revenues

Our voyage revenues are driven primarily by the number of vessels in our fleet, the number of voyage days during which our vessels generate revenues and the amount of daily charter hire that our vessels earn under charters, which, in turn, are affected by a number of factors, including our decisions relating to vessel acquisitions and disposals, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend in drydock undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels, levels of supply and demand in the drybulk transportation market and other factors affecting spot market charter rates for drybulk carriers.

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

In 2010, we had one of our vessels in the Baumarine pool, which remained in the pool until January 12, 2010. We are paid a percentage of revenues generated by the pool calculated in accordance with a "pool point formula," which is determined by points awarded to each vessel based on the vessel's age, dwt, speed, fuel consumption and certain other factors. For example, a younger vessel with higher carrying capacity and greater fuel efficiency would earn higher pool points than an older vessel with lower carrying capacity and lesser fuel efficiency. Revenues are paid every 15 days in arrears based on the points earned by each vessel.

Revenue from these pooling arrangements is accounted for on the accrual basis and is recognized when the collectability has been reasonably assured. Revenue from the pooling arrangements for the years ended December 31, 2008, 2009 and 2010 accounted for 6%, 1% and 0% of our voyage revenues, respectively.

Voyage Expenses and Voyage Expenses—Related Party

Voyage expenses and voyage expenses—related party primarily consists of commissions paid.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Our vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the increase in 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, may also cause these expenses to increase.

Depreciation

We depreciate our vessels on a straight-line basis over their estimated useful lives determined to be 25 years from the date of their initial delivery from the shipyard. Depreciation is based on cost less the estimated residual value.

Management Fees – Related Party

Management Agreements

Prior to January 1, 2011, Cardiff, a company controlled by our Chairman and Chief Executive Officer, Mr. George Economou, served as our technical and commercial manager pursuant to separate management agreements with each of our drybulk vessel-owning subsidiaries. Effective January 1, 2011, we entered into new management agreements that replaced our management agreements with Cardiff, on the same terms as our management agreements with Cardiff, with TMS Bulkers, a related party, as a result of an internal restructuring of Cardiff for the purpose of enhancing its efficiency and the quality of its ship-management services.

TMS Bulkers is beneficially majority-owned by our Chairman and Chief Executive Officer, Mr. George Economou, and members of his immediate family. The remaining capital stock of TMS Bulkers is beneficially owned by Ms. Chryssoula Kandylidis, who serves on our board of directors. Mr. Economou, under the guidance of our board of directors, manages our business as a holding company, including our own administrative functions, and we monitor TMS Bulkers's performance under the management agreements.

Under our management agreements with TMS Bulkers, TMS Bulkers is entitled to a fixed management fee of Euro 1,500 (or $2,000 based on the Euro/U.S. Dollar exchange rate at December 31, 2010) per vessel per day, payable in equal monthly installments in advance and automatically adjusted each year to the Greek Consumer Price Index for the previous year by not less than 3% and not more than 5%. If we request that TMS Bulkers supervise the construction of a newbuilding vessel then in lieu of the fixed management fee, we will pay TMS Bulkers an upfront fee equal to 10% of the budget for such vessel as approved by us. For any additional attendance above the budgeted superintendent expenses, the Company will be charged extra at a standard rate in Euro 500 ($700 based on the Euro/U.S. Dollar exchange rate as of December 31, 2010) per day.

In addition, TMS Bulkers is entitled to a commission of 1.25% of all monies earned by the vessel, which survives the termination of the management agreement until the termination of the charter agreement then in effect or the termination of any other employment arranged prior to such termination. TMS Bulkers also receives a sale and purchase commission of 1%. Under the management agreements, we may award TMS Bulkers an annual performance incentive fee.

From September 1, 2010 through January 1, 2011, Cardiff served as our technical and commercial manager pursuant to management agreements with the terms described above. Prior to September 1, 2010, we paid management fees to Cardiff that varied according to type of management service, including chartering, technical management, accounting and financial reporting services. Moreover, effective September 1, 2010, we terminated our agreement with Cardiff, according to which a quarterly fee of $250,000 was payable to Cardiff for services in relation to financial reporting requirements and monitoring of internal controls.

See "Item 7.B. Related Party Transactions—Agreements with Cardiff, TMS Bulkers and TMS Tankers—Management Agreements—Drybulk Vessels."

Consultancy Agreement—Drybulk carrier, offshore drilling and tanker segments

On September 1, 2010, we entered into a consultancy agreement with Vivid Finance, a company controlled by our Chairman and Chief Executive Officer, Mr. George Economou, pursuant to which Vivid Finance provides consulting services relating to (i) the identification, sourcing, negotiation and arrangement of new loan and credit facilities, interest swap agreements, foreign currency contracts and forward exchange contracts; (ii) the raising of equity or debt in the public capital markets; and (iii) the renegotiation of existing loan facilities and other debt instruments. In consideration for these services, Vivid Finance is entitled to a fee of twenty basis points, or 0.20%, on the total transaction amount. The consultancy agreement has a term of five years and may be terminated (i) at the end of its term unless extended by mutual agreement of the parties; (ii) at any time by the mutual agreement of the parties; and (iii) by us after providing written notice to Vivid Finance at least 30 days prior to the actual termination date.

Pooling Arrangements

We currently operate our two existing tankers under pooling arrangements that are managed by Heidmar Inc., a related party. Our Chairman and Chief Executive Officer is the Chairman of the Board of Directors of Heidmar Inc. and Heidmar Inc. is 49% owned by a company related to Mr. Economou. Pursuant to the Sigma Tankers pool agreement for the vessel *Saga*, Heidmar Inc., as pool manager, is entitled to receive an agency fee of $387 per day for the vessel and a commission of 1.25% of the freight or charter hire earned by the vessel on contracts or charter parties entered into by the pool during the term of the agreement, which increases to 1.50% of the freight or charter hire in the event the pool consists of less than 20 vessels. Pursuant to the Blue Fin Tankers pool

agreement for the vessel *Vilamoura*, Heidmar Inc., as pool manager, is entitled to receive an agency fee of $387 per day for the vessel and a commission of 1.25% of the freight or charter hire earned by the vessel on contracts or charter parties entered into by the pool during the term of the agreement. The agency fees and commissions are deducted from our pool earnings. See "Item 7.B Related Party Transactions – Pooling Arrangements."

General and Administrative Expenses

Our general and administrative expenses mainly include executive compensation and the fees paid to Fabiana Services S.A. ("Fabiana"), a related party entity incorporated in the Marshall Islands. Fabiana provides the services relating to our Chief Executive Officer and is beneficially owned by our Chief Executive Officer.

Interest and Finance Costs

We have historically incurred interest expense and financing costs in connection with vessel-specific debt of our subsidiaries. We used a portion of the proceeds of our initial public offering in February 2005 to repay all of our then-outstanding debt. We used a portion of the proceeds from our controlled equity offering through Cantor Fitzgerald, as sales agent, in 2006, 2007 and 2008 as well as a portion of the proceeds from our at the market offering through Merrill Lynch & Co., as sales agent, in 2009. In addition, we used a portion of the proceeds from our Notes offering in April 2010 and our 2010 at-the-market offering through Deutsche Bank Securities Inc., as sales agent, to repay existing indebtedness. We have incurred financing costs and we also expect to incur interest expenses under our credit facilities and convertible notes facility in connection with debt incurred to finance future acquisitions. However, we intend to limit the amount of these expenses and costs by repaying our outstanding indebtedness from time to time with the net proceeds of future equity issuances.

Inflation – Drybulk Carrier, Offshore Drilling and Tanker Segments

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

Our Offshore Drilling Segment

Factors Affecting Our Results of Operations – Offshore Drilling Segment

We charter our drilling units to customers primarily pursuant to long-term drilling contracts. Under the drilling contracts, the customer typically pays us a fixed daily rate, depending on the activity and up-time of the drilling unit. The customer bears all fuel costs and logistics costs related to transport to and from the unit. We remain responsible for paying the unit's operating expenses, including the cost of crewing, catering, insuring, repairing and maintaining the unit, the costs of spares and consumable stores and other miscellaneous expenses.

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

- **Employment Days** – We define employment days as the total number of days the drilling units are employed on a drilling contract.
- **Dayrates or maximum dayrates.** We define drilling dayrates as the maximum rate in U.S. dollars possible to earn for drilling services for one 24 hour day at 100% efficiency under the drilling contract. Such dayrate may be measured by quarter-hour, half-hour or hourly basis and may be reduced depending on the activity performed according to the drilling contract.
- **Earning efficiency / earning efficiency on hire.** Earning efficiency measures the effective earnings ratio, expressed as a percentage of the full earnings rate, after reducing for certain operations paid at reduced rate, non-productive time at zero rate, or off hire without dayrates. Earning efficiency on hire measures the earning efficiency only for the period during which the drilling unit is on contract and does not include off-hire periods.
- **Mobilization / demobilization fees:** In connection with drilling contracts, we may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to the drilling vessels, dayrate or fixed price mobilization and demobilization fees.

- **Revenue:** For each contract, we determine whether the contract, for accounting purposes, is a multiple element arrangement, meaning it contains both a lease element and a drilling services element, and, if so, identify all deliverables (elements). For each element we determine how and when to recognize revenue.
- **Term contracts:** These are contracts pursuant to which we agree to operate the unit for a specified period of time. For these types of contracts, we determine whether the arrangement is a multiple element arrangement. For revenues derived from contracts that contain a lease, the lease elements are recognized as "Leasing revenues" in the statement of operations on a basis approximating straight line over the lease period. The drilling services element is recognized as "Service revenues" in the period in which the services are rendered at fair value rates. Revenues related to the drilling element of mobilization and direct incremental expenses of drilling services are deferred and recognized over the estimated duration of the drilling period.
- **Well contracts:** These are contracts pursuant to which we agree to drill a certain number of wells. Revenue from dayrate based compensation for drilling operations is recognized in the period during which the services are rendered at the rates established in the contracts. All mobilization revenues, direct incremental expenses of mobilization and contributions from customers for capital improvements are initially deferred and recognized as revenues over the estimated duration of the drilling period.

Revenue from Drilling Contracts

Our drilling revenues are driven primarily by the number of drilling units in our fleet, the contractual dayrates and the utilization of the drilling units. This, in turn, is affected by a number of factors, including the amount of time that our drilling units spend on planned off-hire class work, unplanned off-hire maintenance and repair, off-hire upgrade and modification work, reduced dayrates due to reduced efficiency or non-productive time, the age, condition and specifications of our drilling units, levels of supply and demand in the rig market, the price of oil and other factors affecting the market dayrates for drilling units. Historically, industry participants have increased supply of drilling units in periods of high utilization and dayrates. This has resulted in an oversupply and caused a decline in utilization dayrates. Therefore, dayrates have historically been very cyclical.

Rig Operating Expenses

Rig operating expenses include crew wages and related costs, catering, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, shore based costs and other miscellaneous expenses. Our rig operating expenses, which generally represent fixed costs, have historically increased as a result of the business climate in the offshore drilling sector. Specifically, wages and vendor supplied spares, parts and services have experienced a significant price increase over the previous two to three years. Other factors beyond our control, some of which may affect the offshore drilling industry in general, including developments relating to market prices for insurance, may also cause these expenses to increase. In addition, these rig operating expenses are higher when operating in harsh environments, though an increase in expenses is typically offset by the higher dayrates we receive when operating in these conditions.

Depreciation

We depreciate our drilling units on a straight-line basis over their estimated useful lives. Specifically, we depreciate bare-decks over 30 years and other asset parts over five to 15 years. We expense the costs associated with a five-year periodic class work.

Management Fees to Related Party

Management Agreements

Until December 21, 2010, we, through our wholly-owned subsidiaries Drillship Hydra Owners Inc. and Drillship Paros Owners Inc., were party to, with respect to the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*, separate management agreements with Cardiff, a company controlled by our Chairman and Chief Executive Officer, Mr. George Economou, pursuant to which Cardiff provided additional supervisory services in connection with these drillships including, among other things: (i) assisting in securing the required equity for the construction; (ii) negotiating, reviewing and proposing finance terms; (iii) assisting in marketing towards potential contractors; (iv) assisting in arranging, reviewing and supervising all aspects of building, equipment, financing, accounting, record keeping, compliance with laws and regulations; (v) assisting in procuring consultancy services from specialists; and (vi) assisting in finding prospective joint-venture partners and negotiating any such agreements. Pursuant to the management agreements, we paid Cardiff a management fee of $40,000 per month per drillship plus (i) a chartering commission of 1.25% on revenue earned; (ii) a commission of 1.0% on the shipyard payments or purchase price paid for drillships; (iii) a commission of 1.0% on loan financing; and (iv) a commission of 2.0% on insurance premiums. These management agreements were replaced by the Global Services Agreement discussed below.

See "Item 7.B Related Party Transactions—Agreements with Cardiff, TMS Bulkers and TMS Tankers—Management Agreements – Drilling Units."

Global Services Agreement

On December 1, 2010, we entered into the Global Services Agreement with Cardiff, a company controlled by our Chairman and Chief Executive Officer, Mr. George Economou, effective December 21, 2010, pursuant to which we have engaged Cardiff to act as consultant on matters of chartering and sale and purchase transactions for our offshore drilling units. Under the Global Services Agreement, Cardiff, or its subcontractor, will (i) provide consulting services related to identifying, sourcing, negotiating and arranging new employment for our offshore assets, including our drilling units; and (ii) identify, source, negotiate and arrange the sale or purchase of our offshore assets, including our drilling units. In consideration of such services, Cardiff is entitled to a fee of 1.0% in connection with employment arrangements and 0.75% in connection with sale and purchase activities.

Management Fees from Related Party

In April 2008, we entered into management agreements with Ocean Rig AS for the supervision of the construction of the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*, scheduled to be delivered to us in July 2011 and September 2011, respectively, In addition, the owning companies of the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*, which we subsequently acquired in 2009, also entered into management agreements with Ocean Rig AS for the supervision of the construction of the two drillships on the same terms as the management agreements for the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*.

Under the terms of the management agreements, Ocean Rig AS, is among other things, responsible for (i) assisting in technical negotiations of construction contracts, (ii) securing contracts for the future employment the drillships, and (iii) providing commercial, technical and operational management for the drillships. Ocean Rig AS is entitled to fees of: (i) $250 per day until steel cutting; (ii) $2,500 per day from the date of steel cutting until the date of delivery of the applicable drillship to its owner; and (iii) $8,000 per day thereafter. The management fees are subject to an increase based on the U.S. Consumer Price Index for the preceding 12 months. Ocean Rig AS is also entitled to a commission fee equal to 0.75% of gross hire and charter hire for contracts or charter parties entered into during the term of the management agreement, payable on the date that the gross or charter hire money is collected. The agreements terminate on December 31, 2020, unless earlier terminated by Ocean Rig AS for non-payment within fifteen working days of request.

General and Administrative Expenses

Our general and administrative expenses mainly include the costs of our offices, including salary and related costs for approximately 65 members of senior management and our shore-side employees.

Interest and Finance Costs

In 2008, we completed a refinancing of Ocean Rig ASA, which was later reorganized into Drill Rigs Holdings Inc., to replace our secured bank debt and two bond issuances with secured bank debt only. Please see below under "—B. Liquidity and Capital Resources—Existing Credit Facilities—$1.04 billion revolving credit and term loan facility, dated September 17, 2008, as amended." As of December, 31 2009 and after the completion of the acquisitions of the four newbuilding drillships in 2008 and 2009, we had total indebtedness of $1.2 billion. As of December 31, 2010, we had indebtedness of $1.3 billion. We capitalize our interest on the debt we have incurred in connection with our drillships under construction. Historically, we have incurred interest expense and financing costs in connection with debt covering the fleet and not with rig-specific debt.

Our Tanker Segment

The successful operation of our tanker vessels in spot market-related vessel pools will depend on, among other things, the age, dwt, carrying capacity, speed and fuel consumption of our vessels, which will determine the pool points we receive. The number of pool points we receive, together with, among other things, each of our vessels' operating days during the month will determine our share of the pool's net revenue. Our pool points for our vessels are calculated at the time that each respective vessel is entered into the pool and adjusted every six months. Our pool points may be reduced if certain pool requirements are not met, including if we do not maintain a minimum number of oil major approvals and if we fail to provide for ship inspection reports at least every six months. If the vessels entered into the pool in the future differ significantly in the performance characteristics relevant to the pool allocation formula, our vessels' share may be affected either positively or negatively.

Factors Affecting our Future Results of Operations – Tanker Segment

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

- **Vessel Revenues:** Vessel revenues primarily include revenues from time charters and pool revenues. Vessel revenues are affected by hire rates and the number of days a vessel operates. Vessel revenues are also affected by the mix of business between vessels on time charter and vessels in pools. Revenues from vessels in pools are more volatile, as they are typically tied to prevailing market rates.
- **Vessel Operating Expenses:** We are responsible for vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, and technical management fees. The two largest components of our vessel operating costs are crews and repairs and maintenance. Expenses for repairs and maintenance tend to fluctuate from period to period because most repairs and maintenance typically occur during periodic drydockings. We expect these expenses to increase as our fleet matures and to the extent that it expands.
- **Depreciation:** Depreciation expense typically consists of (i) charges related to the depreciation of the historical cost of our fleet (less an estimated residual value) over the estimated useful lives of the vessels; and (ii) charges related to the amortization of drydocking expenditures over the estimated number of years to the next scheduled drydocking.
- **Drydocking:** We must periodically drydock each of our vessels for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. Generally, each vessel is required to be drydocked every 30 months. We capitalize a substantial portion of the costs incurred during drydocking and amortize those costs on a straight-line basis from the completion of a drydocking to the estimated completion of the next drydocking. We immediately expense costs for routine repairs and maintenance performed during drydocking that do not improve or extend the useful lives of the assets. The number of drydockings undertaken in a given period and the nature of the work performed determine the level of drydocking expenditures.
- **Time Charter Equivalent Rates:** Time charter equivalent, or TCE, rates, are a standard industry measure of the average daily revenue performance of a vessel. The TCE rate achieved on a given voyage is expressed in U.S. dollars/day and is generally calculated by subtracting voyage expenses, including bunkers and port charges, from voyage revenue and dividing the net amount (time charter equivalent revenues) by the number of days in the period.
- **Revenue Days:** Revenue days are the total number of calendar days our vessels were in our possession during a period, less the total number of off-hire days during the period associated with major repairs or drydockings. Consequently, revenue days represent the total number of days available for the vessel to earn revenue. Idle days, which are days when a vessel is available to earn revenue, yet is not employed, are included in revenue days. We use revenue days to show changes in net voyage revenues between periods.
- **Average Number of Vessels:** Historical average number of vessels consists of the average number of vessels that were in our possession during a period. We use average number of vessels primarily to highlight changes in vessel operating costs and depreciation and amortization.
- **Commercial Pools:** To increase vessel utilization to gain economies of scale and thereby revenues, we participate in commercial pools with other shipowners of similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools employ experienced commercial charterers and operators who have close working relationships with customers and brokers, while technical management is performed by each shipowner. Pools negotiate charters with customers primarily in the spot market. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and COAs, thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market while providing a higher level of service offerings to customers.

Management Fees to Related Party

Management Agreements

Effective January 1, 2011, we entered into separate management agreements with TMS Tankers, a company controlled by our Chairman and Chief Executive Officer, Mr. George Economou, for each of our tankers under construction. Each management

agreement provides for a construction supervisory fee of 10% of the budget for the vessel under construction, payable up front in lieu of a fixed management fee. Once the vessel is operating, TMS Tankers is entitled to a management fee of Euro 1,700 (or $2,267 based on the Euro/U.S. Dollar exchange rate as of December 31, 2010) per vessel per day, payable in equal monthly installments in advance and automatically adjusted each year to the Greek Consumer Price Index for the previous year by not less than 3% and not more than 5%.

In addition, under the management agreements, TMS Tankers is entitled to a chartering commission of 1.25% of all monies earned by the vessel and a vessel sale and purchase commission of 1%. The management agreements further provide that in our discretion, we may pay TMS Tankers an annual performance incentive fee.

Each management agreement has a term of five years and is automatically renewed for successive five year periods unless we provide notice of termination in the fourth quarter of the year immediately preceding the end of the respective term.

General and Administrative Expenses

Our general and administrative expenses mainly include executive compensation and the fees paid to Fabiana Services S.A. ("Fabiana"), a related party entity incorporated in the Marshall Islands. Fabiana provides the services of our Chief Executive Officer and is beneficially owned by our Chief Executive Officer.

Interest and Finance Costs

We have incurred interest expense and financing costs in connection with vessel-specific debt of our subsidiaries. We have incurred financing costs and we also expect to incur interest expenses under our credit facilities and convertible notes facility in connection with debt incurred to finance the construction obligations. However, we intend to limit the amount of these expenses and costs by repaying our outstanding indebtedness from time to time with the net proceeds of future equity issuances.

Lack of Historical Operating Data for Vessels Before Their Acquisition

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

Where we identify any intangible assets or liabilities associated with the acquisition of a vessel, we record all identified tangible and intangible assets or liabilities at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where we have assumed an existing charter obligation or entered into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are less than market charter rates, we record a liability, based on the difference between the assumed charter rate and the market charter rate for an equivalent vessel to the extent the vessel's capitalized cost would not exceed its fair value without a time charter. Conversely, where we assume an existing charter obligation or enter into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are above market charter rates, we record an asset, based on the difference between the market charter rate for an equivalent vessel and the contracted charter rate. This determination is made at the time the vessel is delivered to us, and such assets and liabilities are amortized to revenue over the remaining period of the charter.

During 2007, we acquired three drybulk carrier vessels for $193.1 million which were under existing bareboat time charter contracts which the Company agreed to assume through arrangements with the respective charterers. The Company upon delivery of the above vessels evaluated the charter contracts assumed and recognized a liability of $38.7 million representing the fair value of below market acquired time charters, which is an equivalent of a present value of the excess of market rates of equivalent time charters prevailing at the time the foregoing vessels were delivered over existing rates of time charters assumed.

During 2008, 2009 and 2010, we did not acquire any vessels which were under existing bareboat or time charter contracts.

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

- obtain the charterer's consent to us as the new owner;
- obtain the charterer's consent to a new technical manager;
- in some cases, obtain the charterer's consent to a new flag for the vessel;
- arrange for a new crew for the vessel, and where the vessel is on charter, in some cases, the crew must be approved by the charterer;
- replace all hired equipment on board, such as gas cylinders and communication equipment;
- negotiate and enter into new insurance contracts for the vessel through our own insurance brokers;
- register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state;
- implement a new planned maintenance program for the vessel; and
- ensure that the new technical manager obtains new certificates for compliance with the safety and vessel security regulations of the flag state.

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

Our business is comprised of the following main elements:

- employment and operation of our drybulk and tanker vessels and drilling units; and
- management of the financial, general and administrative elements involved in the conduct of our business and ownership of our drybulk and tanker vessels and drilling units.

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

- vessel maintenance and repair;
- crew selection and training;
- vessel spares and stores supply;
- contingency response planning;
- onboard safety procedures auditing;
- accounting;
- vessel insurance arrangement;
- vessel chartering;
- vessel security training and security response plans (ISPS);
- obtain ISM certification and audit for each vessel within the six months of taking over a vessel;
- vessel hire management;

- vessel surveying; and
- vessel performance monitoring.

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

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

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

- Charter rates and periods of charter hire for our drybulk and tanker vessels;
- dayrates and duration of drilling contracts;
- utilization of drilling units (earnings efficiency);
- levels of drybulk and tanker vessel and drilling unit operating expenses;
- depreciation and amortization expenses;
- financing costs; and
- fluctuations in foreign exchange rates.

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

In "– Critical Accounting Policies – Impairment of long-lived assets," we discuss our policy for impairing the carrying values of our vessels. Historically, the market values of vessels have experienced volatility, which from time to time may be substantial. As a result, the charter-free market value, 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. Based on: (i) the carrying value of each of our vessels as of December 31, 2010 and (ii) what we believe the charter free market value of each of our vessels was as of December 31, 2010, the aggregate carrying value of 34 of the vessels in our fleet as of December 31, 2010 exceeded their aggregate charter-free market value by approximately $663.3 million, as noted in the table below. 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 at December 31, 2010, on industry standard terms, in cash transactions, and to a willing buyer where we were not under any compulsion to sell, and where the buyer was not under any compulsion to buy. For purposes of this calculation, we have assumed that these vessels would be sold at a price that reflects our estimate of their charter-free market values as of December 31, 2010. However, as of the same date, all of those drybulk vessels were employed for their remaining charter duration under time charters, which we believe were above market levels. We believe that if the vessels were sold with those charters attached, we would have received a premium over their charter-free market value. However, as of December 31, 2010 and as of the date of this report, we were not and are not holding any of our vessels for sale.

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

- reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values;
- news and industry reports of similar vessel sales;

- news and industry reports of sales of vessels that are not similar to our vessels where we have made certain adjustments in an attempt to derive information that can be used as part of our estimates;
- approximate market values for our vessels or similar vessels that we have received from shipbrokers, whether solicited or unsolicited, or that shipbrokers have generally disseminated;
- offers that we may have received from potential purchasers of our vessels; and
- vessel sale prices and values of which we are aware through both formal and informal communications with shipowners, shipbrokers, industry analysts and various other shipping industry participants and observers.

As we obtain information from various industry and other sources, our estimates of basic 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 charter-free market value of our vessels or prices that we could achieve if we were to sell them. We also refer you to the risk factors entitled 'The market values of our vessels may decrease, which could limit the amount of funds that we can borrow or trigger certain financial covenants under our current or future credit facilities.' and the discussion herein under the heading Item 4.B. Item 4.B "Business Overview - Recent Developments - Vessel Prices."

	Dwt	Year Built	Carrying Value 31/12/2010
Drybulk Vessels			
Alameda	170,662	2001	$ 56.9**
Brisbane	151,066	1995	$ 44.4**
Capri	172,579	2001	$132.1**
Flecha	170,012	2004	$141.5**
Manasota	171,061	2004	$ 66.0**
Mystic	170,040	2008	$134.9**
Samsara	150,393	1996	$ 45.7**
Amalfi	75,000	2009	$ 42.8
Avoca	76,629	2004	$ 60.7**
Barbara	74,832	2002	$ 40.6**
Capitola	74,816	2001	$ 40.7**
Catalina	74,432	2005	$ 41.1**
Conquistador	75,607	2000	$ 72.3**
Coronado	75,706	2000	$ 32.7**
Ecola	73,925	2001	$ 33.1**
La Jolla	72,126	1997	$ 27.0**
Levanto	73,931	2001	$ 43.1**
Ligari	75,583	2004	$ 37.4**
Maganari	75,941	2001	$ 25.5
Majorca	74,747	2005	$ 45.8**
Marbella	72,561	2000	$ 37.4**
Mendocino	76,623	2002	$ 35.7**
Ocean Crystal	73,688	1999	$ 24.7
Oregon	74,204	2002	$ 57.4**
Padre	73,601	2004	$ 38.7**
Positano	73,288	2000	$ 61.9**
Primera	72,495	1998	$ 26.5

Rapallo	75,123	2009	$ 33.1
Redondo	74,716	2000	$ 32.5**
Saldanha	75,707	2004	$ 65.0**
Samatan	74,823	2001	$ 59.4**
Sonoma	74,786	2001	$ 32.8**
Sorrento	76,633	2004	$ 77.7**
Toro	73,035	1995	$ 21.2
Galveston	51,201	2002	$ 63.7**
Paros	51,201	2003	$ 52.7**
Oliva	75,208	2009	$ 33.4
Total for drybulk vessels	**3,347,981**		
Drybulk Vessels under construction			
Panamax 1	76,000	2011	$ 33.1
Panamax 2	76,000	2012	$ 33.1
Total drybulk vessels under construction	**152,000**		
Tankers under construction			
Saga	115,200	2011	$ 58.8
Vilamoura	158,300	2011	$ 69.8
Daytona	115,200	2011	$ 58.8
Belmar	115,200	2011	$ 58.8
Calida	115,200	2011	$ 58.8
Lipari	158,300	2012	$ 69.8
Petalidi	158,300	2012	$ 69.8
Alicante	115,200	2012	$ 58.8
Mareta	115,200	2012	$ 58.8
Bordeira	158,300	2012	$ 69.8
Esperona	158,300	2013	$ 69.8*
Blanca	158,300	2013	$ 69.8*
Total for tankers under construction	**1,641,000**		
Drillships			
Leiv Eiriksson		2001	$613.0***
Eirik Raude		2002	$632.0***
Total Drillships			
Drillrigs			
Ocean Rig Corcovado		2011	$574.0
Ocean Rig Olympia		2011	$552.0
Total Drillrigs			
Drill rigs under construction			
Ocean Rig Poseidon (Hull 1865)		2011	$407.0
Ocean Rig Mykonos (Hull 1866)		2011	$353.0
Total drill rigs under construction			
Group Total	**5,140,981**		

* Indicates tanker vessels for which we believe, as of December 31, 2010, the basic charter-free market value is 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 by approximately $3.5 million.
** Indicates drybulk carriers for which we believe, as of December 31, 2010, the basic charter-free market value is 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 by approximately $659.8 million.
*** Indicates drillships/ drill rigs for which we believe, as of December 31, 2010, the basic charter-free market value is 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 by approximately $202.5 million.

Selected Financial Data

Following our entry into the construction contracts for our 12 newbuilding tankers in 2010 and our acquisition of Ocean Rig ASA in 2008 and entry into the construction contracts for our drillships in 2008 and 2009, we have three reportable segments, the drybulk carrier segment, tanker segment and the offshore drilling segment. We commenced consolidation of Ocean Rig ASA on May 15, 2008.

The following table reflects our voyage days, calendar days, fleet utilization and TCE rates for our drybulk vessels for the periods indicated.

Drybulk carrier segment

	2008	2009	2010
Average number of vessels	38.56	38.12	37.21
Total voyage days for fleet	13,896	13,660	13,372
Total calendar days for fleet	14,114	13,914	13,583
Fleet Utilization	98.45%	98.17%	98.45%
Time charter equivalent	$58,155	$30,425	$32,184

Offshore drilling segment

The following table reflects our dayrates and earning efficiencies for the year ended December 31, 2010.

(Dayrates in thousands of Dollars, earning efficiency in percent)

	2009	2010
Average dayrates	572	577
Average earning efficiency on hire	95%	93%

Please see "Item 3. Key Information—A. Selected Financial Data" for information concerning the calculation of TCE rates.

Year ended December 31, 2010 compared to the year ended December 31, 2009 (As restated)

	Year ended December 31,		Change	
	2009 (As restated)	2010		
REVENUES:				
Revenues	$ 819,834	$ 859,745	$ 39,911	4.9%
EXPENSES:				
Voyage expenses	28,779	27,433	(1,346)	(4.7)%
Vessels and drilling rigs operating expenses	201,887	190,614	(11,273)	(5.6)%
Depreciation and amortization	196,309	192,891	(3,418)	(1.7)%
Gain on sale of assets, net	(2,045)	(9,435)	(7,390)	361.4%
Gain on contract cancellation	(15,270)	—	15,270	(100.0)%
Contract termination fees and forfeiture of vessels deposits	259,459	—	(259,459)	(100.0)%
Vessel impairment charge	1,578	3,588	2,010	127.4%
General and administrative expenses	90,823	87,264	(3,559)	(3.9)%
Operating income/(loss)	58,314	367,390	309,076	530.0%
OTHER INCOME /(EXPENSES):				
Interest and finance costs	(84,430)	(67,825)	16,605	(19.7)%
Interest income	10,414	21,866	11,452	110.0%
Gain/(loss) on interest rate swaps	23,160	(120,505)	(143,665)	(620.3)%
Other, net	(6,692)	9,960	16,652	(248.8)%
Total other expenses, net	(57,548)	(156,504)	(98,956)	172.0%
INCOME/(LOSS) BEFORE INCOME TAXES AND EQUITY IN LOSS OF INVESTEE	766	210,886	210,120	27,430.8%
Income taxes	(12,797)	(20,436)	(7,639)	59.7%
NET INCOME/ (LOSS)	(12,031)	190,450	202,481	(1,683.0)%
Less: Net income attributable to non controlling interests	(7,178)	(2,123)	5,055	(70.4)%
NET LOSS ATTRIBUTABLE TO DRYSHIPS INC.	$ (19,209)	$ 188,327	$ 207,536	(1,080.4)%

Revenues

Drybulk carrier segment

Voyage Revenues increased by $13.4 million, or 3.0%, to $457.8 million for the year ended December 31, 2010, as compared to $444.4 million for the year ended December 31, 2009. The increase is attributable to the substantially increased hire rates earned during in 2010 as compared to 2009. TCE (time charter equivalent) increased from $30,425 in 2009 to $32,184 in 2010.

Offshore drilling segment

Revenues from drilling contracts increased by $26.5 million, or 7.1%, to $401.9 million for the year ended December 31, 2010, as compared to $375.4 million for the year ended December 31, 2009. The increase is attributable to a higher contracted dayrate for the drilling rig *Leiv Eiriksson*, partly offset by lower utilization for both the *Leiv Eiriksson* and the *Eirik Raude*.

Voyage expenses

Drybulk carrier segment

Voyage expenses decreased by $1.4 million, or 4.9%, to $27.4 million for the year ended December 31, 2010, as compared to $28.8 million for the year ended December 31, 2009. The decrease is mainly attributable to the decrease on loss for bunker expenses in 2010 compared to the respective period of 2009.

Offshore drilling segment

The Drilling Rig segment did not incur any voyage expenses during the relevant periods.

Operating expenses

Drybulk carrier segment

Vessel operating expenses decreased slightly by $4.4 million, or 5.8%, to $71.2 million for the year ended December 31, 2010, as compared to $75.6 million for the year ended December 31, 2009. The decrease is mainly attributable to the decreased repairs, stores and spares expenses incurred in 2010 compared to 2009 due to the decrease in the numbers of vessels that performed dry docking in 2010 compared to 2009. Daily operating expenses decreased to $5,245 in 2010 compared to $5,434 in 2009.

Offshore drilling segment

Drilling rig operating expenses decreased by $6.9 million, or 5.5%, to $119.4 million for the year ended December 31, 2010, as compared to $126.3 million for the year ended December 31, 2009. The decrease was mainly due to the mobilization of the Leiv Eriksson in 2010 as well as lower crew costs in Turkey in 2010 (where two crew shifts are required) as compared to crew costs incurred in Norway during 2009 (where three crew shifts are required).

Depreciation and amortization expense

Drybulk carrier segment

Depreciation and Amortization expense for the vessels slightly increased by $0.3 million, or 0.26%, to $117.8 million for the year ended December 31, 2010, as compared to $117.5 million for the year ended December 31, 2009.

Offshore drilling segment

Depreciation and Amortization expense for the drilling rigs was $75.1 for the year ended December 31, 2010 compared to $78.8 million for the year ended December 31, 2009 due to amortization of the fair value adjustments for the rigs.

Gain on sale of assets, net

Drybulk carrier segment

Gain on sale of vessels increased by $8.5 million, or 354.2%, to $10.9 million for the year ended December 31, 2010, compared to $2.4 million for the year ended December 31, 2009. During 2009, we disposed of one vessel (MV *Paragon*) compared to three vessels *(*MV *Iguana,* MV *Delray,* and MV *Xanadu)* for the same period in 2010.

Offshore drilling segment

The Drilling Rig segment disposed assets and realized a loss of $1.5 million for the year ended December 31, 2010.

Gain on contract cancellation

Drybulk carrier segment

For the year ended December 31, 2009 a gain on contract cancellation of $15.3 million, was recorded representing the deposits we retained in connection with the cancellation of the sale of the vessels MV *La Jolla and* MV *Toro.*

Offshore drilling segment

The Drilling Rig segment did not undergo any asset cancellations during the relevant periods.

Contract termination fees and forfeiture of vessel deposits

Drybulk carrier segment

An amount of $259.5 million was recognized as contract termination fees and forfeiture of vessel deposits during the year ended December 31, 2009, of which $118.7 million is attributable to the transfer of our interests in the owning companies of three Capesize newbuildings to an unrelated party, $49.2 million represents the value of the shares, warrants awarded to related and third parties and George Economou's deemed shareholders contribution in connection with the cancellation of the acquisition of nine Capesize vessels, $14.1 million is attributable to the cancellation of the memorandum of agreement to acquire a vessel, $44.7 million is attributable to the sale of our interests in the owning company that contracted for the purchase of a newbuilding drybulk carrier and $30.8 million is attributable to the cancellation of the construction of the two newbuildings Drybulk carriers (SS058 and SS059).

Offshore drilling segment

The Drilling Rig segment did not incur any such fees.

Vessel impairment charge

An amount of $3.6 million was recognized in 2010, as a result of the impairment testing performed due to the sale of the MV *Primera* compared to 1.6 million recognized in 2009 for the MV *Iguana,* as the sales price indicated that there were changes in circumstances that suggested the carrying amount of the asset may not be recoverable.

General and administrative expenses

Drybulk carrier segment

General and Administrative expenses for vessels decreased by $6.2 million, or 8.5%, to $66.7 million for the year ended December 31, 2010, as compared to $72.9 million for the year ended December 31, 2009. The decrease is mainly attributable to the amortization of the stock-based compensation expense of $24.0 million for 2010 compared to $37.8 million for the 2009. The decrease was offset by bonus granted to CEO and directors amounted to $6.5 million.

Offshore drilling segment

General and Administrative expenses for drilling rigs increased by $2.6 million, or 14.4%, to $20.6 million for the year ended December 31, 2010, as compared to $18.0 million for the year ended December 31, 2009. This increase is mainly due to increased professional fees associated with financing transactions considered for the year ended December 31, 2010.

Interest and finance costs

Drybulk carrier segment

Interest and finance costs for vessels increased by $50.9 million, or 125.7%, to $91.4 million for the year ended December 31, 2010, compared to $40.5 million for the year ended December 31, 2009. This increase was mainly due to higher average interest rates in 2010, as compared to 2009 which is a mainly attributable to the convertible bond, which was issued in November 2009 and April 2010.

Offshore drilling segment

Interest and Finance Costs for the offshore drilling segment decreased by $67.5 million, or 153.8%, to $23.6 million income for the year ended December 31, 2010, compared to $43.9 million expense for the year ended December 31, 2009. The decrease is mainly due to higher capitalized interest in 2010 compared to 2009.

Interest Income

Drybulk carrier segment

For the drybulk carrier segment, interest income increased by $6.4 million, or 213.3%, to $9.4 million for the year ended December 31, 2010, compared to $3.0 million for the year ended December 31, 2009, due to higher interest rates during 2010 and increased time deposits.

Offshore drilling segment

For the offshore drilling segment, interest income amounted to $12.5 million for the year ended December 31, 2010 compared to $7.4 million for the year ended December 31, 2009, mainly due to higher average deposits and higher interest rates income in 2010 compared to 2009.

Gain/(Loss) On Interest Rate Swaps

Drybulk carrier segment

For the drybulk carrier segment, loss on interest rate swaps increased by $81.3 million from a gain on the mark-to-market interest rate swaps amounting to $1.1 million for 2009 to a loss of $80.2 million for 2010. The change is attributable to the movement in interest rates during 2010 since the number of contracts remained unchanged in 2009 and 2010. Even though we consider these instruments as economic hedges, none of the interest rate swaps for the drybulk carrier segment qualify for hedge accounting.

Offshore drilling segment

The offshore drilling segment realized a loss on interest rate swaps which did not qualify for hedge accounting of $40.3 million during 2010 compared to a gain of $22.1 million in 2009. The difference is mainly due to a positive (higher) trend in swap rates during 2009.

Other, net

Drybulk carrier segment

For the drybulk carrier segment, a gain of $0.6 million was realized during 2010 compared to a loss of $8.7 million during 2009. The increase is mainly attributable to the decrease on the loss on FFA trading, amounting to $7.0 million.

Offshore drilling segment

For the Drilling Rig segment, a gain of $9.3 million was realized from a legal settlement in our favor of $4.9 million and currency forward contracts gain of $1.1 million. This compares to currency forward contract gain of $ 2.0 million during 2009.

Income taxes

Drybulk carrier segment

No income taxes were incurred on the international shipping income in the drybulk carrier segment for the relevant periods.

Offshore drilling segment

Income taxes increased by $7.6 million to $20.4 million for the year ended December 31, 2010, compared to $12.8 million for the year ended December 31, 2009. These taxes primarily represent withholding taxes for the assets operating in Turkey and Ghana in 2010.

Non-controlling Interest

Net income allocated to non-controlling interest amounted to income of $2.1 million in the year ended December 31, 2010, as compared to $7.2 million in the year ended December 31, 2009. This represents the amount of consolidated income that is not attributable to DryShips Inc.

Year ended December 31, 2009 (As restated) compared to the year ended December 31, 2008

	Year ended December 31,		Change	
	2008	2009 (As restated)		
REVENUES:				
Revenues	$1,080,702	$ 819,834	$(260,868)	(24.1)%
EXPENSES:				
Voyage expenses	53,172	28,779	(24,393)	(45.9)%
Vessels and drilling rigs operating expenses	165,891	201,887	35,996	21.7%
Depreciation and amortization	157,979	196,309	38,330	24.3%
Gain on sale of assets, net	(223,022)	(2,045)	220,977	99.1%
Gain on contract cancellation	(9,098)	(15,270)	(6,172)	(67.8)%
Contract termination fees and forfeiture of vessels deposits	160,000	259,459	99,459	62.2%
Vessel impairment charge	—	1,578	1,578	100%
Goodwill impairment charge	700,457	—	(700,457)	(100)%
General and administrative expenses	89,358	90,823	1,465	1.6%
Operating income/(loss)	(14,035)	58,314	72,349	515.5%
OTHER INCOME /(EXPENSES):				
Interest and finance costs	(113,194)	(84,430)	28,764	25.4%
Interest income	13,085	10,414	(2,671)	(20.4)%
Gain/(loss) on interest rate swaps	(207,936)	23,160	231,096	111.1%
Other, net	(12,640)	(6,692)	5,948	47.1%
Total other expenses, net	(320,685)	(57,548)	263,137	82.1%
INCOME/(LOSS) BEFORE INCOME TAXES AND EQUITY IN LOSS OF INVESTEE	(334,720)	766	335,486	100.2%
Income taxes	(2,844)	(12,797)	(9,953)	(350)%
Equity in loss of investee	(6,893)	—	6,893	100%
NET LOSS	(344,457)	(12,031)	332,426	96.5%
Less: Net income attributable to non controlling interests	(16,825)	(7,178)	9,647	57.3%
NET LOSS ATTRIBUTABLE TO DRYSHIPS INC.	$ (361,282)	$ (19,209)	$ 342,073	94.7%

Revenues

Drybulk carrier segment

Voyage Revenues decreased by $416.9 million, or 48.4%, to $444.4 million for the year ended December 31, 2009, as compared to $861.3 million for the year ended December 31, 2008. The decrease is attributable to the substantially decreased hire rates earned during in 2009 as compared to 2008. TCE (time charter equivalent) decreased from $58,155 in 2008 to $30,425 in 2009.

Offshore drilling segment

Revenues from drilling contracts increased by $156 million, or 71.1%, to $375.4 million for the year ended December 31, 2009, as compared to $219.4 million for the year ended December 31, 2008. The increase is mainly due to the 12 months earnings contribution of our drilling rig segment in 2009 compared to a 7.5 month contribution in 2008. The increase is also attributable to a higher contracted dayrate for the drilling rig *Eirik Raude*, as well as increased earnings efficiency for both the *Leiv Eiriksson* and the *Eirik Raude,* which is partly offset due to the mobilization of the *Leiv Eriksson* to the Black Sea.

Voyage expenses

Drybulk carrier segment

Voyage expenses decreased by $24.4 million, or 45.9%, to $28.8 million for the year ended December 31, 2009, as compared to $53.2 million for the year ended December 31, 2008. The decrease is mainly attributable to the decrease in voyage revenues earned in 2009 compared to 2008.

Offshore drilling segment

The offshore drilling segment did not incur any voyage expenses during the relevant periods.

Operating expenses

Drybulk carrier segment

Vessel operating expenses decreased slightly by $4.1million, or 5.1%, to $75.6 million for the year ended December 31, 2009, as compared to $79.7 million for the year ended December 31, 2008. The decrease is mainly attributable to the decreased repairs, stores and spares expenses incurred in 2008 compared to 2009.

Offshore drilling segment

Drilling rig operating expenses increased by $40.1 million, or 46.5%, to $126.3 million for the year ended December 31, 2009, as compared to $86.2 million for the year ended December 31, 2008. The increase was mainly due to the 12 months of expenses in 2009 compared to the 7.5 months in 2008.

Depreciation and amortization expense

Drybulk carrier segment

Depreciation and Amortization expense for the vessels increased by $7.0 million, or 6.3%, to $117.5 million for the year ended December 31, 2009, as compared to $110.5 million for the year ended December 31, 2008. The increase is due to the depreciation charge for a full year for the fleet in 2009 as opposed to the partial year for 2008 due to the various acquisitions made at higher vessel costs which is slightly offset by the disposal of vessels in 2008.

Offshore drilling segment

Depreciation and Amortization expense for the drilling rigs increased by $31.3 million, or 65.9%, to $78.8 million for the year ended December 31, 2009, as compared to $47.5 million for the year ended December 31, 2008. The increase was mainly due to the increased period of operations of our drilling rigs segment in 2009.

Gain on sale of assets, net

Drybulk carrier segment

Gain on sale of vessels decreased by $220.6 million, or 98.9%, to $2.4 million for the year ended December 31, 2009, compared to $223 million for the year ended December 31, 2008. During 2009, we disposed of one vessel (MV *Paragon*) compared to seven vessels *(*MV *Matira,* MV *Menorca,* MV *Lanzarote,* MV *Netadola,* MV *Waikiki,* MV *Tonga and* MV *Solana)* for the same period in 2008.

Offshore drilling segment

The Drilling Rig segment disposed assets and realized a loss of $0.4 million for the year ended December 31, 2009.

Gain on contract cancellation

Drybulk carrier segment

We recorded a gain on contract cancellation of $15.3 million, which represents the deposits we retained in connection with the cancellation of the sales of the vessels MV *La Jolla* and MV *Toro* during the year ended December 31, 2009. For the year ended December 31, 2008 a gain on contract cancellation of $9.1 million, was recorded representing the deposit we retained in connection with the cancellation of the sale of the vessel MV *Primera.*

Offshore drilling segment

The Drilling Rig segment did not undergo any asset cancellations during the relevant periods.

Contract termination fees and forfeiture of vessel deposits

Drybulk carrier segment

An amount of $259.5 million was recognized as contract termination fees and forfeiture of vessel deposits during the year ended December 31, 2009, of which $118.7 million is attributable to the transfer of our interests in the owning companies of three Capesize newbuildings to an unrelated party, $49.2 million represents the value of the shares, warrants awarded to related and third parties and George Economou's deemed shareholders contribution in connection with the cancellation of the acquisition of nine Capesize vessels, $14.1 million is attributable to the cancellation of the memorandum of agreement to acquire a vessel, $44.7 million is attributable to the sale of our interests in the owning company that contracted for the purchase of a newbuilding drybulk carrier and $30.8 million is attributable to the cancellation of the construction of the two newbuildings Drybulk carriers (SS058 and SS059). An amount of $160 million was paid as a loss on contract termination fees and forfeiture of vessel deposits for four Panamax drybulk carriers in 2008.

Offshore drilling segment

The Drilling Rig segment did not incur any such fees.

Vessel impairment charge

An amount of $1.6 million was recognized in 2009, as a result of the impairment testing performed due to the sale of the MV *Iguana* as the sales price indicated that there were changes in circumstances that suggested the carrying amount of the asset may not be recoverable.

Goodwill impairment

An amount of $700.5 million was recognized in 2008, as a result of the impairment testing performed on goodwill at December 31, 2008 which arose as a result of the acquisition of Ocean Rig during 2008.

General and administrative expenses

Drybulk carrier segment

General and Administrative expenses for vessels decreased by $2.1 million, or 2.8%, to $72.9 million for the year ended December 31, 2009, as compared to $75.0 million for the year ended December 31, 2008. The decrease is mainly attributable to the decrease in management fees due to commissions for financing services charged in 2008. General and administrative expenses for the year ended December 31, 2009 included cash expenses of $34.8 million and non-cash expenses of $38.1 million.

Offshore drilling segment

General and Administrative expenses for drilling rigs increased by $3.6 million, or 25%, to $18.0 million for the year ended December 31, 2009, as compared to $14.4 million for the year ended December 31, 2008. The increase is mainly due to the fact that we consolidated Ocean Rig for 7.5 months in 2008.

Interest and finance costs

Drybulk carrier segment

Interest and finance costs for vessels decreased by $9.2 million, or 18.5%, to $40.5 million for the year ended December 31, 2009, compared to $49.7 million for the year ended December 31, 2008. This decrease was mainly due to lower average interest rates in 2009, as compared to 2008.

Offshore drilling segment

Interest and Finance Costs for drilling rigs decreased by $19.6 million, or 30.9%, to $43.9 million for the year ended December 31, 2009, compared to $63.5 million for the year ended December 31, 2008. The decrease is mainly due to lower average loan balance in 2009 compared to 2008, partly offset by interest expense being borne for 12 months in 2009 as compared to 7.5 months in 2008.

Interest Income

Drybulk carrier segment

For the Drybulk Carrier segment, interest income decreased by $4.4 million, or 59.5%, to $3.0 million for the year ended December 31, 2009, compared to $7.4 million for the year ended December 31, 2008, due to lower interest rates during 2009.

Offshore drilling segment

For the Drilling Rig segment, interest income amounted to $7.4 million for the year ended December 31, 2009 compared to $5.7 million for the year ended December 31, 2008.

Gain/(Loss) On Interest Rate Swaps

Drybulk carrier segment

For the Drybulk Carrier segment, loss on interest rate swaps decreased by $146.1 million from a loss on the mark-to–market interest rate swaps amounting to $145.0 million for 2008 to a gain of $1.1 million for 2009. The change is attributable to the movement in interest rates during 2009 since the number of contracts remained unchanged in 2008 and 2009. Even though the Company considers these instruments as economic hedges, none of the interest rate swaps for the Drybulk Carrier segment qualify for hedge accounting.

Offshore drilling segment

The Drilling Rig segment realized a gain on interest rate swaps which did not qualify for hedge accounting of $22.1 million during 2009 compared to a loss of $62.9 million in 2008.

Other, net

Drybulk carrier segment

For the Drybulk Carrier segment, a loss of $8.7 million was realized during 2009 compared to a loss of $0.2 million during 2008. The increase is mainly attributable to the loss on FFA trading, which commenced during 2009, amounting to $10.0 million.

Offshore drilling segment

For the Drilling Rig segment, a gain of $2 million was realized during 2009 compared to a loss of $12.4 million during 2008. The loss in 2008 is mainly attributable to the commission of $9.9 million paid to Cardiff in connection with the acquisition of the remaining shares in Ocean Rig UDW and the loss on the foreign currency contracts of $2.5 million. During 2009 the foreign currency contracts realized a gain of $2 million.

Income taxes

Drybulk carrier segment

No income taxes were incurred on the international shipping income in the Drybulk Carrier segment for the relevant periods.

Offshore drilling segment

Income taxes increased by $10 million to $12.8 million for the year ended December 31, 2009, compared to $2.8 million for the period from May 15, 2008 to December 31, 2008. These taxes primarily represent taxes for the operations of the *Eirik Raude* in Ghana.

Equity in Loss of Investees

Equity in loss of investees amounted to $6.9 million in the year ended December 31, 2008. This represents the amount of loss that is attributable to the shareholding of DryShips Inc. prior to obtaining control of Ocean Rig for the period from January 1, 2008 to May 14, 2008. There is no such income/loss for the year ended December 31, 2009.

Non controlling Interest

Net income allocated to non controlling interest amounted to an expense of $16.8 million in the year ended December 31, 2008 and $7.2 million in the year ended December 31, 2009. This represents the amount of consolidated income that is not attributable to Dryships.

Critical Accounting Policies

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

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. On an ongoing basis, we evaluate our estimates, including those related to bad debts, materials and supplies obsolescence, investments, property and equipment, intangible assets and goodwill, income taxes, pensions and share based compensation. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or 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 the company's significant accounting policies, see Note 2 to the Company's consolidated financial statements.

Convertible Senior Notes

In accordance with Financial Accounting Standards guidance for convertible debt instruments that contain cash settlement options upon conversion at the option of the issuer, the Company determines the carrying amounts of the liability and equity components of its convertible notes by first determining the carrying amount of the liability component of the convertible notes by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity component representing the embedded conversion option is then determined by deducting the fair value of the liability component from the total proceeds.

The resulting debt discount is amortized to interest cost using the effective interest method over the period the debt is expected to be outstanding as an additional non-cash interest expense. Transaction costs associated with the instrument are allocated pro-rata between the debt and equity components

Vessels' Depreciation

We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation. Depreciation begins when the vessel is ready for its intended use, on a straight-line basis over the vessel's remaining economic useful life, after considering the estimated residual value (vessel's residual value is equal to the product of its lightweight tonnage and estimated scrap rate). Second hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. We estimate the useful life of our vessels to be 25 years from the date of initial delivery from the shipyard and the residual value of our vessels to be $120 per lightweight ton. A decrease in the useful life of a drybulk vessel or in its residual value would have the effect of increasing the annual depreciation charge. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life is adjusted at the date such regulations become effective.

We depreciate our vessels on a straight-line basis over their estimated useful lives, after considering their estimated residual values, based on the assumed value of the scrap steel available for recycling after demolition, calculated at $120 per lightweight ton. As from January 1, 2011, the assumed value of scrap steel for the purpose of estimating the residual values of vessels is calculated at $250 per lightweight ton. We have taken this decision as steel prices and related scrap values have increased substantially over the past ten years and are currently at historically high levels. The impact of the increase in the scrap price used in the estimation of residual values will be a decrease in depreciation expense going forward. The effect of this change in accounting estimate, which did not require retrospective adoption as per ASC 250 "Accounting Changes and Error Corrections," will be to increase net income for the year ended December 31, 2011 by $4,035 or $0.02 per weighted average number of shares, basic and diluted.

Impairment of Long Lived Assets

The Company reviews for impairment long-lived assets and intangible long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In this respect, the Company reviews its assets for impairment on a rig by rig and asset by asset basis. 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, the Company evaluates the asset for impairment loss. The impairment loss is determined by the difference between the carrying amount of the asset and the fair value of the asset.

We evaluate the carrying amounts of our vessels to determine if events have occurred that would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, we review certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions.

The current economic and market conditions, including the significant disruptions in the global credit markets, are having broad effects on participants in a wide variety of industries. Since mid-August 2008, the charter rates in the drybulk charter market have declined significantly, and drybulk vessel values have also declined both as a result of a slowdown in the availability of global credit and the significant deterioration in charter rates, conditions that we consider indicators of impairment.

In developing estimates of future undiscounted cash flows, we make assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, vessels' operating expenses, vessels' capital expenditures, vessels' residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations and taking into consideration growth rates.

To the extent impairment indicators are present, we determine undiscounted projected net operating cash flows for each vessel and compare them to the vessel's carrying value. The projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days. We estimate the daily time charter equivalent for the unfixed days based on the most recent ten year historical average for similar vessels and utilizing available market data for time charter and spot market rates and forward freight agreements over the remaining estimated life of the vessel, assumed to be 25 years from the delivery of the vessel from the shipyard, net of brokerage commissions, expected outflows for vessels' maintenance and vessel operating expenses (including planned drydocking and special survey expenditures), assuming an average annual inflation rate of 2% and fleet utilization of 98% The salvage value used in the impairment test is estimated to be $120 per light weight ton (LWT) in accordance with our vessels' depreciation policy.

If our estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down, by recording a charge to operations, to the vessel's fair market value if the fair market value is lower than the vessel's carrying value.

Our analysis for the year ended December 31, 2010, which also involved sensitivity tests on the time charter rates and fleet utilization (being the most sensitive inputs to variances), allowing for variances ranging from 92% to 97.5% depending on vessel type on time charter rates, indicated no impairment on any of our vessels and rigs.

During 2010, the Company concluded a Memoranda of Agreement for the sale of vessel Primera for $26,500. The vessel is expected to be delivered to its new owners in the second quarter of 2011. The Company performed an impairment review on the Primera as of December 31, 2010, to determine whether the change in the circumstances indicated that the carrying amount of the asset may not be recoverable. The Company's review indicated that future undiscounted operating cash flows for the vessel Primera, including revenues from the existing charter through the expected date of sale and the agreed-upon sale price, were below its carrying amount, and accordingly a vessel impairment charge of $3.6 million was recognized.

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

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the estimated fair value of net assets acquired within the Drilling Rigs reporting unit. Goodwill is reviewed for impairment whenever events or circumstances indicate possible impairment in accordance with guidance related to Goodwill and Other Intangible Assets. This guidance requires at least the annual testing for impairment, and not the amortization, of goodwill and other intangible assets with an indefinite life. The Company tests for impairment each year on December 31.

The Company tests goodwill for impairment by first comparing the carrying value of the Drilling Rigs reporting unit, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management, to its fair value. The Company estimates the fair value of the Drilling Rigs reporting unit by weighting the combination of generally accepted valuation methodologies, including both income and market approaches.

For the income approach, the Company discounts projected cash flows using a long-term weighted average cost of capital ("WACC") rate, which is based on the Company's estimate of the investment returns that market participants would require. To develop the projected net cash flows from the Company's Drilling Rigs reporting unit, which are based on estimated future utilization, dayrates, projected demand for its services, and rig availability, the Company considers key factors that include assumptions regarding future commodity prices, credit market uncertainties and the effect these factors may have on the Company's contract drilling operations and the capital expenditure budgets of its customers.

For the market approach, the Company derives publicly traded company multiples from companies with operations similar to the Company's reporting units by using information publicly disclosed by other publicly traded companies and, when available, analyses of recent acquisitions in the marketplace.

If the fair value of a reporting unit exceeds its carrying value, then no further testing is required. This is referred to as Step 1. If the fair value is determined to be less than the carrying value, a second step, or Step 2, is performed to compute the amount of the impairment, if any. In this process, an implied fair value for goodwill is estimated, based in part on the fair value of the operations, and is compared to its carrying value. The shortfall of the implied fair value of goodwill below its carrying value represents the amount of goodwill impairment.

From the date the Company acquired Ocean Rig ASA ("Ocean Rig") in May 2008 through the annual goodwill impairment test performed on December 31, 2008, the market declined significantly and various factors negatively affected industry trends and conditions, which resulted in the revision of certain key assumptions used in determining the fair value of the Company's Drilling Rigs reporting unit and therefore the implied fair value of goodwill. During the second half of 2008, the credit markets tightened, driving up the cost of capital and therefore the Company increased the rate of a long-term weighted average cost of capital. In addition, the economic downturn and the volatile oil prices resulted in a downward revision of projected cash flows from the Company's Drilling Rigs reporting unit in the Company's forecasted discounted cash flows analysis for its 2008 impairment testing. Furthermore, the decline in the global economy negatively impacted publicly traded company multiples used when estimating fair value under the market approach. Based on results of the Company's annual goodwill impairment analysis and subsequent reconciliation to its market capitalization, the Company determined that the carrying value of the Company's goodwill was impaired. A total impairment charge of $700.5 million was recorded for the year ended December 31, 2008, which represents the write-off of all recorded goodwill in the Drilling Rigs reporting unit.

The Company's finite-lived acquired intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Intangible assets/liabilities	Years
Tradenames	10
Software	10
Fair value of above market acquired time charters	Over remaining contract term
Fair value of below market acquired time charters	Over remaining contract term

In accordance with guidance related to Accounting for the Impairment or Disposal of Long-Lived Assets, the Company evaluates the potential impairment of finite-lived acquired intangible assets when there are indicators of impairment. The finite-lived intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable based on estimates of future undiscounted cash flows. In the event of impairment, the asset is written down to its fair value. An impairment loss, if any, is measured as the amount by which the carrying amount of the asset exceeds its fair value. For finite-lived intangible assets, no impairment was recognized during any period presented.

Revenue and Related Expenses

(i) Drybulk Carrier vessels:

Time and bareboat charters: The Company generates its revenues from charterers for the charter hire of its vessels, which are considered to be operating lease arrangements. Vessels are chartered using time and bareboat charters and where a contract exists, the price is fixed, service is provided and collection of the related revenue is reasonably assured, revenue is recognized as it is earned ratably on a straight-line basis over the duration of the period of each time charter as adjusted for the off-hire days that the vessel spends undergoing repairs, maintenance and upgrade work depending on the condition and specification of the vessel.

Pooling Arrangement: For vessels operating in pooling arrangements, the Company earns a portion of total revenues generated by the pool, net of expenses incurred by the pool. The amount allocated to each pool participant vessel, including the Company's vessels, is determined in accordance with an agreed-upon formula, which is determined by points awarded to each vessel in the pool based on the vessel's age, design and other performance characteristics. Revenue under pooling arrangements is accounted for on the accrual basis and is recognized when an agreement with the pool exists, price is fixed, service is provided and the collectability is reasonably assured.

The allocation of such net revenue may be subject to future adjustments by the pool however, historically, such changes have not been material.

Voyage related and vessel operating costs: Voyage related and vessel operating costs are expensed as incurred. Under a time charter, specified voyage costs, such as fuel and port charges are paid by the charterer and other non-specified voyage expenses, such as commissions, are paid by the Company. Vessel operating costs including crews, maintenance and insurance are paid by the Company. Under a bareboat charter, the charterer assumes responsibility for all voyage and vessel operating expenses and risk of operation.

Deferred Voyage Revenue: Deferred voyage revenue primarily relates to cash advances received from charterers. These amounts are recognized as revenue over the voyage or charter period.

(ii) Drilling Units:

Revenues: The majority of revenues are derived from contracts including dayrate based compensation for drilling services. In connection with drilling contracts the Company may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to the drilling rigs and dayrate or fixed price mobilization and demobilization fees. For each contract the Company determines whether the contract, for accounting purposes, is a multiple element arrangement and, if so, identifies all deliverables For each element the Company determines how and when to recognize revenue. There are two types of drilling contracts: well contracts and term contracts.

Well contracts: These are contracts where the assignment is to drill a certain number of wells. Revenue from dayrate based compensation for drilling operations is recognized in the period during which the services are rendered at the rates established in the contracts. Mobilization revenues, expenses and contributions from customers for capital improvements are recognized over the estimated duration of the drilling period. Demobilization revenues and expenses are recognized over the demobilization period.

Term contracts: These are contracts where the assignment is to operate the unit for a specified period of time. For these types of contracts the Company determines whether the arrangement is a multiple element arrangement containing both a lease element and drilling services element. For revenues derived from contracts that contain a lease, the lease elements are recognized in the income statement on a straight line basis, taking into consideration the different dayrates, utilization and transit between locations that are anticipated to take place in the lease period. The drilling services element is recognized in the period in which the services are rendered at rates at fair value. Revenues related to mobilization and direct incremental expenses of mobilization are deferred and recognized over the estimated duration of the drilling contracts. To the extent that expenses exceed revenue to be recognized, it is expensed as incurred. Demobilization fees and expenses are recognized over the demobilization period.

Financial Instruments

The Company designates its derivatives based upon guidance on accounting for derivative instruments and hedging activities which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The guidance on accounting for certain derivative instruments and certain hedging activities requires all derivative instruments to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings unless specific hedge accounting criteria are met.

(i) **Hedge Accounting**: At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy undertaken for the hedge. The documentation includes identification of the hedging instrument, hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Company is party to interest swap agreements where it receives a floating interest rate and pays a fixed interest rate for a certain period in exchange. Contracts which meet the strict criteria for hedge accounting are accounted for as cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognized directly as a component of Other comprehensive income in equity, while any ineffective portion, if any, is recognized immediately in current period earnings.

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 profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to net profit or loss for the year as financial income or expense.

(ii) **Other Derivatives**: Changes in the fair value of derivative instruments that have not been designated as hedging instruments are reported in current period earnings.

Recent accounting pronouncements

In January 2010, the FASB issued ASU 2010-01, Accounting for Distributions to Shareholders with Components of Stock and Cash which amends FASB ASC 505, Equity in order to clarify that the stock portion of a distribution to shareholders that allows the shareholder to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend for purposes of applying FASB ASC 505, Equity and FASB ASC 260, The Company has not been involved in any such distributions and thus, the impact to the Company cannot be determined until any such distribution occurs.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820)-Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The ASU also amends guidance on employers' disclosures about postretirement benefit plan assets under ASC 715 to require that disclosures be provided by classes of assets instead of by major categories of assets. The guidance in the ASU was effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances.and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this guidance did not have any impact on the Company's financial position and results of operation.

In September 2009, the FASB issued ASU 2009-13 "Multiple-Deliverable revenue arrangements". The revised guidance primarily provides two significant changes: 1) eliminates the need for objective and reliable evidence of the fair value for the undelivered element in order for a delivered item to be treated as a separate unit of accounting, and 2) eliminates the residual method to allocate the arrangement consideration. In addition, the guidance also expands the disclosure requirements for revenue recognition. The new guidance will be effective for the first annual reporting period beginning on or after June 15, 2010, with early adoption permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. The Company is currently assessing the future impact of this new accounting pronouncement on its consolidated financial statements.

B. Liquidity and Capital Resources

Historically our principal source of funds has been equity provided by our shareholders, operating cash flow, secured bank borrowings and other forms of hybrid instruments such as convertible preferred stock and convertible bonds. Our principal use of funds has been capital expenditures to establish and grow our fleet, maintain the quality of our fleet, comply with international

shipping standards and environmental laws and regulations, fund working capital requirements, make principal repayments and interest payments on outstanding loan facilities, and pay dividends. Our board of directors determined to suspend the payment of cash dividends beginning in the fourth quarter of 2008.

Our practice has been to acquire drybulk carriers and drilling rigs/drillships using a combination of funds received from equity investors and bank debt secured by mortgages on our assets. Our business is capital intensive and its future success will depend on our ability to maintain a high-quality fleet through the acquisition of newer vessels and the selective sale of older vessels. 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.

We believe that internally generated cash flow will be sufficient to fund the operations (operating costs, working capital requirements and debt service) of our drybulk segment as well as the operations of our operating drilling units for the next 12 months. As of December 31, 2010, our drybulk segment was a party to two shipbuilding contracts for the construction of two Panamax bulk carriers, our drilling rig segment was a party to four shipbuilding contracts for the construction of four ultra-deepwater drillships and our tanker segment was a party to 12 shipbuilding contracts for the construction of six Aframax and six Suezmax tanker vessels. The aggregate shipyard commitments for our drillships, Panamax drybulk carriers and tankers under construction for 2010 and 2011 are outlined in Section F, Tabular Disclosure of Contractual Obligations. We do not expect that internally generated cash flow will be sufficient to fund these commitments, which amount to $1.67 billion, $249.4 million and $156.4 million for 2011, 2012, and 2013 respectively. In connection with the deliveries of the *Ocean Rig Corcovado and Olympia,* we repaid $230.0 million of debt under one of our loan agreements. We recently received the consent of our lenders to restructure the two Deutsche Bank credit facilities for the construction of the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*, which is subject to completion of definitive documentation under which we will draw down for the *Ocean Rig Poseidon* against the Petrobras contract. In order to draw down the facility for the construction of the *Ocean Rig Mykonos*, we are required to secure suitable employment for the drillship, as required under the loan agreement, no later than August 2011. In the event we are unable to secure suitable employment for the *Ocean Rig Mykonos* by that date, we would be required to repay all outstanding amounts under the agreement. Further, we recently received a commitment letter from Nordea Bank Finland plc for a new $800 million secured term loan facility, which is subject to completion of definitive documentation, and a portion of which we intend to draw down to prepay our $325 million short term loan agreement. In addition, in February 2011 we entered into a new $70 million secured term loan facility with an international lender to partially finance the construction costs of the newbuilding tankers *Saga* (delivered to us in January 2011) and *Vilamoura* (delivered to us in March 2011). As of March 30, 2011, we drew down the full amount of this facility. In addition, we recently received a commitment letter, which is subject to completion of definitive documentation, from an international lender for a new $32.3 million secured term loan facility to partially finance the construction costs of the newbuilding tanker *Daytona*, which is scheduled to be delivered in April 2011. We have not secured financing for the remaining construction cost of the other remaining nine tankers and two bulk carriers currently under construction. Accordingly, we anticipate that capital expenditures will be funded with cash on hand, secured term bank loans and other forms of debt and equity financing.

Covenants under Secured Credit Facilities

Our secured credit facilities impose operating and negative covenants on us and our subsidiaries. These covenants may limit our subsidiaries' ability to, among other things, without the relevant lenders' prior consent (i) incur additional indebtedness, (ii) change the flag, class or management of the vessel mortgaged under such facility, (iii) create or permit to exist liens on their assets, (iv) make loans, (v) make investments or capital expenditures, and (vi) undergo a change in ownership or control.

Furthermore, our existing secured credit facilities require certain of our subsidiaries to maintain specified financial ratios and satisfy financial covenants, mainly to ensure that the market value of the vessel mortgaged under the applicable credit facility, determined in accordance with the terms of that facility, does not fall below a certain percentage of the outstanding amount of the loan, which we refer to as a value maintenance clause.

Our secured credit facilities also subject us to certain financial covenants, as guarantor under the facilities. In general, these financial covenants require us to maintain (i) a minimum amount of liquidity, (ii) a minimum market adjusted equity ratio, (iii) a minimum interest coverage ratio, (iv) a minimum market adjusted net worth and (v) a maximum ratio of total debt to income before interest, taxes, depreciation and amortization.

A violation of these covenants constitutes an event of default under our credit facilities, which would, unless waived by our lenders, provide 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, reclassify our indebtedness as current liabilities and accelerate our indebtedness, which would impair our ability to continue to conduct our business.

Breach of Financial Covenants under Secured Credit Facilities

As of December 31, 2008, we were in breach of certain financial covenants in our loan facilities, mainly the value maintenance clause (also known as loan-to-value ratio), the market adjusted net worth clause and the market adjusted equity ratio clause. Even though none of our lenders declared an event of default under the loan agreements, these breaches constituted defaults and potential events of default and, together with the cross default provisions in the various loan agreements, could have resulted in the lenders requiring immediate repayment of all of the loans. During 2009 and 2010, we obtained waivers from our lenders covering the breaches. These waiver agreements expire in 2011 and 2012.

The value maintenance clause requirements in our loan agreements are broadly calculated as the fair market value of the mortgaged vessels under a particular loan facility divided by the outstanding amount of the loan facility. The waiver agreements in effect as of December 31, 2010 generally waived our obligation to comply with this clause or lowered the minimum requirements under this clause considerably, over the duration of the waiver agreement. As of December 31, 2010, we were either in compliance with our financial covenants or had the ability to remedy shortfalls within specified grace periods.

For those waivers that are scheduled to expire in 2011, we may not be successful in obtaining additional waivers and amendments to our credit facilities. If our indebtedness is accelerated, it will be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels if our lenders foreclose their liens. If the value of our vessels deteriorates significantly from their currently depressed levels, we may have to record an impairment adjustment to our financial statements, which would adversely affect our financial results and further hinder our ability to raise capital. Moreover, in connection with any waivers and/or amendments to our loan agreements, our lenders may impose additional operating and financial restrictions on us and/or modify the terms of our existing loan agreements. These restrictions may limit our ability to, among other things, pay dividends, make capital expenditures and/or incur additional indebtedness, including through the issuance of guarantees. In addition, 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.

We do not expect that cash on hand, and cash generated from operations will be sufficient to repay those loans with cross-default provisions which aggregated approximately $2.9 billion as of December 31, 2010, if such debt is accelerated by the lenders. In such a scenario, we would have to seek to access the capital markets to fund the mandatory payments.

Convertible Senior Notes and Related Borrow Facility

In November 2009, the Company issued $400.0 million aggregate principal amount of 5% Convertible unsecured Senior Notes (the "Notes"), which are due December 1, 2014. The full over allotment option granted was exercised and an additional $60 million Notes were purchased. Accordingly, $460.0 million in aggregate principal amount of Notes were sold, resulting in aggregate net proceeds of approximately $447.8 million after the underwriter commissions.

The holders may convert their Notes at any time on or after June 1, 2014 but prior to maturity. However, holders may also convert their Notes prior to June 1, 2014 under the following circumstances: (1) if the closing price of the common stock reaches and remains at or above 130% of the conversion price of $7.19 per share of common stock or 139.0821 share of common stock per $1,000 aggregate principal amount of Notes, in effect on that last trading day for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs; (2) during the ten consecutive trading-day period after any five consecutive trading-day period in which the trading price per $1,000 principal amount of the Notes for each day of that period was less than 98% of the closing price of our common stock multiplied by then applicable conversion rate; or (3) if specified distributions to holders of our common stock are made or specified corporate transactions occur. The Notes are unsecured and pay interest semi-annually at a rate of 5% per annum commencing June 1, 2010. Since the Company's stock price was below the Notes conversion price of $7.19 as of December 31, 2010, the if-converted value did not exceed the principal amount of the Notes.

As the Notes contain a cash settlement option upon conversion at the option of the issuer, the Company has applied the guidance for "Accounting for Convertible Debt Instruments That May be Settled in Cash Upon Conversion (Including Partial Cash Settlement)", and therefore, on the day of the Note issuance, bifurcated the $460.0 million principal amount of the Notes into liability and the equity components of $341.2 million and $118.8 million respectively, by first determining the carrying amount of the liability component of the Notes by measuring the fair value of a similar liability that does not have an associated equity component. The equity component was calculated by deducting the fair value of the liability component from the total proceeds received at issuance. Additionally, the guidance requires the Company to accrete the discount of $118.8 million to the principal amount of the Notes over the term of the Notes. The Company's interest expense associated with this Note accretion is based on an effective interest rate of 12%.

In conjunction with the public offering of the Notes described above, the Company also entered into a share lending agreement with an affiliate of the underwriter of the offering, or the share borrower, pursuant to which the Company loaned the share borrower approximately 26.1 million shares of our common stock. Under the share lending agreement, the share borrower is required to return the borrowed shares when the notes are no longer outstanding. The Company did not receive any proceeds from the sale of the borrowed shares by the share borrower, but the Company did receive a nominal lending fee of $0.01 per share from the share borrower for the use of the borrowed shares.

In April 2010, the Company issued $220.0 million aggregate principal amount of Notes, which are due December 1, 2014. These Notes were offered as additional Notes under the indenture, as supplemented by a supplemental indenture, pursuant to which the Company previously issued $460.0 million aggregate principal amount of Notes due December 1, 2014 in November 2009. The terms of the Notes offered in April other than their issue date and public offering price, are identical to the Notes issued in November 2009.

The full over allotment option granted was exercised and an additional $20.0 million aggregate principal amount of Notes were purchased. Accordingly, $240.0 million in aggregate principal amount of Notes were sold, resulting in aggregate net proceeds of approximately $237.2 million after the underwriter commissions.

In conjunction with the public offering of $220.0 million aggregate principal amount Notes described above, the Company also entered into a share lending agreement with an affiliate of the underwriter of the offering, or the share borrower, pursuant to which the Company loaned the share borrower approximately 10.0 million shares of the Company's common stock. Under the share lending agreement, the share borrower is required to return the borrowed shares when the Notes are no longer outstanding. The Company did not receive any proceeds from the sale of the borrowed shares by the share borrower, but the Company did receive a nominal lending fee of $0.01 per share from the share borrower for the use of the borrowed shares.

The fair value of the outstanding loaned shares as of December 31, 2009 and 2010 was $151.9 million and $198.2 million, respectively. On the day of the Note issuance the fair value of the share lending agreement was determined to be $9.9 million for the 2009 issuance of convertible notes and $4.6 million for the 2010 issuance of convertible senior notes, based on a 5.5% interest rate of the Notes without the share lending agreement and was recorded as debt issuance cost. Amortization of the issuance costs associated with the share lending agreement recorded as interest expense during the year ended December 31, 2009 and 2010 was $0.2 million and $2.6 million, respectively, resulting in an unamortized amount of $9.7 million and $11.7 million at December 31, 2009 and 2010, respectively.

The total interest expense related to the Notes in the Company's consolidated statement of operations for the year ended December 31, 2010 was $57.7 million, of which $26.5 million is non-cash amortization of the discount on the liability component and $31.2 million is the contractual interest to be paid semi-annually at a coupon rate of 5% per year. At December 31, 2009 and 2010 the net carrying amounts of the liability component and unamortized discount were $342.9 million and $538.0 million, respectively and $117.1 million and $162.0 million, respectively.

The Company's interest expense associated with the $460.0 million aggregate principal amount and $240.0 million aggregate principal amount of Notes is based on an effective interest rate of 12% and 14%, respectively.

Existing Credit Facilities

$1.04 billion revolving credit and term loan facility, dated September 17, 2008, as amended

We entered into this facility to refinance certain debt and for general corporate purposes. This credit facility consists of a guarantee facility which provides us with a letter of credit in the amount of up to $20 million, which has been drawn, three revolving credit facilities in the amounts of up to $350 million, $250 million and $20 million, respectively, and a term loan facility in the amount of up to $400 million. This loan bears interest at LIBOR plus a margin, and is repayable in 20 quarterly installments plus a balloon payment of $400 million, payable together with the last installment on September 17, 2013. As of December 31, 2010, we had outstanding borrowings in the amount of $675.8 million under this facility.

Two $562.5 million credit facilities, each dated July 18, 2008, as amended

We entered into these facilities to partially finance the construction costs of the Ocean Rig Poseidon and the Ocean Rig Mykonos. Both of these credit facilities bear interest at LIBOR plus a margin and are repayable in 18 semi-annual installments through November 2020. The first installment under each of these facilities is payable six months after delivery of the relevant vessel, both of which are expected to be in the third quarter of 2011. As of December 31, 2010, we had outstanding borrowings in the aggregate amount of $194.5 million under these credit facilities which was fully cash collateralized.

On June 5, 2009, we entered into agreements on waiver and amendment terms with respect to each of these credit facilities providing for a waiver of certain financial covenants through January 31, 2010. These agreements provide for, among other things, (i) a waiver of the required market adjusted equity ratio, (ii) a waiver of the required market value adjusted net worth; and (iii) a required payment from us to each lender and the facility agent. These agreements were terminated by supplemental agreement dated January 28, 2010, which superseded the waiver agreement and extended the deadline for obtaining suitable employment contracts, as stated in the agreements, for the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos* that is required for the continued availability of these credit facilities. All future advances under the credit facilities must be fully cash collateralized until we arrange suitable employment for both drillships, as set forth in the loan agreements.

On March 28, 2011, the Company received approval from the facility agent on behalf of all lenders to restructure the two $562.5 million credit facilities, which we refer to herein as the Deutsche Bank credit facilities. The restructuring is subject to completion of definitive documentation. The main terms of the restructuring are as follows: (i) the maximum amount permitted to be drawn will be reduced from $562.5 million to $495.0 million under each facility; (ii) in addition to the guarantee already provided by Dryships, our majority-owned subsidiary, Ocean Rig UDW Inc. will provide an unlimited recourse guarantee that will include certain financial covenants that will apply quarterly to Ocean Rig UDW Inc.; (iii) the Company will be permitted to draw under the facility with respect to the *Ocean Rig Poseidon* based upon the fixture of the drillship under its drilling contract with Petrobras Tanzania, and cash collateral deposited for this vessel will be released; and (iv) the Company will be permitted to draw under the facility with respect to the Ocean Rig Mykonos provided the Company has obtained suitable employment for such drillship no later than August 2011.

$126.4 million term loan facility, dated July 23, 2008, as amended

We entered into this facility to partially finance the acquisition of the MV *Flecha*. This loan bears interest at LIBOR plus a margin, and is repayable in 40 quarterly installments, plus a balloon payment payable together with the last installment in July 2018. As of December 31, 2010, we had outstanding borrowings in the amount of $99.2 million under this term loan facility.

On October 12, 2009, we entered into a supplemental agreement with respect to this loan facility providing for a waiver of certain covenants, including the security cover requirement, through October 9, 2011.

$103.2 million loan facility, dated June 20, 2008, as amended

We entered into this facility to partially finance the acquisition costs of the MV *Sorrento* and MV *Iguana*. This loan bears interest at LIBOR plus a margin. The portion of the loan facility relating to the M/V *Sorrento* is repayable in 32 quarterly installments, plus a balloon payment payable together with the last installment in July 2016, and the portion of the loan facility relating to the M/V *Iguana* is repayable in 20 quarterly installments, with the last installment in June 2013. As of December 31, 2010, we had outstanding borrowings in the amount of $36.4 million under this loan facility.

On October 8, 2009, we entered into a supplemental agreement with respect to this loan facility providing for, among other things, waivers of the (i) value maintenance provisions; (ii) market adjusted equity ratio; (iii) market value adjusted net worth; and (iv) certain other financial covenants as through April 12, 2011.

On January 18, 2010, we entered into a vessel substitution agreement for the vessel *Iguana*. The agreement provides that if the MV *Iguana* is sold, its outstanding loan at the date of sale is required to be held in a retention account to be utilized towards the acquisition of a vessel up to December 31, 2010. We sold the vessel *Iguana* on January 19, 2010, however no substitution vessel was nominated and the tranche relevant to the MV *Iguana* was repaid in December 2010.

$125.0 million loan facility, dated May 13, 2008, as amended

We entered into this facility to partially finance the acquisition cost of the MV *Capri* and MV *Positano*. The loan bears interest at LIBOR plus a margin and is repayable in thirty-two quarterly installments, plus a balloon payment payable together with the last installment in June 2016. As of December 31, 2010, we had outstanding borrowings in the amount of $60.0 million under this loan facility.

On February 25, 2010, the Company entered into a supplemental agreement which, among other things: (i) increased the applicable margin on the facilities from January 1, 2009 until December 31, 2010; (ii) amended the minimum security cover; and (iii) amended our financial covenants as guarantor until midnight on December 31, 2010.

$90.0 million loan facility, dated May 5, 2008, as amended

We entered into this facility to partially finance the acquisition cost of the MV *Mystic*. The loan bears interest at LIBOR plus a margin, and is repayable in 15 semi-annual installments, with a balloon payment, payable together with the last installment in December 2015. As of December 31, 2010, we had outstanding borrowings in the amount of $54.0 million under this loan facility.

On October 22, 2009, we reached a letter agreement of waiver terms, subject to definitive documentation, providing for a waiver of certain covenants through September 30, 2010. This agreement, among other things: (i) reduced the security cover ratio for the duration of the waiver period and further; and (ii) amended the minimum requirements for the market adjusted equity ratio, market value adjusted net worth of the group and the interest leverage ratio. Furthermore, the waiver agreement increased the margin for the duration of the waiver period and included various dividend and capital expenditure restrictions by us and our subsidiary.

On May 10, 2010, the Company executed a supplemental agreement on waiver and amendment terms on this loan facility, providing for definitive documentation to the loan facility of the October 22, 2009.

$130.0 million loan facility, dated March 13, 2008, as amended

We entered into this facility for working capital and general corporate purposes. Currently, the MV *Toro* and MV *Delray* are mortgaged as collateral under this loan facility. The loan bears interest at LIBOR plus a margin and is repayable in 28 quarterly installments plus a balloon payment, payable together with the last installment in March 2015. As of December 31, 2010, we had outstanding borrowings in the amount of $43.6 million under this loan facility.

On July 30, 2009, we entered into a supplemental agreement with respect to this credit facility providing for the waiver of certain covenants through March 31, 2011. This supplemental agreement, among other things: (i) increases the applicable margin on the facility; (ii) requires that until the end of the waiver period, proceeds from the sale or loss of the collateral vessels be applied to the outstanding advance under the facility; (iii) requires additional security and a restricted cash account equaling a minimum of the next four quarterly principal installments; (iv) waives the minimum required security cover until March 31, 2011; and (v) waives financial covenants applicable to DryShips as guarantor until March 31, 2011.

On January 25, 2010 the Company entered into a vessel substitution agreement for the MV *Toro* and MV *Delray*. This agreement provides, among other things that after the end of the waiver period the applicable margin of the loan facility shall be reduced for a period of 12 months and thereafter to be further reduced until the final maturity date.

On August 25, 2010, the Company entered into a supplemental agreement, which among other things, extends the waivers up to March 31, 2012 and increases the applicable margin of the loan facility during the waiver period with a scheduled reduction to the margin thereafter.

On 29 November, 2010, the Company signed an amended and restated agreement for the substitution of the MV *Delray* and MV *Toro* for the MV *Amalfi*. The MV *Delray* was sold in February 2010, whereas the MV *Toro* was released as security for the loan facility and was replaced by the MV *Amalfi*.

$101.2 million loan facility, dated December 4, 2007, as amended

We entered into this facility to partially finance the acquisition cost of the second hand MV *Saldahna* and MV *Avoca*. The loan bears interest at LIBOR plus a margin, and is repayable in 28 quarterly installments, with a balloon payment, payable together with the last installment in January 2015. As of December 31, 2010, we had outstanding borrowings in the amount of $41.6 million under this loan facility.

On June 11, 2009, we entered into a supplemental agreement on waiver terms for this loan facility. This supplemental agreement provides, among other things that through May 19, 2011, (i) the lender will waive the financial covenants contained in the corporate guarantee; (ii) the lender will waive the required prepayment in the event of a security value shortfall; (iii) the applicable margin will be increased; and (iv) we will not pay any cash dividends except under certain circumstances.

$47.0 million loan facility, dated November 16, 2007, as amended

We entered into this facility to partially finance the acquisition cost of the second hand MV *Oregon*. The loan bears interest at LIBOR plus a margin, and is repayable in 32 quarterly installments, with a balloon payment, payable together with the last installment in December 2015. As of December 31, 2010, we had outstanding borrowings in the amount of $23.0 million under this loan facility.

In February 2009, we entered in a supplemental agreement on waiver and amendment terms for this loan facility, providing for a waiver of certain covenants through December 31, 2009. On November 11, 2009, we entered into an agreement to confirm that the conditions in such waivers remain satisfied, and that the waivers extend to certain financial covenants in our guarantee of this loan facility through December 31, 2009.

In April 2010, we entered into a supplemental agreement, providing for certain covenant amendments including the waiver of our financial covenants until January 1, 2011. The supplemental agreement increases the applicable margin under this facility.

$90.0 million loan facility, dated October 5, 2007, as amended

We entered into this facility to partially finance the acquisition cost of the second hand MV *Samatan* and MV *VOC Galaxy*. The loan bears interest at LIBOR plus a margin depending on corporate leverage, and is repayable in 32 quarterly installments beginning in the first quarter of 2008, with a balloon payment, payable together with the last installment in November, 2015. As of December 31, 2010, we had outstanding borrowings in the amount of $66.0 million under this loan facility.

On July 30, 2009, the Company entered into a covenant waiver and amendment agreement with respect to this facility providing for the waiver of certain covenants. This covenant waiver and amendment agreement, among other things, (i) increases the applicable margin under the facility until the final maturity date; (ii) requires that until March 31, 2011, proceeds from the sale or loss of the collateral vessels be applied to the outstanding advance of the facility; (iii) requires additional security; (iv) waives the minimum required security cover until March 31, 2011; and (v) waives the financial covenants applicable to DryShips as guarantor until March 31, 2011.

On August 25, 2010, the Company entered into a supplemental agreement, which among other things extends the waiver period up to March 31, 2012, and increases the applicable margin of the loan facility during the waiver period with a scheduled reduction to the margin thereafter.

$35.0 million loan facility, dated October 2, 2007, as amended

We entered into this facility to partially finance the acquisition cost of the secondhand the MV *Clipper Gemini*. The loan bears interest at LIBOR plus a margin, and is repayable in 36 quarterly installments beginning in the first quarter of 2008, with a balloon payment, payable together with the last installment in October 2016. As of December 31, 2010, we had outstanding borrowings in the amount of $23.0 million under this loan facility.

On February 25, 2010, we entered into a supplemental agreement providing for a waiver of certain covenants. This supplemental agreement, among other things: (i) increases the applicable margin on the facility from January 1, 2010 until December 31, 2010; (ii) amends minimum security cover; and (iii) amends financial covenants applicable to DryShips as guarantor until midnight on December 31, 2010.

$518.8 million senior loan facilities and $110.0 junior loan facilities, each dated March 31, 2006, as amended

We entered into these facilities to provide us with working capital, and to partially finance the acquisition cost of certain vessels. These facilities are comprised of (i) term loan and short-term credit facilities (senior loan facility) and (ii) term loan and short-term credit facilities (junior loan facility).

The senior loan facility bears interest at LIBOR plus a margin. The term loan facility is repayable in 37 quarterly installments, with a balloon payment, payable together with the last installment on May 31, 2016. Each advance from the short term credit facility is repayable in quarterly installments with the next term loan facility installment. As of December 31, 2010 we had outstanding borrowings in the amount of $419.3 million under this loan facility.

The junior loan facility bears interest at LIBOR plus a margin. The term loan facility is repayable in 37 quarterly installments, with a balloon payment, payable together with the last installment on May 31, 2016. Each advance from the short term credit facility is repayable in quarterly installments with the next term loan facility installment. As of December 31, 2010, we had outstanding borrowings in the amount of $84.2 million under this loan facility.

On November 17, 2009 the Company entered into supplemental agreements waiving and amending terms of its senior and junior loan facilities. These supplemental agreements, among other things, amend the (i) market adjusted equity ratios; (ii) market value adjusted net worth; (iii) interest coverage ratios; (iv) minimum liquidity; (v) applicable margins on the facilities from December 22, 2008 until September 30, 2010; and (vi) security cover requirements.

On September 29, 2010, the Company executed two supplemental agreements under its senior and junior facilities. As a result of the amendments in these new supplemental agreements, the Company regained full compliance with the financial and non-financial covenants under the original facilities, as amended. The MV *Xanadu* was sold in September 2010 and its outstanding balance at that date was repaid. The MV *Primera* was sold in April 2011 and its outstanding balance at that date was repaid.

$325.0 million short-term credit facility, dated December 21, 2010

On December 21, 2010, our majority-owned subsidiary, Drillship Hydra Owners Inc., entered into a $325.0 million short-term loan facility for the purpose of partially financing the construction cost of the *Ocean Rig Corcovado*. This loan facility is repayable in full in July 2011 and bears interest at a rate of LIBOR plus a margin. The Company drew down the full amount of this loan on January 5, 2011. The facility contains various covenants including: (i) a minimum market adjusted equity ratio and (ii) a minimum market value adjusted net worth.

$70.0 million loan facility, dated February 7, 2011

We entered into this facility to partially finance the construction and acquisition costs of our newbuilding Aframax tankers, *Saga*, which we took delivery of on January 18, 2011, and *Vilamoura*, which we expect to take delivery in March 2011 and for financing general corporate and working capital purposes. The loan bears interest at LIBOR plus a margin and is repayable in 20 quarterly installments, with a balloon payment payable together with the last installment on February 15, 2016.

The credit facilities discussed in this section are secured by, among other things, mortgages over our vessels, assignments of shipbuilding contracts and refund guarantees, corporate guarantees and assignments of all freights, earnings, insurances and requisition compensation. The credit facilities contain covenants relating to our vessel owning subsidiaries as borrowers under the loans, including restrictions on changes in management and ownership of the vessels, incurring additional financial indebtedness, creating or permitting to exist on their assets and changes in the general nature of our business; each without the relevant lenders' prior consent. In addition, under some of the credit facilities, the vessel owning companies are not permitted to pay any dividends without the requisite lenders' prior consent. The credit facilities also contain certain financial covenants relating to our financial position, operating performance and liquidity.

Proposed New $800.0 million secured term loan facility

On March 25, 2011, the Company received a commitment letter and term sheet for a new $800.0 million secured term loan facility to partially finance the construction costs of the *Ocean Rig Corcovado* and *Ocean Rig Olympia*. The new secured term loan facility is subject to completion of definitive documentation and the Company intends to use a portion of the new facility to refinance its $325.0 million short term loan facility, dated December 21, 2010.

Proposed New $32.3 million secured term loan facility

On March 30, 2011, the Company received a firm commitment from an international lender for a $32.3 million secured term loan facility to partially finance the construction cost of the newbuilding tanker, *Daytona*, which is scheduled to be delivered in April 2011. This facility is subject to completion of definitive documentation, which the Company expects to occur in April, 2011.

Repaid Credit Facilities

$800 million credit facility and NOK 5.0 billion guarantee facility, dated May 9, 2008

We entered into this facility to finance our acquisition of Ocean Rig and to refinance debt. This loan bears interest at LIBOR plus a margin, and is repayable in four quarterly installments of $75 million each, followed by four quarterly installments of $50 million each plus a balloon payment of $300 million, payable with the last installment on May 12, 2010. As of December 31, 2008, we had outstanding borrowings in the amount of $650.0 million under this facility. During 2009, this facility was fully repaid using proceeds raised from equity offerings.

$300.0 million credit facility

On May 13, 2009, we entered into a new one-year credit facility for the amount of up to $300.0 million in order to refinance our existing loan indebtedness under the facility discussed above. In May 2009, we drew down $150.0 million of the loan in order to refinance the $150.0 million outstanding debt at the date of the drawdown of the above facility. This new credit facility was fully repaid in May 2009 using our proceeds of our at-the-market offerings and the undrawn amount was cancelled.

$31.1 million fixed-rate term notes

In connection with the acquisition of Drillships Holdings on May 15, 2009, we assumed two $15.6 million fixed-rate term notes that were entered into in January 2009, in order to finance the construction of the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*. The term notes were fully repaid in July 2009.

$300.0 million short-term loan facility

On December 28, 2010, we entered into a short-term loan facility and drew down the full amount of $300.0 million. The loan was repaid in full on January 3, 2011.

$230 million loan facilities, dated September 10, 2007, as amended

In connection with the acquisition of Drillships Holdings on May 15, 2009, we assumed two $115 million loan facilities that were entered into in September 2007, in order to finance the construction of the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*. The loans bear interest at LIBOR plus margin. We repaid one $115.0 million term loan facility in December 2010 in connection with the delivery of the *Ocean Rig Corco*vado in January 2011 and repaid $115.0 million facility upon the delivery of the *Ocean Rig Olympia* in March 2011. In addition to the customary security and guarantees issued to the borrower, this facility was collateralized by certain vessels owned by certain related parties, corporate guarantees of certain related parties, and a personal guarantee from Mr. Economou.

As of December 31, 2010 we had outstanding borrowings in the amount of $115.0 million under these loan facilities, which was repaid on March 18, 2011.

Cash Flows

Year ended December 31, 2010 compared to year ended December 31, 2009 (As restated)

Our cash and cash equivalents decreased to $391.5 million as of December 31, 2010, compared to $693.2 million as of December 31, 2009, primarily due to increased cash used in investing activities which was offset by increase in cash provided by operating and financing activities. Working capital is equal to current assets minus current liabilities, including the current portion of long-term debt. Our working capital was $129.7 million as of December 31, 2010, compared to deficit of $715.4 million as of December 31, 2009.

Net Cash Provided By Operating Activities

Net cash provided by operating activities increased by $183.7 million, or 62% to $477.8 million for the year ended December 31, 2010 compared to $294.1 million for the year ended December 31, 2009. This increase is primarily attributable to the increased time charter rates for the drybulk carrier segment during the year ended December 31, 2010, which is offset in part by the lower earnings efficiency for both rigs in 2010 compared to 2009.

Net Cash Used In Investing Activities

Net cash used in investing activities was $1.68 billion for the year ended December 31, 2010. The Company made payments of approximately $1.34 billion for asset acquisitions, payments for options and improvements, and $416.8 million as a result of the net increase in minimum cash deposits required by our lenders. These cash outflows were partially offset by receipt of vessel sale proceeds of approximately $73.3 million.

Net cash used in investing activities was $170.0 million for the year ended December 31, 2009. The Company made payments of approximately $193.0 million for asset acquisitions and improvements, and $23.3 million as a result of the net increase in minimum cash deposits required by our lenders. These cash outflows were partially offset by receipt of vessel sale proceeds of approximately $45.4 million.

Net Cash Provided By Financing Activities

Net cash provided by financing activities was $901.3 million for the year ended December 31, 2010, consisting mainly of net proceeds of $341.9 million from the issuance of common stock in at-the-market offerings and share lending arrangement, the net proceeds of $237.2 million from the issuance of the convertible senior notes and the drawdown of an additional $308.3 million under the credit facilities and the net proceeds of $488.3 from the private placement of Ocean Rig UDW. This is partially offset by the repayment of $465.4 million of debt under our long and short-term credit facilities and the $8.9 million paid for financing costs.

Net cash provided by financing activities was $265.9 million for the year ended December 31, 2009, consisting mainly of net proceeds of $950.6 million from the issuance of common stock in at-the-market offerings, the net proceeds of $447.8 million from the issuance of the convertible senior notes and the drawdown of an additional $150.9 million under the credit facilities. This is partially offset by the repayment of $1.2 billion of debt under our long and short-term credit facilities and the $50 million paid for the acquisition of the non-controlling interests for the acquisition of the drillships.

Year ended December 31, 2009 (as restated) compared to year ended December 31, 2008

Our cash and cash equivalents increased to $693.2 million as of December 31, 2009, compared to $303.1 million as of December 31, 2008, primarily due to increased cash provided by operating and financing activities. Working capital is equal to current assets minus current liabilities, including the current portion of long-term debt. Our working capital deficit was $715.4 million as of December 31, 2009. The deficit decrease is due to the reclassification of long term debt to current liabilities. If we were not in breach of our loan covenants, and $1.3 billion of indebtedness were not reclassified to current liabilities as a result of such breach, our working capital would be a "surplus" $582.3 million.

If our working capital deficit is not reduced or continues to grow, lenders may be unwilling to provide future financing or will provide future financing at significantly increased interest rates, which will negatively affect our earnings, liquidity and capital position, and our ability to make timely payments on our newbuilding purchase contracts and to meet our debt repayment obligations.

Net Cash Provided By Operating Activities

Net cash provided by operating activities decreased by $246.0 million, or 45.5%, to $294.1 million for the year ended December 31, 2009 compared to $540.1 million for the year ended December 31, 2008. This decrease is primarily attributable to the decreased time charter rates for the drybulk carrier segment during the year ended December 31, 2009, which is offset in part by the annual contribution for the drilling rig segment in 2009 as compared to a partial contribution in 2008.

Net Cash Used In Investing Activities

Net cash used in investing activities was $170.0 million for the year ended December 31, 2009. The Company made payments of approximately $193.0 million for asset acquisitions and improvements, and $23.3 million as a result of the net increase in minimum cash deposits required by our lenders. These cash outflows were partially offset by receipt of vessel sale proceeds of approximately $45.4 million.

Net cash used in investing activities was $2.1 billion during 2008 consisting of $991.3 million paid to acquire Ocean Rig, $742.8 million in payments for vessel acquisitions, $507.3 million in advances for vessel acquisitions and vessels under construction, $16.6 million in payments for rig improvements, $262.7 million in payments to restricted cash, partially offset by an amount of $410.2 million representing the net proceeds received from the sale of the vessels MV *Matira*, MV *Menorca*, MV *Netadola*, MV *Lanzarotte*, MV *Waikiki,* MV *Solana* and MV *Tonga* during the year ended December 31, 2008.

Net Cash Provided By Financing Activities

Net cash provided by financing activities was $265.9 million for the year ended December 31, 2009, consisting mainly of net proceeds of $950.6 million from the issuance of common stock in at-the-market offerings, the net proceeds of $447.8 million from the issuance of the convertible senior notes and the drawdown of an additional $150.9 million under the credit facilities. This is partially offset by the repayment of $1.2 billion of debt under our long and short-term credit facilities and the $50 million paid for the acquisition of the non-controlling interests for the acquisition of the drillships.

Net cash provided by financing activities was $1.8 billion for the year ended December 31, 2008, consisting mainly of a $2.9 billion drawdown under short-term and long-term facilities and $662.7 million from net proceeds from the issuance of common stock, partly offset by payments under short-term and long-term credit facilities in the aggregate amount of $1.7 billion and $33.2 million of cash dividends paid to stockholders.

C. Research and Development, Patents and Licenses etc.

Not Applicable.

D. Trend Information

See other discussions within item 5.

E. Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2010:

	Payments due by period				
Obligations (In thousands of Dollars)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt [1]	$2,935,648	$ 740,604	$ 789,261	$1,045,205	$360,578
Interest and borrowing fees [2]	404,952	123,339	187,846	83,077	10,690
Shipbuilding contracts – Vessels	701,130	295,305	405,825	—	—
Shipbuilding contracts-Drillships [3]	1,374,000	1,374,000	—	—	—
Retirement Plan Benefits [4]	1,725	83	150	213	1,279
Operating leases [5]	969	646	323	—	—
Office space rent [6]	132	22	52	52	6
Other operating leases	425	290	78	57	—
Total	$5,418,981	$ 2,534,289	$1,383,535	$1,128,604	$372,553

(1) As further discussed in Note 11 to our audited consolidated financial statements, the outstanding balance of our long-term debt at December 31, 2010, was $2,935.6 million (gross of unamortized deferred financing fees and debt discount of $216.0 million), which were used to partially finance the expansion of our fleet, for the construction of drilling rigs and for the acquisition of Ocean Rig ASA. The loans bear interest at LIBOR plus a margin. The amounts in the table under "Long Term Debt" do not include any projected interest payments.

(2) Our long-term debt outstanding as of December 31, 2010 bears variable interest at margin over LIBOR, but such variable interest is fixed by our existing interest rate swaps. The calculation of interest payments is based on the weighted average fixed interest rate of 4.06% for the drybulk segment and 4.39% for the drilling rig segment for the year ended December 31, 2010.

(3) As of December 31, 2010, an amount of $697.6 million was paid to the shipyard representing the first and second installment for the construction cost of the *Ocean Rig Poseidon* and the *Ocean Rig Mykonos*. An amount of $815.0 million was paid to the shipyard representing the first, second and third installment for the construction cost of the *Ocean Rig Corcovado* and the Ocean *Rig Olympia.*

(4) During 2010, Ocean Rig UDW had five defined plans for employees managed and funded through Norwegian life insurance companies. It terminated two plans at the end of 2010. Three plans were therefore left as of December 31, 2010. The pension plan covered 55 employees by the year ended 2010. The number of employees covered by the plans since January 1, 2010 is 141. Pension liabilities and pension costs are calculated based on the crucial cost method as determined by an independent third party actuary.

(5) We entered into a five year office lease agreement with Vestre Svanholmen 6 AS which commenced on July 1, 2007. This lease includes an option for an additional five year term, which must be exercised at least six months prior to the end of the term of the contract which expires in June 2012. The lease agreements relating to office space are considered to be operational lease contracts.

(6) We lease office space in Athens, Greece, from a son of George Economou.

Dividend Payments

On January 9, April 2, July 18 and September 30, 2008, the Company declared dividends in the aggregate amount of $33.2 million ($7.3 million ($0.20 per share), paid on January 31, 2008 to the stockholders of record as of January 18, 2008), ($8.5 million ($0.20 per share), paid on April 30, 2008 to the stockholders of record as of April 17, 2008), $8.7 million ($0.20 per share), paid on August 22, 2008 to the stockholders of record as of August 8, 2008 and $8.7 million $0.20 per share, paid on October 31, 2008 to the stockholders of record as of October 15, 2008, respectively.)

In light of a lower freight rate environment and a highly challenged financing environment, our board of directors, beginning with the fourth quarter of 2008, has suspended our common share dividend. Our dividend policy will be assessed by the board of directors from time to time. The suspension allows us to preserve capital and use the preserved capital to enhance our liquidity. The payment of dividends to our shareholders in the future is subject to limitations imposed by our lenders.

The declaration and payment of dividends will be subject at all times to the discretion of our board of directors. The timing and amount of dividends will depend on our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our loan agreements, the provisions of Marshall Islands law affecting the payment of dividends and other factors. Marshall Islands law generally prohibits the payment of dividends other than from surplus or while a company is insolvent or would be rendered insolvent upon the payment of such dividends, or if there is no surplus, dividends may be declared or paid out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year.

G. Safe Harbor

See section “forward looking statements” at the beginning of this annual report.

Item 6. Directors and Senior Management

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors, executive officers and key employees. Our board of directors is elected annually on a staggered basis. Each director elected holds office 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.

Name	Age	Position
George Economou	58	Chairman, President, Chief Executive Officer and Class A Director
Harry Kerames	56	Class A Director
Vassilis Karamitsanis	35	Class A Director
Evangelos Mytilinaios	61	Class B Director
George Xiradakis	46	Class B Director
Chryssoula Kandylidis	56	Class C Director
George Demathas	55	Class C Director
Pankaj Khanna	40	Chief Operating Officer
Ziad Nakhleh	38	Chief Financial Officer
Niki Fotiou	41	Senior Vice President Head of Accounting and Reporting
Iro Bei	28	Secretary

The business address of each officer and director is the address of our principal executive offices, which are located at 80, Kifissias Avenue, GR 15125, Amaroussion, Greece.

Biographical information with respect to each of our directors, executives and key personnel is set forth below:

George Economou – George Economou has over 30 years of experience in the maritime industry and he has served as Chairman, President and Chief Executive Officer of Dryships Inc. since its incorporation in 2004. He successfully took the Company public in February 2005, on NASDAQ under the trading symbol: DRYS. Mr. Economou has overseen the Company’s growth into the largest US listed drybulk company in fleet size and revenue and the second largest Panamax owner in the world. The company subsequently invested and developed Ocean Rig UDW an owner of rigs and ships involved in ultra deep water drilling. Mr. Economou is the Chairman, President and Chief Executive Officer of Ocean Rig UDW. Mr. Economou is a member of ABS Council, Intertanko Hellenic Shipping Forum and Lloyds Register Hellenic Advisory Committees. Since 2010, Mr. Economou has also been a member of the board of directors of Danaos Corporation. Apart from his shipping interests Mr. Economou has invested also in Real Estate.
Mr. Economou is a graduate of the Massachusetts Institute of Technology and holds both a Bachelor of Science and a Master of Science degree in Naval Architecture and Marine Engineering and a Master of Science in Shipping and Shipbuilding Management.

Harry Kerames was appointed to our board of directors on July 29, 2009. Harry Kerames has over 21 years of experience in the transportation industry. Mr. Kerames has been the Managing Director of Global Capital Finance where he was responsible for the firm's shipping practice. Prior to joining Global Capital Finance in 2006, he was the Chief Marketing Officer at Charles R. Weber Company Inc., where he brokered the freight derivative business, and co-founded a freight derivatives hedge fund. Mr. Kerames has also held various directorships, senior level marketing positions, and consultative roles with Illinois Central Railroad, Genstar Corporation, Motive Power Industries, Hub Group Distribution Services, and Ship and Transportation Equipment Finance and Oceanfreight Inc. Mr. Kerames is a member of the Baltic Exchange, the Hellenic American Chamber of Commerce, and the Connecticut Maritime Association. Mr. Kerames graduated with a Bachelor of Science from the University of Connecticut.

Vassilis Karamitsanis was appointed to our board of directors on July 29, 2009. Vassilis Karamitsanis is an attorney and a founding partner of SigmaKappaSigma Law Offices. From 2007 to 2009, Mr. Karamitsanis was the head of the legal department at Karouzos Construction & Development Group. Mr. Karamitsanis has also previously served as a legal advisor to Dimand Real Estate Development and LPSA Consultants S.A. and has served as a special advisor to the Hellenic Ministry of Health & Welfare. He is a member of the Athens Bar Association and practices real estate, corporate, domestic and international contracting, telecommunications, and energy law. Mr. Karamitsanis graduated from Athens College Lyceum and received his law degree from Aristotle University of Thessaloniki. He also holds a postgraduate degree in Economic Analysis of Law from Erasmus University of Rotterdam and a postgraduate degree in Economic Analysis of Institutions from University Aix-Marseille III, Aix-en-Provence.

George Demathas was appointed to our board of directors on July 18, 2006 to fill the vacancy resulting from the resignation of Mr. Nikolas Tsakos. Mr. Demathas was also a director of Ocean Rig ASA from 2008 to 2010. Since 2001, Mr. Demathas has been the Chief Executive Officer and a director of Stroigasitera Inc., a privately held company that finances and develops natural gas infrastructure projects in Central Asia, and since 1996, Mr. Demathas has invested in natural gas trunk pipelines in Central Asia. Since 1991, Mr. Demathas has been involved in Malden Investment Trust Inc. in association with Lukoil, working in the Russian petrochemical industry. Mr. Demathas was a principal in Marketing Systems Ltd., where Mr. Demathas supplied turnkey manufacturing equipment to industries in the Former Soviet Union. Mr. Demathas has a Bachelor of Arts in Mathematics and Physics from Hamilton College in New York and an Master of Science in Electrical Engineering and Computer Science from Columbia University. He is based in Moscow and travels widely in Europe and the United States.

George Xiradakis was appointed to our board of directors in May 2006. Mr. Xiradakis is also a director of our majority-owned subsidiary, Ocean Rig UDW. Since 1999, Mr. Xiradakis has been the Managing Director of XRTC Business Consultants Ltd., a consulting firm providing financial advice to the maritime industry, including financial and state institutions. XRTC acted as the commercial representative of international banks including the French banking groups Credit Lyonnais and NATIXIS in Greece. Mr. Xiradakis is also the advisor of various shipping companies, as well as international and state organizations. He also serves as the General Secretary of the Association of Banking and Shipping Executives of Hellenic Shipping. In addition, Mr. Xiradakis has served on the board of directors of Paragon Shipping Inc., a company listed on the New York Stock Exchange, since 2008, and from 2008 to 2009, Mr. Xiradakis was a member of the board of directors of Aries Maritime Transport. Mr. Xiradakis also has served as a President of the Hellenic Real Estate Corporation and Hellenic National Center of Port Development. 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 Guildhall University formerly known as City of London Polytechnic in London. Mr. Xiradakis holds an MSc. in Maritime Studies from the University of Wales.

Chryssoula Kandylidis was appointed to our board of directors on March 5, 2008 to fill the vacancy resulting from the resignation of Mr. Aristidis Ioannidis. Mrs. Kandylidis is the beneficial owner of all the issued and outstanding capital stock of Prestige Finance S.A., a Liberian corporation which owns 30% of the outstanding capital stock of Cardiff , TMS Bulkers and TMS Tankers. Mrs. Kandylidis has also served as an advisor to the Minister of Transport and Communications in Greece for matters concerning people with special abilities for the past three years on a voluntary basis. Mrs. Kandylidis graduated from Pierce College in Athens, Greece and from the Institut Francais d' Athenes. She also holds a degree in Economics from the University of Geneva. Mrs. Kandylidis is the sister of George Economou, our Chief Executive Officer.

Evangelos Mytilinaios was appointed to our board of directors on December 19, 2008 to fill the vacancy resulting from the resignation of Mr. Angelos Papoulias. Mr. Mytilinaios has over 20 years of experience in the shipping industry. He served as a senior executive in the Peraticos and Inlessis group of companies, which are involved in the drybulk and tanker shipping sectors. He presently heads a diversified group of companies involved in tourism and real estate development in Greece and the United Kingdom. After attending the Athens University of Economics, he started his career by joining and heading his family's aluminum production enterprise, Mytilineos Holdings S.A., one of the largest aluminum product manufacturers in Greece. Mr. Mytilinaios is the chairman of our audit committee.

Pankaj Khanna was appointed as our Chief Operating Officer in March 2009. Mr. Khanna is also a director of our majority-owned subsidiary, Ocean Rig UDW. Mr. Khanna has 21 years of experience in the shipping industry. Prior to joining the Company, Mr. Khanna was the Chief Strategy Officer for Excel Maritime Carriers Ltd. Mr. Khanna also previously served as Chief Operating Officer of Alba Maritime Services S.A. Prior to joining Alba Maritime Services S.A. Mr. Khanna was Vice President of Strategic Development at Teekay Corporation where he headed vessel sales & purchase activities, newbuilding ordering activities, and other strategic development projects from 2001 through 2007. Prior to this, Mr. Khanna was a Senior Analyst at SSY, a large multinational shipbroker. Prior to that Mr. Khanna sailed on merchant vessels as a deck officer. Mr. Khanna graduated from Blackpool and the Fylde College, Fleetwood Nautical Campus and also received a post-graduate diploma in international trade and transport from London Metropolitan University.

Ziad Nakhleh was appointed as our Chief Financial Officer in November 2009. Mr. Nakhleh has over 12 years of finance experience. From January, 2005 to September, 2008, he served as Treasurer and Chief Financial Officer of Aegean Marine Petroleum Network Inc. ("Aegean"), a publicly traded marine fuels logistics company listed on the New York Stock Exchange. From September 2008 to October 2009, Mr. Nakhleh was engaged in a consulting capacity to various companies in the shipping and marine fuels industries. Prior to his time with Aegean, Mr. Nakhleh was employed at Ernst & Young and Arthur Andersen in Athens. Mr. Nakhleh is a graduate of the University of Richmond in Virginia and is a member of the American Institute of Certified Public Accountants.

Niki Fotiou was appointed as the Company's Senior Vice President Head of Accounting and Reporting in January 2010. From July 2006 to December 2009, she served as the Group Controller of Cardiff Marine Inc. For the period from 1993 to 2006, Ms. Fotiou worked for Deloitte and for Hyatt International Trade and Tourism Hellas. Ms Fotiou is a graduate of the University of Cape Town and is a member of the Association of Chartered Certified Accountants. Ms Fotiou serves as Chief Financial Officer and corporate secretary of Allships Ltd. since 2009.

Iro Bei was appointed as corporate secretary of the Company with effect from August 21, 2008. Ms. Bei is an attorney-at-law and is an associate at Deverakis Law Office. Ms. Bei graduated from the School of Law, University College London, U.K. with an LL.B. (2003) and an LL.M. (2004) and she is a member of the Athens Bar Association (2008).

B. Compensation of Directors and Senior Management

We paid an aggregate amount of $11.0 million as cash compensation to our executive directors for the fiscal year ended December 31, 2010. Non-executive directors received annual cash compensation in the aggregate amount of $0.7 million, plus reimbursement of their out-of-pocket expenses. We do not have a retirement plan for our officers or directors.

Consultancy Agreements

Agreement for the Services of our Chief Executive Officer

On October 22, 2008, we entered into a consultancy agreement with Fabiana, a Marshall Islands entity beneficially owned by our Chief Executive Officer, Mr. George Economou, with an effective date of February 3, 2008, which we amended on January 21, 2009 with an effective date of January 1, 2009. Under the agreement, Fabiana provides the services of our Chief Executive Officer. The agreement has a term of five years unless terminated earlier in accordance with the agreement. Pursuant to the agreement, we are obligated to pay (i) annual remuneration to Fabiana in the amount of Euro 2,700,000; (ii) potential bonus compensation for the services provided at the end of each year, with any such bonus to be determined by the compensation committee. In addition, pursuant to the agreement, the Company awarded 1,000,000 shares of common stock under our 2008 Equity Incentive Plan (the "Plan"), described below in more detail.

The agreement may be terminated (i) at the end of the term unless extended by mutual agreement in writing; (ii) at any time by mutual agreement of the parties; (iii) by the company without cause; or (iv) by either party for any material breach of their respective obligations under the agreement.

On January 25, 2010, the compensation committee approved a bonus award to Fabiana in the form of 4,500,000 shares of our common stock for its contribution of the services of our Chief Executive Officer during 2009, as well as for the anticipated contribution of such services during 2010, 2011 and 2012.

In addition, on January 25, 2010, we increased the annual remuneration to be awarded to Fabiana under the consultancy agreement to Euro 2,700,000 ($3,609,900 based on the exchange rate as of December 31, 2010).

On January 12, 2011, the compensation committee approved a bonus award to Fabiana of $4 million and 9,000,000 shares of our common stock for its contribution of the services of our Chief Executive Officer during 2010. The shares shall vest over a period of eight years with 1,000,000 shares to vest on the grant date and 1,000,000 shares to vest annually in December 31, 2011 through 2018, respectively.

Agreement for the Services of our Chief Financial Officer

On October 1, 2009, we entered into a consultancy agreement with an entity beneficially owned by our Chief Financial Officer, Mr. Ziad Nakhleh, for the provision of the services of our Chief Financial Officer. The agreement expires on December 31, 2011, unless extended by mutual agreement of the parties. Under the terms of the agreement, we are obligated to pay (i) an annual base salary (ii) a cash bonus for the contribution of the services of the Chief Financial Officer during the year 2010; (iii) a retention bonus for the anticipated contribution of the services of the Chief Financial Officer during the years 2011 and 2012; and (iv) additional bonus compensation as determined by the compensation committee.

The agreement may be terminated (i) at the end of the term unless extended by mutual agreement in writing; (ii) at any time by mutual agreement of the parties; (iii) at any time by us without cause; or (iv) at any time by either party in the event of a material breach of obligations by the other party. In addition, upon termination within three months following a change in control, as defined in the agreement, that occurs within two years of the date of the agreement, we will be obligated to pay the consultancy fee under the balance of the agreement, which shall not be less than six months' base salary or greater than twelve months' base salary.

Agreement for the Services of our Chief Operating Officer

On March 1, 2009, we entered into a consultancy agreement with an entity beneficially owned by our Chief Operating Officer, Mr. Pankaj Khanna, for the provision of the services of our Chief Operating Officer. The agreement has an initial term of 34 months and may be renewed for one-year successive terms with the consent of both parties. Under the terms of the agreement, the Company is obligated to pay (i) an annual base salary; (ii) equity compensation; (iii) a cash bonus and (iv) additional cash or equity bonuses awarded in our sole discretion.

We may terminate the agreement for cause, as defined in the agreement, in which case the entity will not be entitled to further payments of any kind. Upon termination of the agreement by us without cause, we will be obligated to pay a lump sum amount, plus a cash bonus. In addition, all non-vested shares will be returned to us and the entity will have no legal right in connection with these shares. In the event the agreement is terminated within three months of a change of control, as defined in the agreement, we will be obligated to pay (i) the annual base salary for a minimum of 36 months from the date of the change of control and (ii) three times the cash bonus for the year 2009. In addition, all shares awarded under the agreement will vest immediately.

Agreement for the Services of our Senior Vice President, Head of Accounting

On March 5, 2010, we entered into a consultancy agreement with an entity beneficially owned by our Senior Vice President, Head of Accounting, Ms. Niki Fotiou, for the provision of the services of our Senior Vice President, Head of Accounting. The agreement expires on December 31, 2012, unless extended by mutual agreement of the parties. Under the terms of the agreement, we are obligated to pay (i) an annual base salary; (ii) a cash bonus; (iii) equity compensation; (iv) additional bonus compensation as determined by our Chief Financial Officer and (v) a signing bonus.

The agreement may be terminated (i) at the end of the term, unless extended by mutual agreement in writing; (ii) at any time by mutual agreement of the parties; (iii) at any time by us without cause; or (iv) at any time by either party in the event of a material breach of obligations by the other party. In addition, upon termination within three months following a change in control, as defined in the agreement, that occurs within two years of the date of the agreement, we will be obligated to pay the consultancy fee under the balance of the agreement, which shall not be less than six months' base salary or greater than twelve months' base salary.

Equity Incentive Plan

On January 16, 2008, the Company's board of directors approved the 2008 Equity Incentive Plan (the "Plan"). Under this Plan, officers, key employees, and directors are eligible to receive, with respect to the Company's common stock, awards of stock options, stock appreciation rights, restricted stock, restricted stock units, phantom stock units and unrestricted stock. A total of 1,834,055 shares of common stock were reserved for issuance under the Plan, subject to adjustment for changes in capitalization as provided in the Plan. The Plan is administered by our board of directors. Unless terminated earlier by our board of directors, the Plan will expire after January 16, 2018, the tenth anniversary of the date the Plan was adopted. Our awards under the Plan are set forth as follows:

On March 5, 2008, we awarded 1,000,000 common shares to Fabiana. The shares vest quarterly in eight equal installments, with the first installment of 125,000 common shares vesting on May 28, 2008. The fair value of the shares on the grant date was $75.09 per share. The fair value of the 1,000,000 common shares on the grant date amounted to $75.1 million and will be recognized as compensation in the consolidated accompanying statements of income over the two-year vesting period. The related stock-based compensation expense for the year ended December 31, 2010 amounted to $6.1 million and is included in "General and administrative expenses" in the accompanying consolidated statements of operations. As of April 12, 2011, all of these common shares have vested.

On October 2, 2008, we approved grants in the amount of 9,000 shares of vested common stock to three of our non-executive directors. Also on October 2, 2008, we approved grants of 2,700 shares of non-vested common stock each, or 9,000 shares of non-vested common stock in the aggregate, to two of our non-executive directors, to be issued in the amount of 75 shares per director, or 150 shares in the aggregate, per month over a three-year period beginning on February 1, 2009 and continuing until January 1, 2012 or such other time as we may instruct. From the 9,000 shares of non-vested common stock, 3,600 shares were forfeited during 2010. The non-vested shares issued in 2009 and 2010 vested in January 2010 and January 2011, respectively. The non-vested shares issued in 2011 will vest in January 2012. The fair value of the vested shares on the grant date was $33.59 per share and will be recognized as compensation in the consolidated statements of operations over the three-year vesting period quarterly in 12 equal installments. The fair value of the non-vested shares granted amounted to $0.3 million and will be recognized as compensation in the accompanying consolidated statements of income over the three-year vesting period. Stock-based compensation for our directors relating to this grant for the year ended December 31, 2010 amounted to $0.1 million and is included in "General and administrative expenses" in the accompanying consolidated statement of operations.

On March 12, 2009, 70,621 shares of non-vested common stock were granted to an executive of the Company. The shares will vest in annual installments of 42,373 and 28,248 shares on March 1, 2010 and 2011, respectively. The fair value of each share on the grant date was $3.54. Stock-based compensation for our directors relating to this grant for the year ended December 31, 2010 amounted to $0.08 million and is included in "General and administrative expenses" in the accompanying consolidated statements of operations.

On January 25, 2010, we amended the Plan to increase the total number of common shares reserved for issuance under the Plan to 21,834,055.

Also on January 25, 2010, we awarded 4,500,000 shares of common stock to Fabiana for the contribution of the services of our Chairman and Chief Executive Officer during the fiscal year ended 2009 as well as for the anticipated contribution of the services of our Chairman and Chief Executive Officer during the fiscal years ended 2010, 2011 and 2012. The shares vest over a period of three years, with 1,000,000 shares vesting on the award date, 1,000,000 shares vesting on each of December 31, 2010 and 2011 and 1,500,000 shares vesting on December 31, 2012. The fair value of the shares on the award date was $6.05 per share.

On March 5, 2010, 2,000 shares of non-vested common stock and 1,000 shares of vested common stock out of the 21,834,055 shares reserved under Plan were granted to an executive of the Company. The remaining 1,000 common shares will vest on December 31, 2011. The shares were issued during July 2010 and the fair value of each share, on the grant date, was $5.66.

On January 12, 2011, we awarded 9,000,000 shares of common stock to Fabiana for the contribution of the services of our Chairman and Chief Executive Officer during the fiscal year ended 2010. The shares awarded to Fabiana vest over a period of eight years, with 1,000,000 shares vesting on February 10, 2011 and 1,000,000 shares vesting annually on December 31 of 2011 through 2018. The fair value of the shares on the award date was $5.50 per share.

On February 4, 2011, we awarded 15,000 shares of non-vested common stock to one of our executive officers, which vest on a pro rata basis over the course of three years. The fair value of the shares on the award date was $5.01 per share.

Stock options and stock appreciation rights may be granted under the Plan with a per share exercise price equal to the per share fair market value of our common stock on the date of grant, unless otherwise determined by the Plan's administrator, but in no event will the exercise price be less than the fair market value of a common share on the date of grant. Options and stock appreciation rights may be exercisable at times and under conditions as determined by the Plan's administrator, but in no event will they be exercisable later than ten years from the date of grant. Awards of restricted stock, restricted stock units and phantom stock units may be granted under the Plan subject to vesting and forfeiture provisions and other terms and conditions as determined by the Plan's administrator. The Plan's administrator may grant dividend equivalents with respect to grants of restricted stock units and phantom stock units.

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

C. Board Practices

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 C directors expires at the annual general shareholders meeting in 2013. Our class C directors are Chryssoula Kandylidis and George Damathas. The term of our Class B directors expires at the annual general shareholders meeting in 2012. Our Class B directors are Evangelos Mytilinaios and George Xiridakis. The term of our Class A directors expires at the annual general shareholders meeting in 2011. Our Class A directors are George Economou, Harry Kerames and Vassilis Karamitsanis. Each of our Class A, B and C new directors shall hold their positions until their successor shall be elected or until the earlier of their resignation or removal.

There are no service contracts between us and any of our directors providing for benefits upon termination of their employment or service.

Committees of the Board of Directors

Our board of directors has established an audit committee comprised of three independent directors: Harry Kerames, Vassilis Karamitsanis and George Xiradakis. The audit committee is governed by a written charter, which is approved by the board of directors. The board of directors has determined that the members of the audit committee meet the applicable independence requirements under Rule 10A-3 of the Securities Exchange Act of 1934, that all of the members of the audit committee fulfill the requirement of being financially literate and that George Xiradakis qualifies as an audit committee financial expert as defined under current SEC regulations. The audit committee is appointed by the board of directors and is responsible for, among other matters:

- engaging our external and internal auditors;
- approving in advance all audit and non-audit services provided by the auditors;
- approving all fees paid to the auditors;
- reviewing the qualification and independence of our external auditors;
- reviewing our relationship with external auditors, including considering audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities, discussing with the external auditors such issues as compliance with accounting principles and any proposals which the external auditors have made vis-à-vis our accounting principles and standards and auditing standards;
- overseeing our financial reporting and internal control functions;
- overseeing our whistleblower's process and protection; and
- overseeing general compliance with related regulatory requirements.

In March 2008, the board of directors appointed a compensation committee consisting of two independent directors, Mr. George Xiradakis and Mr. George Demathas. Mr. Demathas serves as Chairman of the compensation committee. The compensation committee is responsible for determining the compensation of our executive officers. Previously, the full board of directors performed the function of the compensation committee.

In March 2008, the board of directors appointed a nominating committee consisting of two independent directors, Mr. George Demathas and Mr. George Xiradakis. Mr. Xiradakis serves as Chairman of the nominating committee. The nominating committee is responsible for identifying, evaluating and recommending to the board of directors individuals for membership on the board of directors, as well as considering nominees proposed by shareholders in accordance with our bylaws. Previously, the full board of directors performed the functions of the nominating committee.

In May 2010, the committees of the Board of Directors were re-organized as follows:

Audit Committee: Mr. Harry Kerames was appointed to serve as Chairman and the two other independent directors are Mr. George Xiradakis and Mr. Vassilis Karamitsanis.

Compensations Committee: Mr. Evangelos Mytilinaios was appointed to serve as Chairman and the other two independent directors are Mr. Harry Kerames and Mr. Vassilis Karamitsanis.

Nominating Committee: Mr. George Demathas was appointed to to serve as Chairman and the two other independent directors are Mr. Evangelos Mytilinaios and Mr. George Xiradakis.

D. Employees

As of December 31, 2010, DryShips employed four persons at its offices in Athens, Greece.

E. Share Ownership

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

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information regarding the owners of more than five percent of our voting stock as of April 12, 2011. All of our shareholders, including the shareholders listed in this table, are entitled to one vote for each share of common stock held and one vote for each Series A Convertible Preferred Stock held. Holders of the Series A Convertible Preferred Stock vote together with the holders of the common stock.

Title of Class	Identity of Person or Group	Amount of Class Owned	Percentage of Class
Common Stock, par value $0.01 per share	George Economou(1)	58,003,832	13.9%
	All officers and directors, other than George Economou, as a group (2)	97,521	*
Series A Convertible Preferred Stock, par value $0.01 per share	George Economou(3)	20,749,956	65.0%
	Advice Investments S.A.	5,746,142	18.0%
	Magic Management Inc.	4,469,222	14.0%

(1) Mr. Economou may be deemed to beneficially own 10,994,910 of these shares through Elios Investments Inc., which is a wholly-owned subsidiary of the Entrepreneurial Spirit Foundation, a Lichtenstein foundation (the "Foundation"), the beneficiaries of which are Mr. Economou and members of his family. Mr. Economou may be deemed to beneficially own 14,500,000 of these shares through Fabiana Services S.A. ("Fabiana"), a Marshall Islands corporation, of which Mr. Economou is the controlling person. Mr. Economou may be deemed to beneficially own 254,512 of these shares through Goodwill Shipping Company Limited, a Malta corporation, of which Mr. Economou is the controlling person.

Mr. Economou may be deemed to beneficially own 963,667 of these shares, as well as an additional 3,500,000 shares which are issuable upon the exercise of warrants, through Sphinx Investment Corp., a Marshall Islands corporation, of which Mr. Economou is the controlling person. Each warrant entitles the holder to purchase one share of common stock. The warrants have been issued to Sphinx Investment Corp. pursuant to a Securities Purchase Agreement dated March 6, 2010, all of which (i) are immediately exercisable at an average exercise price of $22.50 per share of common stock, other than 500,000 warrants that are exercisable at an exercise price of $30.00 per share of common stock; and (ii) expire on April 7, 2014.

Mr. Economou may be deemed to beneficially own 14,524,969 shares of common stock that are issuable upon the conversion of 20,749,956 shares of our Series A Convertible Preferred Stock and 13,315,774 shares of common stock that were issued following the mandatory conversion of 16,977,612 shares of Series A Convertible Preferred Stock that are owned by Entrepreneurial Spirit Holdings Inc., a Liberian corporation ("Entrepreneurial Spirit Holdings") that is wholly-owned by the Foundation, in accordance with the terms and subject to the conditions contained in the Securities Purchase Agreement, dated July 9, 2009, by and between the Company and Entrepreneurial Spirit Holdings and the sellers listed therein, and the related Certificate of Designations. The shares of Series A Convertible Preferred Stock owned by Entrepreneurial Spirit Holdings may be converted into shares of common stock at any time based on a conversion ratio of 1:0.7, as stated in the Certificate of Designations.

(2) Less than one percent.

(3) Mr. Economou may be deemed to beneficially own these 20,749,956 shares of Series A Convertible Preferred Stock through Entrepreneurial Spirit Holdings, which is wholly-owned by the Foundation.

During 2008, Mr. Economou's ownership of our shares of common stock increased by 1,000,000 common shares as a result of our issuance of 1,000,000 shares on Fabiana, a related-party entity controlled by Mr. Economou, on April 10, 2008. During 2009, Mr. Economou's ownership of our shares of common stock increased by 3,500,000 common shares as a result of our issuance of 3,500,000 warrants to purchase shares of our common stock dated April 12, 2009 to Sphinx Investment Corp., a related-party entity controlled by Mr. Economou. Also in 2009, Mr. Economou acquired 33,955,224 shares of our Series A Convertible Preferred Stock through Entrepreneurial Spirit Holdings, a related-party entity controlled by Mr. Economou, pursuant to the Securities Purchase Agreement, dated July 9, 2009, by and between us and Entrepreneurial Spirit Holdings and the sellers named therein. During 2010, Mr. Economou's ownership of our shares of common stock increased by 4,500,000 common shares as a result of our issuance of 4,500,000 common shares to Fabiana on February 16, 2010. During 2011 and as of the date hereof, Mr. Economou's ownership of our shares of common stock increased by 22,315,774 shares due to (i) our issuance of 9,000,000 shares of common stock to Fabiana on February 10, 2011 and (ii) the mandatory conversion of 16,977,612 shares of our Series A Convertible Preferred Stock held by Entrepreneurial Spirit Holdings into 13,315,774 shares of our common stock in connection with the delivery of our newbuilding drillships, the *Ocean Rig Corcovado* and *Ocean Rig Olympia*. Also during 2011 and as of the date hereof, Mr. Economou's ownership of our shares of Series A Convertible Preferred Stock decreased to 20,749,956 shares as a result of the mandatory conversion of 16,977,612 shares of Series A Convertible Preferred Stock into shares of common stock, as described in footnote (1) above, plus the issuance of 3,772,344 shares of Series A Convertible Preferred Stock as payment of the preferred share dividend of 6.75% that accrued quarterly since July 15, 2009.

As of April 12, 2011, 352,868,233 of our outstanding common shares were held in the United States by 37 holders of record, including Cede & Co., the nominee for the Depository Trust Company, which held 352,833,057, or of those shares.

B. Related Party Transactions

Agreements with Cardiff, TMS Bulkers and TMS Tankers

Mr. George Economou, our Chairman and Chief Executive Officer, controls the Foundation, a Liechtenstein foundation that owns 70.0% of the issued and outstanding capital stock of Cardiff, TMS Bulkers and TMS Tankers. The other shareholder of Cardiff, TMS Bulkers and TMS Tankers is Prestige Finance S.A., a Liberian corporation, all of the issued and outstanding capital stock of which is beneficially owned by Mr. Economou's sister, Ms. Chryssoula Kandylidis, who serves on our board of directors.

Management Agreements – Drybulk Vessels

We outsource all of our technical and commercial functions relating to the operation and employment of our drybulk carrier vessels to TMS Bulkers pursuant to management agreements effective January 1, 2011. Prior to January 1, 2011, Cardiff, a company affiliated with our Chairman and Chief Executive Officer, Mr. George Economou, served as our technical and commercial manager pursuant to separate management agreements with each of our drybulk vessel-owning subsidiaries. Effective January 1, 2011, we entered into new management agreements that replaced our management agreements with Cardiff, on the same terms as our management agreements with Cardiff, with TMS Bulkers, a related party, as a result of an internal restructuring of Cardiff for the purpose of enhancing its efficiency and the quality of its ship-management services.

Mr. Economou, under the guidance of our board of directors, manages our business as a holding company, including our own administrative functions, and we monitor TMS Bulkers's performance under the management agreements.

Under our management agreements with TMS Bulkers, TMS Bulkers is entitled to a fixed management fee of Euro 1,500 (or $2,000 based on the Euro/U.S. Dollar exchange rate at December 31, 2010) per vessel per day, payable in equal monthly installments in advance and automatically adjusted each year to the Greek Consumer Price Index for the previous year by not less than 3% and not more than 5%. If we request that TMS Bulkers supervise the construction of a newbuilding vessel then in lieu of the fixed management fee, we will pay TMS Bulkers an upfront fee equal to 10% of the supervision cost budget for such vessel as approved by us. For any additional attendance above the budgeted superintendent expenses, the Company will be charged extra at a standard rate in Euro 500 ($700 based on the Euro/U.S. Dollar exchange rate as of December 31, 2010) per day.

In addition, TMS Bulkers is entitled to a chartering commission of 1.25% of all monies earned by the vessel, which survives the termination of the management agreement until the termination of the charter agreement then in effect or the termination of any other employment arranged prior to such termination. TMS Bulkers also receives a sale and purchase commission of 1%. Under the management agreements, we may award TMS Bulkers an annual performance incentive fee.

Each management agreement has a term of five years and will be automatically renewed for a five year period and thereafter extended in five year increments, unless we provide notice of termination in the fourth quarter of the year immediately preceding the end of the respective term. The management agreements may be terminated as follows:

(i) TMS Bulkers may terminate the agreement with immediate effect by notice in writing (a) if any amounts payable by the vessel owner are not received by TMS Bulkers within ten running days; (b) the vessel owner does not meet certain obligations related to the technical management of the vessels for any reason within its control; or (c) the vessel owner employs the vessel in a hazardous or improper manner, and the vessel owner fails to remedy such default;

(ii) the vessel owner may terminate the agreement with immediate effect by notice in writing if TMS Bulkers does not meet its obligations for any reason within its control under the agreement and fails to remedy such default within a reasonable time;

(iii) the agreement shall be deemed terminated in the case of the sale of the vessel, if the vessel becomes a total loss or is declared as a constructive total loss or in the event of an order or resolution passed for the winding up, dissolution, liquidation or bankruptcy of either party; and

(iv) upon a change of control of us and/or the vessel owners.

In the event that the management agreement is terminated for any reason other than a default by TMS Bulkers, we will be required to pay the management fee for a further period of three calendar months as from the date of termination. In the event of a change of control of us, as defined in the agreements, we will be required to pay TMS Bulkers a termination payment, representing an amount equal to the estimated remaining fees payable to TMS Bulkers under the then current term of the agreement which such payment shall not be less than the fees for a period of 36 months and not more than a period of 48 months.

The management agreements provide that TMS Bulkers shall not be liable to us for any losses or damages arising in the course of its performance under the agreement unless such loss or damage is proved to have resulted from the negligence, gross negligence or willful default by TMS Bulkers, its employees or agents and in such case the liability of TMS Bulkers per incident or series of incidents is limited to a total of ten times the annual management fee payable under the relevant agreement. The management agreements further provide that TMS Bulkers shall not be liable for any of the actions of the crew, even if such actions are negligent, grossly negligent or willful, except to the extent that they are shown to have resulted from a failure by TMS Bulkers to perform its obligations with respect to management of the crew. Except to the extent of the liability cap described above, we have agreed to indemnify TMS Bulkers and its employees and agents against any losses incurred in the course of the performance of the agreement. Under the new management agreements, TMS Bulkers has the right to sub-contract any of its obligations thereunder, including those relating to management of the crew. In the event of such a sub-contract, TMS Bulkers shall remain fully liable for the due performance of its obligations under the management agreements.

From September 1, 2010 through January 1, 2011, Cardiff served as our technical and commercial manager pursuant to management agreements with the terms described above. From July 1, 2008 to September 1, 2010, we paid management fees to Cardiff that varied according to type of management service, including chartering, technical management, accounting and financial reporting services as described below.

Up to August 31, 2010, the Company paid a management fee of Euro 607 (or $812 at the Euro/U.S. Dollar exchange rate as of December 31, 2010) per day, per vessel to Cardiff. In addition, the management agreements provided for payment by the Company to Cardiff of: (i) a fee of Euro 106 (or $142 at the Euro/U.S. Dollar exchange rate as of December 31, 2010) per day per vessel for services in connection with compliance with Section 404 of the Sarbanes-Oxley Act of 2002; (ii) Euro 527 (or $705 based on the Euro/U.S. Dollar exchange rate as of December 31, 2010) for superintendent visits on board vessels in excess of five days per annum, per vessel, for each additional day, per superintendent; (iii) chartering commission of 1.25% on all freight, hire and demurrage revenues; (iv) a commission of 1.00% on all gross sale proceeds or purchase price paid for vessels; (v) a quarterly fee of $250,000 for services in relation to the financial reporting requirements of the Company under SEC rules and the establishment and monitoring of internal controls over financial reporting; and (vi) a commission of 0.2% on derivative agreements and loan financing or refinancing.

Cardiff also provided commercial operations and freight collection services in exchange for a fee of Euro 91 (or $122 based on the Euro/U.S. Dollar exchange rate as of December 31, 2010) per day, per vessel. Cardiff provided insurance services and obtained insurance policies for the vessels for a fee of 5% on the total insurance premiums per vessel. Furthermore, if required, Cardiff also handled and settled all claims arising out of its duties under the management agreements (other than insurance and salvage claims) in exchange for a fee of Euro 158 (or $212 based on the Euro/U.S. Dollar exchange rate as of December 31, 2010) per person, per day of eight hours.

Cardiff provided the Company with financial accounts services in exchange for a fee of Euro 121 (or $162 based on the Euro/U.S. Dollar exchange rate as of December 31, 2010) per day, per vessel. The Company also paid Cardiff a quarterly fee of Euro 263,626 (or $353,259 based on the Euro/U.S. Dollar exchange rate as of December 31, 2010) for services rendered by Cardiff in connection with the Company's financial accounting services. Pursuant to the terms of the management agreements, all fees payable to Cardiff were adjusted upwards or downwards based on the year-on-year increase in the Greek consumer price index.

Pursuant to the terms of the management agreements, all fees payable to Cardiff were adjusted based on the Greek consumer price index.

From January 1, 2008 to June 30, 2008, we paid Cardiff management fees based on a daily fixed fee of $775.50 per vessel, which was based on the Dollar/Euro exchange rate of $1.41 per Euro. At the beginning of each calendar quarter, the daily fixed per vessel fee was adjusted upward or downward according to the Dollar/Euro exchange rate as quoted by EFG Eurobank Ergasias S.A. two business days before the end of the immediately preceding calendar quarter.

During the year ended December 31, 2010, total charges from Cardiff under the management agreements amounted to $29.0 million.

Management Agreements – Drilling Units

Until December 21, 2010, we, through our majority-owned subsidiaries Drillship Hydra Owners Inc. and Drillship Paros Owners Inc., were party to, with respect to the *Ocean Rig Corc*ovado and the *Ocean Rig Olympia*, separate management agreements with Cardiff, pursuant to which Cardiff provided additional supervisory services in connection with said drillships including, among other things: (i) assisting in securing the required equity for the construction; (ii) negotiating, reviewing and proposing finance terms; (iii) assisting in marketing towards potential contractors; (iv) assisting in arranging, reviewing and supervising all aspects of building, equipment, financing, accounting, record keeping, compliance with laws and regulations; (v) assisting in procuring consultancy services from specialists; and (vi) assisting in finding prospective joint-venture partners and negotiating any such agreements. Pursuant to the management agreements, we paid Cardiff a management fee of $40,000 per month per drillship plus (i) a chartering commission of 1.25% on revenue earned; (ii) a commission of 1.0% on the shipyard payments or purchase price paid for drillships; (iii) a commission of 1.0% on loan financing; and (iv) a commission of 2.0% on insurance premiums.

In accordance with the Addenda No. 1 to the above management agreement, dated as of December 1, 2010, by and between Cardiff and our respective drillship-owning subsidiaries, the management agreements were terminated effective December 21, 2010.

During the year ended December 31, 2010, total charges from Cardiff under the management agreements amounted to $4.0 million. This was capitalized as drillship under construction cost, being a cost directly attributable to the construction of the two drillships, the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*.

Management Agreements – Tankers

Effective January 1, 2011, we entered into separate management agreements with TMS Tankers for each of our tankers under construction. Each management agreement provides for a construction supervisory fee of 10% of the budget for the vessel under construction, payable up front in lieu of a fixed management fee. Once the vessel is operating, TMS Tankers is entitled to a management fee of Euro 1,700 (or $2,267 based on the Euro/U.S. Dollar exchange rate as of December 31, 2010) per vessel per day, payable in equal monthly installments in advance and automatically adjusted each year to the Greek Consumer Price Index for the previous year by not less than 3% and not more than 5%.

In addition, under the management agreements, TMS Tankers is entitled to a chartering commission of 1.25% of all monies earned by the vessel and a vessel sale and purchase commission of 1%. The management agreements further provide that in our discretion, we may pay TMS Tankers an annual performance incentive fee.

Each management agreement has a term of five years and is automatically renewed for successive five year periods unless we provide notice of termination in the fourth quarter of the year immediately preceding the end of the respective term.

The management agreements may be terminated as follows:

(i) TMS Tankers may terminate the agreement with immediate effect by notice in writing (a) if any amounts payable by the vessel owner are not received by TMS Tankers within ten running days; (b) the vessel owner does not meet certain obligations related to the technical management of the vessels for any reason within its control; or (c) the vessel owner employs the vessel in a hazardous or improper manner, and the vessel owner fails to remedy such default;

(ii) the vessel owner may terminate the agreement with immediate effect by notice in writing if TMS Tankers does not meet its obligations for any reason within its control under the agreement and fails to remedy such default within a reasonable time;

(iii) the agreement shall be deemed terminated in the case of the sale of the vessel, if the vessel becomes a total loss or is declared as a constructive total loss or in the event of an order or resolution passed for the winding up, dissolution, liquidation or bankruptcy of either party; and

(iv) upon a change of control of us and/or the vessel owners.

In the event that the management agreement is terminated for any reason other than a default by TMS Tankers, we will be required to pay the management fee for a further period of three calendar months as from the date of termination. In the event of a change of control of us, as defined in the agreements, we will be required to pay TMS Tankers a termination payment, representing an amount equal to the estimated remaining fees payable to TMS Tankers under the then current term of the agreement which such payment shall not be less than the fees for a period of 36 months and not more than a period of 48 months.

The management agreements provide that TMS Tankers shall not be liable to us for any losses or damages arising in the course of its performance under the agreement unless such loss or damage is proved to have resulted from the negligence, gross negligence or willful default by TMS Tankers, its employees or agents and in such case the liability of TMS Tankers per incident or series of incidents is limited to a total of ten times the annual management fee payable under the relevant agreement. The management agreements further provide that TMS Tankers shall not be liable for any of the actions of the crew, even if such actions are negligent, grossly negligent or willful, except to the extent that they are shown to have resulted from a failure by TMS Tankers to perform its obligations with respect to management of the crew. Except to the extent of the liability cap described above, we have agreed to indemnify TMS Tankers and its employees and agents against any losses incurred in the course of the performance of the agreement. Under the new management agreements, TMS Tankers has the right to sub-contract any of its obligations thereunder, including those relating to management of the crew. In the event of such a sub-contract, TMS Tankers shall remain fully liable for the due performance of its obligations under the management agreements.

For the year ended December 31, 2010, total charges from TMS Tankers under the management agreements amounted to $0.

Global Services Agreement

On December 1, 2010, we entered into the Global Services Agreement with Cardiff, effective December 21, 2010, pursuant to which we have engaged Cardiff to act as consultant on matters of chartering and sale and purchase transactions for our offshore drilling units. Under the Global Services Agreement, Cardiff, or its subcontractor, (i) provides consulting services related to identifying, sourcing, negotiating and arranging new employment for our offshore assets, including our drilling units; and (ii) identifies, sources, negotiates and arranges the sale or purchase of our offshore assets, including our drilling units. In consideration of such services, Cardiff is entitled to a fee of 1.0% in connection with employment arrangements and 0.75% in connection with sale and purchase activities.

For the year ended December 31, 2010, total charges from Cardiff under the Global Services Agreement amounted to $0**.**

Pooling Arrangements

From January 1, 2011 and March 24, 2011, we employ the Aframax tanker *Saga* in the Sigma tanker pool and the Suezmax tanker *Vilamoura* in the Blue Fin tanker pool, respectively, both of which are managed by Heidmar Inc., a related party. Our Chairman and Chief Executive Officer is the Chairman of the Board of Directors of Heidmar Inc. and Heidmar Inc. is 49% owned by a company related to Mr. Economou.

Pursuant to the pooling agreement with Sigma Tankers Inc. for the vessel Saga, we are obligated to time charter the vessel into the pool for a period of 12 months after which the charter will automatically renew for successive 12 month periods; provided that, after the initial period, we or Heidmar Inc., as the pool manager, may request that the vessel be redelivered after giving 90 days' notice. The pool manager is entitled to receive an agency fee of $387 per day for the vessel, subject to adjustment on January 1st of each year with the rate of increase to be a minimum equal to the U.S. Consumer Price Index for the preceding 12 months plus 3% and a maximum annual increase of 10%. In addition, currently, the pool manager is entitled to receive a commission of 1.25% of the freight or charter hire earned by the vessel on contracts or charter parties entered into by the pool during the term of the agreement; provided that, in the event the pool consists of less than 20 vessels, the commission is increased to 1.50% of freight or charter hire. In addition, we are obligated to contribute approximately $925,000 to the pool for the vessel's working capital. The agency fees, commissions and working capital contribution are deducted from our pool earnings.

Pursuant to the pooling agreement with Blue Fin Tankers Inc. for the vessel Vilamoura, we are obligated to time charter the vessel into the pool for a period of 12 months after which the charter will automatically renew for successive 12 month periods; provided that, after the initial period, we or Heidmar Inc., as the pool manager, may request that the vessel be redelivered after giving 90 days' notice. The pool manager is entitled to receive an agency fee of $387 for the vessel, subject to adjustment on January 1st of each year with the rate of increase to be a minimum equal to the U.S. Consumer Price Index for the preceding 12 months plus 3%, but in no event less than 5%, and a maximum annual increase of 10%. In addition, the pool manager is entitled to receive a commission of 1.25% of the freight or charter hire earned by the vessel on contracts or charter parties entered into by the pool during the term of the agreement. In addition, we are obligated to contribute approximately $750,000 to the pool for the vessel's working capital. The agency fees, commissions and working capital contribution are deducted from our pool earnings.

Office Lease

As of December 31, 2010, the rental payment due in 2011 amounted to $22,357. Previously, we rented our office space from a son Mr. George Economou pursuant to a rental agreement dated October 1, 2005 that expired on September 30, 2010. Under the new lease agreement, the annual rental payment under that agreement is Euro 19,200, which adjusts annually for inflation increases and expires in 2016. For the year ended December 31, 2010, $12,246 of rental payments were incurred under our lease agreement dated October 1, 2005.

Consultancy Agreements

Vivid Finance

On September 1, 2010, we entered into a consultancy agreement with Vivid Finance, a company controlled by our Chairman and Chief Executive Officer, Mr. George Economou, pursuant to which Vivid Finance provides consulting services relating to (i) the identification, sourcing, negotiation and arrangement of new loan and credit facilities, interest swap agreements, foreign currency contracts and forward exchange contracts; (ii) the raising of equity or debt in the public capital markets; and (iii) the renegotiation of existing loan facilities and other debt instruments. In consideration for these services, Vivid Finance is entitled to a fee of twenty basis points, or 0.20%, on the total transaction amount. The consultancy agreement has a term of five years and may be terminated (i) at the end of its term unless extended by mutual agreement of the parties; (ii) at any time by the mutual agreement of the parties; and (iii) by us after providing written notice to Vivid Finance at least 30 days prior to the actual termination date.

For the year ended December 31, 2010, total charges from Vivid Finance under the consultancy agreement amounted to $1.7 million.

Consultancy Agreements Relating to the Provision of the Services of Certain of our Executive Officers

For a description of our consultancy agreements relating to the provision of the services of certain of our executive officers, please see "Item 6.B. Compensation—Consultancy Agreements."

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial Information

A. Consolidated statements and other financial information.

See Item 18.

Legal Proceedings

We have not been involved in any legal proceedings which may have, or have had, a significant effect on our business, financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our business, financial position, results of operations or liquidity. Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Except as described below, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

In November 2008, Annapolis Shipping Company Limited of Malta, a subsidiary of DryShips Inc. and seller of the vessel Lacerta to China National Machinery Import & Export Corporation on behalf of Qingdao Shunhe Shipping Co. Ltd of China (the

"Buyers"), commenced arbitration proceedings against the Buyers because they failed to comply with their obligations under the memorandum of agreement and to take delivery of the vessel. The buyers responded by raising the issue of change of place of delivery. No quantification of the above claim and counter-claim may be given presently.

On July 17, 2008, the Company entered into an agreement to sell the MV Toro, a 1995-built 73,034 dwt Panamax drybulk carrier, to Samsun Logix Corporation, or Samsun, for the price of approximately $63.4 million. On January 29, 2009, the Company reached an agreement with the buyers whereby the price was reduced to $36.0 million. As part of the agreement, the buyers released the deposit of $6.3 million to the Company immediately and were required to make a new deposit of $1.5 million towards the revised purchase price. On February 13, 2009, the Company proceeded with the cancellation of the sale agreement due to the buyers' failure to pay the new deposit of $1.5 million. In February 2009, Samsun was placed in corporate rehabilitation.

In February 2010, Samsun's plan of reorganization was approved by its creditors. As part of this plan the Company will recover a certain percentage of the agreed-upon purchase price. As this is contingent on the successful implementation of the plan of reorganization, the Company is unable to estimate the impact on the Company's financial statements.

On March 5, 2009, a complaint against the Company's Board of directors and a former director was filed in the High Court of the Republic of the Marshall Islands for an unspecified amount of damages alleging that such directors had breached their fiduciary duty of good faith in connection with the termination of the acquisition of four Panamax drybulk carriers and nine Capesize drybulk carriers. The complaint, which was amended on August 14, 2009, also seeks the disgorgement of all payments made in connection with the termination of these acquisitions. The Company filed a motion for an early dismissal of this complaint. This motion to dismiss the complaint was granted by the High Court in February 2010. On March 16, 2010, the claimant filed with the Supreme Court of the Republic of the Marshall Islands a Notice of Appeal against the Order of the High Court. Oral argument for the appeal was heard on April 6, 2011 and the decision of the Marshall Islands Supreme Court is currently pending.

On May 3, 2010, the MV Capitola was detained by the United States Coast Guard at the Port of Baltimore, Maryland. The alleged deficiencies involved in the detention related to a suspected by-pass of the vessel's oily water separating equipment and related vessel records. The relevant vessel owning subsidiary of the Company and Cardiff posted security in the amount of $1.5 million for release of the vessel from detention. During 2011 the U.S. District Court in Maryland has resolved a case in which Cardiff, the former manager of the MV Capitola, a drybulk vessel operated by DryShips, entered into a comprehensive settlement with the U.S. Department of Justice in connection with an investigation into MARPOL violations involving that vessel. Cardiff's plea agreement with the U.S. Department of Justice involved the failure to record certain discharges of oily water and oil residues in the ship's Oil Record Book. The court ordered Cardiff to pay a fine and to implement an Environmental Compliance Plan, or ECP. It has been agreed that the DryShips' current vessel manager, TMS Bulkers, will carry out the ECP for the DryShips' vessels. The ECP will strengthen the commitment of TMS Bulkers to environmental compliance in every phase of its operation, including the operation of the DryShips' vessels. The Company expects to incur costs of approximately $2.4 million.

The Company's drilling rig, Leiv Eiriksson, operated in Angola during the period 2002 to 2007. The Company understands that the Angolan government has retroactively levied import/export duties for two incorporation events during the period 2002 to 2007 estimated between $5 million to $10 million. The Company believes that the assessment of duties is without merit and that the Company will not be required to pay any material amount.

Dividend Policy

In light of a lower freight rate environment and a highly challenged financing environment, our board of directors, beginning in the fourth quarter of 2008, suspended our common share dividend. Our dividend policy will be assessed by the board of directors from time to time. The suspension allows us to preserve capital and use the preserved capital to capitalize on market opportunities as they may arise. 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 loan agreements, may limit our ability to pay dividends. Further, we may not be permitted to pay dividends if we are in breach of the covenants contained in our loan agreements. In addition, the waivers of our non-compliance with covenants in our loan agreements that we received from our lenders may prohibit us from paying our dividends.

Declaration and payment of any dividend is subject to the discretion of our board of directors. The timing and amount of dividend payments will be dependent upon our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our loan agreements, the provisions of Marshall Islands law affecting the payment of distributions to shareholders and other factors.

Because we are a holding company with no material assets other than the stock of our subsidiaries, our ability to pay dividends, if any, in the future, will depend on the earnings and cash flow of our subsidiaries and their ability to pay dividends to us. If there is a substantial decline in the drybulk charter market, our earnings would be negatively affected thus limiting our ability to pay dividends, if any, in the future. Marshall Islands law generally prohibits the payment of dividends other than from surplus or while a company is insolvent or would be rendered insolvent upon the payment of such dividend.

We believe that, under current law, our dividend payments from earnings and profits will constitute "qualified dividend income" and as such will generally be subject to a 15% United States federal income tax rate with respect to non-corporate individual stockholders. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of a United States stockholder's tax basis in its common stock on a dollar-for-dollar basis and thereafter as capital gain. Please see "Item 10.E Taxation" for additional information relating to the tax treatment of our dividend payments.

B. Significant Changes

See note 15.1 of item 18.

Item 9. The Offer and Listing

PRICE RANGE OF COMMON STOCK

Our common stock currently trades on the NASDAQ Global Select Market under the symbol "DRYS". Since our initial public offering in February 2005, the high and low closing price of our common stock for the designated periods were as follows:

For the Period	Sales Price High	Sales Price Low
2011		
April 1 through April 12	$ 5.03	$4.70
1st quarter	$ 4.50	$5.50
March	$ 5.04	$4.50
February	$ 5.17	$4.80
January	$ 5.50	$4.76
2010		
Year ended December 31, 2010	$ 6.77	$3.42
4th quarter	$ 6.33	$4.07
December	$ 6.33	$5.23
November	$ 5.63	$4.07
October	$ 4.78	$4.12
3rd quarter	$ 4.97	$3.42
2nd quarter	$ 6.67	$3.57
1st quarter	$ 6.77	$5.27
2009		
Year ended December 31, 2009	$16.58	$2.79
4th Quarter ended December 31, 2009	$ 7.37	$5.82

For the Period	Sales Price High	Sales Price Low
3rd Quarter ended September 30, 2009	$ 7.48	$ 4.90
2nd Quarter ended June 30, 2009	$ 10.70	$ 4.52
1st Quarter ended March 31, 2009	$ 16.58	$ 2.79
2008		
Year ended December 31, 2008	$110.74	$ 3.54
2007		
Year ended December 31, 2007	$130.97	$16.99
2006		
February 3, 2005 to December 31, 2006	$ 18.01	$ 8.58

Item 10. Additional Information

A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

Our current amended and restated articles of incorporation have been filed with the SEC as Exhibit 3.1 to our Registration Statement on Form 8-A (File No. 001-33922) on January 18, 2008 and our current amended and restated bylaws have been filed with the SEC as Exhibit 3.2 to our Registration Statement on Form 8-A (File No. 001-33922) on January 18, 2008. The information contained in these exhibits is incorporated by reference herein.

Information regarding the rights, preferences and restrictions attaching to each class of the shares is described in the sections entitled "Description of Capital Stock" and "Description of Preferred Shares" in our Registration Statement on Form F-3ASR (File No. 333-169235) filed with the SEC on September 7, 2010 and is incorporated by reference herein, provided that since the date of that Registration Statement, our outstanding shares of common stock have increased to 388,893,130 as of April 12, 2011 and our outstanding shares of Series A Convertible preferred stock have decreased to 31,923,010. The Certificate of Designations of the Series A Convertible Preferred Stock is filed as an exhibit to this annual report and the information contained therein is incorporated by reference herein.

Description of Common Stock

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of shares of common stock are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. Holders of common stock do not have conversion, redemption or preemptive rights to subscribe to any of our securities. All outstanding shares of common stock are, and the shares to be sold in this offering when issued and paid for will be, fully paid and non-assessable. The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of our Series A Convertible Preferred Stock and any shares of preferred stock which we may issue in the future. Our common stock is listed on the NASDAQ Global Select Market under the symbol "DRYS."

Description of Preferred Stock

As of the date of this prospectus, we are authorized to issue up to 500,000,000 shares of preferred stock, par value $0.01 per share. On July 15, 2009, we filed a Certificate of Designations of Rights, Preferences and Privileges with the Registrar of Corporations of the Republic of the Marshall Islands, whereby we established the Series A Convertible Preferred Stock. Pursuant to the Certificate of Designations, the number of shares constituting the Series A Convertible Preferred Stock is 100,000,000, of which 31,923,010 shares are currently issued and outstanding.

The Series A Convertible Preferred Stock accrues cumulative dividends on a quarterly basis at an annual rate of 6.75% of the aggregate face value. Dividends are payable in preferred stock or cash, if cash dividends have been declared on common stock. Such accrued dividends are payable in additional shares of preferred stock immediately prior to any conversion.

Each share of this instrument mandatorily converts into shares of our common stock proportionally, upon the contractual delivery of each of the four newbuilding deepwater drillships, at a premium of 127.5% of the original purchase price. Furthermore, each share of the Series A Convertible Preferred Stock can be converted into shares of the Company's common stock at any time at the option of the holder at a conversion rate of 1.0:0.7.

Each share of Series A Convertible Preferred Stock entitles the holder to one vote on all matters submitted to a vote of the Company's shareholders. Except as otherwise provided in the Certificate of Designations or by law, the holders of shares of Series A Convertible Preferred Stock and the holders of shares of common stock shall vote together as one class on all matters submitted to a vote of the Company's shareholders. Except as required by law, holders of Series A Convertible Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of common stock as described above) for taking any corporate action.

The Series A Convertible Preferred Stock shall rank senior to all other series of the Company's preferred stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise. The Series A Convertible Preferred Stock shall not be redeemable unless upon any liquidation, dissolution or winding up of the Company, or sale of all or substantially all of the Company's assets, in which case a one-to-one redemption takes place plus any accrued and unpaid dividends.

Our Articles of Incorporation and Bylaws

Our purpose, as stated in Section B of our amended and restated articles of incorporation, is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the BCA. Our amended and restated articles of incorporation and amended and restated bylaws do not impose any limitations on the ownership rights of our shareholders.

Directors

Our directors are elected by a plurality of the votes cast by shareholders entitled to vote in an election. Our Amended and Restated Articles of Incorporation provide that cumulative voting shall not be used to elect directors. Our board of directors must consist of at least three members. The exact number of directors is fixed by a vote of at least 66 2/3% of the entire board. Our Amended and Restated Bylaws provide for a staggered board of directors whereby directors shall be divided into three classes: Class A, Class B and Class C which shall be as nearly equal in number as possible. Shareholders, acting as at a duly constituted meeting, or by unanimous written consent of all shareholders, initially designated directors as Class A, Class B or Class C. The term of our directors designated Class A directors expires at the 2011 annual meeting of shareholders. Class B directors serve for a term expiring at the 2012 annual meeting of shareholders. Directors designated as Class C directors serve for a term expiring at the 2013 annual meeting of shareholders. At annual meetings for each initial term, directors to replace those whose terms expire at such annual meetings will be elected to hold office until the third succeeding annual meeting. Each director serves his respective term of office until his successor has been elected and qualified, except in the event of his death, resignation, removal or the earlier termination of his term of office. Our board of directors has the authority to fix the amounts which shall be payable to the members of the board of directors for attendance at any meeting or for services rendered to us.

Shareholder Meetings

Under our Amended and Restated Bylaws, annual shareholders meetings will be held at a time and place selected by our board of directors. The meetings may be held in or outside of the Marshall Islands. Our board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the shareholders that will be eligible to receive notice and vote at the meeting.

Dissenters' Rights of Appraisal and Payment

Under the BCA, our shareholders have the right to dissent from various corporate actions, including any merger or consolidation, sale of all or substantially all of our assets not made in the usual course of our business, and receive payment of the fair value of their shares. In the event of any further amendment of our Amended and Restated Articles of Incorporation, a shareholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting shareholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting shareholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the high court of the Republic of the Marshall Islands or in any appropriate court in any jurisdiction in which our shares are primarily traded on a local or national securities exchange.

Shareholders' Derivative Actions

Under the BCA, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of common stock both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

Indemnification of Officers and Directors

Our Amended and Restated Bylaws include a provision that entitles any director or officer of the Corporation to be indemnified by the Corporation upon the same terms, under the same conditions and to the same extent as authorized by the BCA if he acted in good faith and in a manner reasonably believed to be in and not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

We are also authorized to carry directors' and officers' insurance as a protection against any liability asserted against our directors and officers acting in their capacity as directors and officers regardless of whether the Company would have the power to indemnify such director or officer against such liability by law or under the provisions of our by laws. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The indemnification provisions in our Amended and Restated Bylaws may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders. There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Anti-Takeover Provisions of Our Charter Documents

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

Blank Check Preferred Stock

Under the terms of our Amended and Restated Articles of Incorporation, our board of directors has authority, without any further vote or action by our shareholders, to issue up to 500,000,000 shares of blank check preferred stock. Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management. As of April 12, 2011, we have 31,923,010 shares of Series A Convertible Preferred Stock outstanding.

Classified Board of Directors

Our Amended and Restated Articles of Incorporation provide for a board of directors serving staggered, three-year terms. Approximately one-third of our board of directors will be elected each year. The classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of our company. It could also delay shareholders who do not agree with the policies of the board of directors from removing a majority of the board of directors for two years.

Election and Removal of Directors

Our Amended and Restated Articles of Incorporation prohibit cumulative voting in the election of directors. Our Amended and Restated Bylaws require shareholders to give advance written notice of nominations for the election of directors. Our Amended and Restated Bylaws also provide that our directors may be removed only for cause and only upon affirmative vote of the holders of at least 66 2/3% of the outstanding voting shares of the Company. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Limited Actions by Shareholders

Under the BCA and our Amended and Restated Bylaws, any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders. Our bylaws provide that, unless otherwise prescribed by law, only a majority of our board of directors, the chairman of our board of directors or the President may call special meetings of our shareholders, and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a shareholder may be prevented from calling a special meeting for shareholder consideration of a proposal over the opposition of our board of directors and shareholder consideration of a proposal may be delayed until the next annual meeting.

Advance Notice Requirements for Shareholder Proposals and Director Nominations

Our Amended and Restated Bylaws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder's notice must be received at our principal executive offices not less than 150 days nor more than 180 days prior to the one year anniversary of the preceding year's annual meeting of shareholders. Our Amended and Restated Bylaws also specify requirements as to the form and content of a shareholder's notice. These provisions may impede shareholders' ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

Stockholders Rights Agreement

We entered into a Stockholders Rights Agreement with American Stock Transfer & Trust Company, as Rights Agent, as of January 18, 2008. Under this Agreement, we declared a dividend payable of one preferred share purchase right, or Right, to purchase one one-thousandth of a share of the Company's Series A Participating Preferred Stock for each outstanding share of our common stock, par value U.S.$0.01 per share. The Right will separate from the common stock and become exercisable after (1) a person or group acquires ownership of 15% or more of the company's common stock or (2) the 10th business day (or such later date as determined by the company's board of directors) after a person or group announces a tender or exchange offer which would result in that person or group holding 15% or more of the company's common stock. On the distribution date, each holder of a right will be entitled to purchase for $250 (the "Exercise Price") a fraction (^{1}/1000th) of one share of the company's preferred stock which has similar economic terms as one share of common stock. If an acquiring person, or an Acquiring Person, acquires more than 15% of the company's common stock then each holder of a right (except that acquiring person) will be entitled to buy at the exercise price, a number of shares of the company's common stock which has a market value of twice the exercise price. Any time after the date an Acquiring Person obtains more than 15% of the company's common stock and before that Acquiring Person acquires more than 50% of the company's outstanding common stock, the company may exchange each right owned by all other rights holders, in whole or in part, for one share of the company's common stock. The rights expire on the earliest of (1) February 4, 2018 or (2) the exchange or redemption of the rights as described above. The company can redeem the rights at any time prior to a public announcement that a person has acquired ownership of 15% or more of the company's common stock. The terms of the rights and the Stockholders Rights Agreement may be amended without the consent of the rights holders at any time on or prior to the Distribution Date. After the Distribution Date, the terms of the rights and the Stockholders Rights Agreement may be amended to make changes, which do not adversely affect the rights of the rights holders (other than the Acquiring Person). The rights do not have any voting rights. The rights have the benefit of certain customary anti-dilution protections. As of April 12, 2011, no exercise of any purchase right has occurred.

On July 9, 2009, the Stockholders Rights Agreement was amended for the sole purpose of amending and restating the definition of Acquiring Person in connection with the issuance of our Series A Convertible Preferred Stock. On April 21, 2010, the Stockholders Rights Agreement was further amended for the sole purpose of amending and restating the definition of Acquiring Person in connection with our offering of up to 10,000,000 common shares to Deutsche Bank AG pursuant to a share lending agreement in connection with the issuance of the 5% Convertible Notes due 2014.

C. Material Contracts

For a description of our loan agreements, please see Item 5. "Operating Financial Review and Prospects—B. Liquidity and Capital Resources—Existing Credit Facilities." Other than as discussed in this annual report, we have no material contracts, other than contracts entered into in the ordinary course of business, to which the Company or any member of the group is a party.

D. Exchange Controls

Under Marshall Islands and Greek 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

United States Taxation

The following discussion is based upon the provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed U.S. Treasury Department regulations, or Treasury Regulations, administrative rulings, pronouncements and judicial decisions, all as of the date of this Annual Report. Unless otherwise noted, references to the "Company" include the Company's subsidiaries. This discussion assumes that the Company does not have an office or other fixed place of business in the United States.

Taxation of the Company's Shipping Income: In General

The Company anticipates that it will derive gross income from the use and operation of vessels in international commerce and that this income will principally consist of freights from the transportation of cargoes, hire or lease from time or voyage charters and the performance of services directly related thereto, which the Company refers to as "shipping income."

Shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be considered to be 50% derived from sources within the United States. Shipping income attributable to transportation that both begins and ends in the United States will be considered to be 100% derived from sources within the United States. The Company is not permitted by law to engage in transportation that gives rise to 100% U.S. source income. 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 U.S. federal income tax.

Based upon the Company's anticipated shipping operations, the Company's vessels will operate in various parts of the world, including to or from U.S. ports. Unless exempt from U.S. taxation under Section 883 of the Code, the Company will be subject to U.S. federal income taxation, in the manner discussed below, to the extent its shipping income is considered derived from sources within the United States.

Application of Code Section 883

Under the relevant provisions of Section 883 of the Code and the Treasury Regulations promulgated thereunder, the Company will be exempt from U.S. taxation on its U.S. source shipping income if:

(i) It is organized in a "qualified foreign country" which is one that grants an equivalent exemption from tax to corporations organized in the United States in respect of each category of shipping income for which exemption is being claimed under Section 883 of the Code, which the Company refers to as the "Country of Organization Requirement"; and

(ii) It can satisfy any one of the following two (2) stock ownership requirements:

- more than 50% of the Company's stock, in terms of value, is beneficially owned by individuals who are residents of a qualified foreign country, which the Company refers to as the "50% Ownership Test"; or
- the Company's stock is "primarily and regularly" traded on an established securities market located in the United States or in a qualified foreign country, which the Company refers to as the "Publicly Traded Test".

The U.S. Treasury Department has recognized (i) the Marshall Islands, the country of incorporation of the Company and of a number of its ship-owning subsidiaries and (ii) Malta, the country of incorporation of the remaining ship-owning subsidiaries of the Company, as qualified foreign countries. Accordingly, the Company and its subsidiaries satisfy the Country of Organization Requirement.

Therefore, the Company's eligibility to qualify for exemption under Section 883 is wholly dependent upon being able to satisfy one of the stock ownership requirements. For the 2010 taxable year, the Company believes that it satisfied the Publicly-Traded Test since, for more than half the days of the Company's 2010 taxable year, the Company's stock was "primarily and regularly traded" on the Nasdaq Global Select Market, which is an "established securities market" in the United States within the meaning of the Treasury Regulation under Section 883 of the Code, and intends to take this position on its 2010 United States income tax returns.

Taxation in Absence of Exemption under Section 883 of the Code

To the extent the benefits of Section 883 of the Code are unavailable with respect to any item of U.S. source income, the Company's U.S. source shipping income would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, or the 4% gross basis tax regime. Since under the sourcing rules described above, no more than 50% of the Company's shipping income would be treated as being derived from U.S. sources, the maximum effective rate of U.S. federal income tax on the Company's shipping income would never exceed 2% under the 4% gross basis tax regime.

Based on the Company's U.S. source Shipping Income during the 2009 and 2010 taxable years, the Company would be subject to U.S. federal income tax of approximately $0.3 million and $0.7 million respectively under Section 887 of the Code in the absence of an exemption under Section 883 of the Code.

Gain on Sale of Vessels

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

U.S. Federal Taxation of Our Other Income

In addition to our shipping operations, we provide drilling services to third parties on the United States Outer Continental Shelf through our indirect majority-owned subsidiary, Ocean Rig USA LLC. Ocean Rig USA LLC is engaged in a trade or business in the United States. Therefore, Ocean Rig USA LLC is subject to U.S. federal income tax on a net basis on its taxable income. The amount of such taxable income and such U.S. federal income tax liability will vary depending upon the level of Ocean Rig USA LLC's operations in the United States in any given taxable year. Distributions from Ocean Rig USA LLC to our subsidiary that owns the interests in Ocean Rig USA LLC may be subject to U.S. federal withholding tax at a 30% rate.

U.S. Federal Income Taxation of Holders

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

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

If a partnership holds our common stock, 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 stock, you are encouraged to consult your tax advisor regarding the U.S. federal income tax consequences of owning an interest in a partnership that holds our common stock.

Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common stock 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 current or accumulated earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in its common stock on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a U.S. corporation, its Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from the Company. Dividends paid with respect to our common stock 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 stock 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 Holders at preferential tax rates (through 2012) provided that (1) the Company's common stock is readily tradable on an established securities market in the United States (such as the Nasdaq Market, on which our common stock is listed); (2) we are not a passive foreign investment company 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); and (3) the U.S. Individual Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividend. There is no assurance that any dividends paid on our common stock will be eligible for these preferential rates in the hands of a U.S. Individual Holder. Legislation has been previously introduced in the U.S. Congress which, if enacted, would preclude our dividends from qualifying for such preferential rates prospectively from the date of its enactment. Any dividends paid by the Company which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Holder.

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

Sale, Exchange or other Disposition of Common Stock

Assuming we do not constitute a passive foreign investment company 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 stock in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Otherwise, such gain or loss will be treated as long-term capital gain on 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. 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 passive foreign investment company, or a PFIC, for U.S. federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such holder held our common stock, either:

- at least 75% of our gross income for such taxable year consists of passive income (*e.g.*, dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of the assets held by the Company during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. 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 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 tankers, should not constitute assets that produce, or are held for the production of, passive income for purposes of determining whether we are a PFIC. We believe there is substantial legal authority supporting our position consisting of case law and Internal Revenue Service, IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as

services income for other tax purposes. However, it should be noted that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, in the absence of any legal authority specifically relating to the Code 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 so as 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 should be able to elect to mark-to-market our common stock, which election we refer to as a "Mark-to-Market Election."

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 a "U.S. Electing Holder," the U.S. Electing Holder must report each year for U.S. federal income tax purposes his pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the U.S. Electing Holder, regardless of whether or not distributions were received from us by the U.S. Electing Holder. The U.S. Electing Holder's adjusted tax basis in the common stock will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common stock and will not be taxed again once distributed. A U.S. Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common stock. A U.S. Holder would make a QEF election with respect to any taxable year that our company is a PFIC by filing IRS Form 8621 with his 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.

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

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate, our stock is treated as "marketable stock," a U.S. Holder would be allowed to make a Mark-to-Market Election with respect to our common stock, 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 stock at the end of the taxable year over such holder's adjusted tax basis in the common stock. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common stock over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the Mark-to-Market Election. A U.S. Holder's tax basis in its common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common stock would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

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

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

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

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

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

A beneficial owner of common stock that is not a U.S. Holder is referred to herein as a "Non-U.S. Holder."

Dividends on Common Stock

Non-U.S. Holders generally will not be subject to U.S. federal income tax or withholding tax on dividends received from us with respect to our common stock, unless that income is effectively connected with 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 those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale, Exchange or Other Disposition of Common Stock

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

- the gain is effectively connected with 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 an income tax treaty with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

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

Backup Withholding and Information Reporting

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

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that he has failed to report all interest or dividends required to be shown on his 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 IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

If a Non-U.S. Holder sells the Company's common stock 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 Non-U.S. Holder certifies that it is a non-U.S. person, under penalties of perjury, or it otherwise establishes an exemption. If a Non-U.S. Holder sells common stock through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to the Non-U.S. Holder 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 Non-U.S. Holder outside the United States, if the Non-U.S. Holder sells common stock through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the United States.

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

Marshall Islands Tax Considerations

We are incorporated in 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 stockholders.

Other Tax Considerations

In addition to the tax consequences discussed above, we may be subject to tax in one or more other jurisdictions where we conduct activities. The amount of any such tax imposed upon our operations may be material.

Ocean Rig provides offshore drilling services to third parties through its fully owned subsidiaries. Such services may be provided in countries where the tax legislation subjects the drilling revenue to withholding tax or other corporate taxes, and where the operating cost may also be increased due to tax requirements. The amount of such taxable income and liability will vary depending upon the level of Ocean Rig's operations in such jurisdiction in any given taxable year. Distributions from Ocean Rig subsidiaries may be subject to withholding tax.

Ocean Rig does not benefit from income tax positions that we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges our operational structure, inter-company pricing policies or the taxable presence of our key subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure; or if we lose a material tax dispute in any country, particularly in the United States, Canada, the United Kingdom, or Norway, our effective tax rate on our world-wide earnings could increase substantially and our earnings and cash flows from operations could be materially adversely affected.

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.

I. Subsidiary information

Not Applicable

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Our Risk Management Policy

Our primary market risks relate to adverse movements in the charter hire rates for our fleet and any declines that may occur in the value of our assets which are made up primarily of our drybulk vessels, drilling units and tankers under construction. Our policy is to continuously monitor our exposure to other business risks, including the impact of changes in interest rates, currency rates, and charterer rates and bunker prices on earnings and cash flows. We intend to assess these risks and, when appropriate, enter into derivative contracts with credit-worthy counter parties to minimize our exposure to these risks. In regard to charterer rates and bunker prices, as our employment policy for our vessels and drilling units has been, and is expected to continue to be, with a high percentage of our fleet on periodic employment, we are not directly exposed to increases in bunker fuel prices as these are the responsibility of the charterer under period charter arrangements.

We regularly review the strategic decision with respect to the appropriate ratio of spot charter revenues to fixed rate charter revenues taking into account its expectations about spot and time charter forward rates. Decisions to modify fixed rate coverage are implemented in either the physical markets through changes in time charters or in the FFA markets, thus managing the desired strategic position while maintaining flexibility of ship availability to customers. The Company enters into FFAs with an objective of economically hedging risk seeking to reduce its exposure to changes in the spot market rates earned by some of its vessels in the normal course of its shipping business. None of these FFAs qualify as cash flow hedges for accounting purposes. FFAs are executed mainly through the London Clearing House, or LCH. LCH requires the posting of collateral by all participants. The use of a clearing house reduces the Company's exposure to counterparty credit risk.

Under the terms of our loan agreements, we are required to maintain compliance with minimum valuation covenants in regard to the vessels that are mortgaged to those banks. As such, in order to monitor on a regular basis the current market value of our fleet and thus to highlight any downturn in its value, we obtain on a semi-annual basis two independent valuations of all of our vessels from two international sale and purchase brokers to determine the ongoing market value of our fleet, including our drybulk vessels and drilling units. These valuations are used in the assessment regarding the necessary ongoing level of depreciation that we are recording in our books.

Interest rate risk

Our exposure to market risk for changes in interest rates relates primarily to our long-term and short-term debt. The international shipping industry is capital intensive, 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 LIBOR. Increasing interest rates could adversely impact future earnings.

Historically, we have been subject to market risks relating to changes in interest rates, because we have had significant amounts of floating rate debt outstanding. We manage this risk by entering into interest rate swap agreements in which we exchange fixed and variable interest rates based on agreed upon notional amounts. We use such derivative financial instruments as risk management tools and not for speculative or trading purposes. In addition, the counterparty to the derivative financial instrument is a major financial institution in order to manage exposure to nonperformance counterparties.

We have a total of 34 interest rate swap, cap and floor agreements, maturing from June 2011 through November 2017. These agreements are entered into in order to hedge our exposure to interest rate fluctuations with respect to our borrowings.

Our interest expense is affected by changes in the general level of interest rates. As an indication of the extent of our sensitivity to interest rate changes, an increase of 100 basis points would have decreased our net income and cash flows in the current year by approximately $26.3 million based upon our debt level at December 31, 2010. A 1% increase in LIBOR would have increased our interest expense for the year ended December 31, 2010 from $99.0 million to $125.3 million.

Foreign currency exchange risk

We generate all of our revenues in U.S. dollars but currently incur approximately 50% of our operating expenses and the majority of our management expenses in currencies other than the U.S. dollar, primarily the Euro. For accounting purposes, expenses incurred in Euros are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. Because a significant portion of our expenses are incurred in currencies other than the U.S. dollar, our expenses may from time to time increase relative to our revenues as a result of fluctuations in exchange rates, particularly between the U.S. dollar and the Euro, which could affect the amount of net income that we report in future periods. As of December 31, 2010, the net effect of a 1% adverse movement in U.S. dollar/Euro exchange rates would not have a material effect on our net income.

Our international operations expose us to foreign exchange risk. We use a variety of techniques to minimize exposure to foreign exchange risk, such as the use of foreign exchange derivative instruments. Fluctuations in foreign currencies typically have not had a material impact on our overall results. In situations where payments of local currency do not equal local currency requirements, foreign exchange derivative instruments, specifically foreign exchange forward contracts, or spot purchases, may be used to mitigate foreign currency risk. A foreign exchange forward contract obligates us to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such exchange. We do not enter into derivative transactions for speculative purposes. On December 31, 2010, we had twenty-two open foreign currency forward exchange contracts.

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—Breach of Financial Covenants under Secured Credit Facilities."

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

None.

Item 15. Controls and Procedures

(a) *Disclosure Controls*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. As described below, a material weakness was identified in our internal control over financial reporting. Exchange Act Rule 12b-2 (17 CFR 240.12b-2) and Rule 1-02 of Regulation S-X (17 CFR 210.1-02) define a material weakness as a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual financial statements will not be prevented or detected on a timely basis. As a result of the material weakness (as described in (b) below), our chief executive officer and chief financial officer have concluded that, as of December 31, 2010, the end of the period covered by this report, our disclosure controls and procedures were not effective at a reasonable assurance level.

(b) *Management's Annual Report on Internal Control Over Financial Reporting*

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

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.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "*Internal Control — Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as of December 31, 2010.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. Based on this assessment, management has concluded that the Company's internal control over financial reporting was not effective as of December 31, 2010, due to the material weakness described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Our auditors identified and reported to us a material misstatement of the amount of interest capitalized as a component of "Advances for vessels under construction" at December 31, 2010, and the amount of "Other comprehensive income" reclassified to earnings as a component of "Interest and finance costs" for the year ended December 31, 2010, and misstatement of our consolidated financial statements for the year ended December 31, 2009 for similar errors arising from the miscalculation of our capitalization rate under ASC 835-20 and treatment of "Other comprehensive income" associated with hedges related to loans included in the determination of our capitalization rate.

The misstatements were not detected by the Company's internal controls over financial reporting because of the absence of an effectively-designed control to verify that the entire population of borrowings and borrowing costs was captured in the Company's calculation. As a result, the Company's convertible debt instruments issued in 2009 and 2010 and certain deferred financing costs were not included in the calculation. There was also the absence of an effectively-designed control to identify those cash flow hedges for which the interest on the associated borrowings was capitalized and not recognized immediately in earnings. As a result, changes in the fair value of certain cash flow hedges were reported as "Interest and finance costs" and not retained in "Accumulated other comprehensive loss." Adjustments to correct the related misstatement of the 2010 financial statements were proposed by our auditors and were recorded by the Company prior to the issuance of the 2010 annual financial statements.

The independent registered public accounting firm, Ernst Young (Hellas) Certified Auditors Accountants S.A., that audited the consolidated financial statements of the Company for the year ended December 31, 2010, included in this annual report, has issued an attestation report on the Company's internal control over financial reporting including an adverse opinion thereon.

(c) *Report of Independent Registered Public Accounting Firm*

The report of Ernst Young (Hellas) Certified Auditors Accountants S.A. included in Item 18 of this annual report is incorporated herein by reference.

(d) *Remediation Activities*

To remediate the material weakness in our internal control over financial reporting as described above, management is enhancing its controls over the financial statement closing process in this area, specifically by adding additional review procedures over the relevant computations including:

- Implementing a new control over the determination of the completeness of the population of borrowings used in the determination of our capitalization rate and
- Implementing a new control over the identification of derivative hedging instruments associated with borrowings used in determining our capitalization rate.

We anticipate that the actions described above will remediate the December 31, 2010 material weakness. The material weakness will only be considered remediated when the revised internal controls are operational for a period of time and are tested and management has concluded that the controls are operating effectively.

(e) *Changes in Internal Control over Financial Reporting*

There have been no significant changes in our internal control over financial reporting during the year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Xiradakis, whose biographical details are included in "Item 6 Directors, Senior Management and Employees," a member of our audit committee, qualifies as a financial expert and is considered to be independent under SEC Rule 10A-3.

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to our directors, officers and employees. In March 2008, our board of directors adopted an amendment to our code of ethics that would permit our officers, directors and employees who own common shares to transact in our securities pursuant to trading plans adopted in reliance upon Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. A copy of our code of ethics is posted in the "Investor Relations" section of the Dryships Inc. website, and may be viewed at http://www.dryships.com. We will also provide a hard copy of our code of ethics free of charge upon written request of a shareholder. Shareholders may direct their requests to the attention of Investor Relations, DryShips Inc., 80, Kifissias Avenue, 151 25 Amaroussion, Greece.

Item 16C. Principal Accountant Fees and Services

Audit Fees

The table below sets forth the total fees for the services performed by: (i) Ernst & Young Hellas S.A. in 2010; (ii) Deloitte in 2009; and (iii) Ernst and Young (Norway) in 2009 and 2010 in connection with Ocean Rig ASA, which we refer to as the Independent Registered Public Accounting Firms. The table below also identifies these amounts by category of services.

	2009	2010
Audit fees	$2,687,996	$3,252,747
Audit related fees	—	—
Tax fees	—	40,191
All other fees	—	—
Total fees	$2,687,996	$3,292,938

The 2010 amount of approximately $1.93 million relates to audit services provided in connection with the audit of our consolidated financial statements and PCAOB AU 722 Interim Financial Information for the issuance of 74,818,706 common shares in September through December 2010 under our sales agency agreement and for the issuance of the $500.0 million of common stock of Ocean Rig UDW in the December 2010 Private Placement. There were no tax, audit-related or other fees billed in 2010.

All audit services provided by the Independent Registered Public Accounting Firms were pre-approved by our audit committee. Our audit committee is responsible 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 the independent auditors in order to assure that they do not impair the auditor's independence from the Company. The audit committee has adopted a policy which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditors may be pre-approved.

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

Not Applicable.

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

Not Applicable.

Item 16F. Changes in Registrant's Certifying Accountant

On April 12, 2010, our audit committee approved the engagement of Ernst & Young (Hellas) Certified Auditors Accountants S.A. as our independent registered public accounting firm for the fiscal year ended December 31, 2010. Our previous independent registered public accounting firm was Deloitte Hadjipavlou, Sofianos & Cambanis S.A. For further information on this change, please see our Report on Form 6-K filed with the SEC on April 19, 2010.

Item 16G. Corporate Governance

Exemptions from Nasdaq corporate governance rules

As a foreign private issuer, we are exempt from many of the corporate governance requirements other than the requirements regarding the disclosure of a going concern audit opinion, notification of material non-compliance with Nasdaq corporate governance practices, the establishment and composition of an audit committee that complies with SEC Rule 10A-3 and a formal audit committee charter. The practices followed by us in lieu of Nasdaq's corporate governance rules are described below:

- In lieu of obtaining shareholder approval prior to the issuance of designated securities, we comply with provisions of the Marshall Islands Business Corporations Act, providing that the board of directors approves share issuances.
- Our board of directors does not hold regularly scheduled meetings at which only independent directors are present.
- As a foreign private issuer, we are not required to solicit proxies or provide proxy statements to Nasdaq pursuant to Nasdaq corporate governance rules or Marshall Islands law. Consistent with Marshall Islands law and as provided in our bylaws, we will notify our shareholders of meetings between 15 and 60 days before the meeting. This notification will contain, among other things, information regarding business to be transacted at the meeting. In addition, our bylaws provide that shareholders must give us between 150 and 180 days advance notice to properly introduce any business at a meeting of shareholders.

Other than as noted above, we are in full compliance with all other applicable Nasdaq corporate governance standards.

PART III.

Item 17. Financial Statements

See "Item 18. Financial Statements."

Item 18. Financial Statements

The financial statements, beginning on page F-1, together with the respective reports of the Independent Registered Public Accounting Firms thereon, are filed as a part of this report.

Item 19. Exhibits

(a) Exhibits, Exhibit Number, Description

1.1	Articles of Amendment to Articles of Incorporation of the Company (1)
1.2	Amended and Restated Bylaws of the Company (2)
2.1	Form of Common Stock Share Certificate (3)
2.2	Form of Global Note(4)
2.3	Indenture dated November 17, 2009 (5)
2.4	First Supplemental Indenture dated November 25, 2009 to the Indenture dated November 17, 2009 (6)
2.5	Certificate of Designations of Rights, Preferences and Privileges of Series A Convertible Preferred Stock of the Company
2.6	Form of Series A Convertible Preferred Stock Certificate
4.1	Stockholders Rights Agreement (7)
4.2	Amendment No. 1 to Stockholders Rights Agreement (8)
4.3	Amendment No. 2 to Stockholders Rights Agreement (9)
4.4	Amended and Restated 2008 Equity Incentive Plan of the Company (10)
4.5	Senior Loan Agreement dated March 31, 2006 by and between the Company, HSH Nordbank AG and certain other financial institutions listed therein relating to a term loan and short-term credit facilities of up to $518,750,000 (11)
4.6	Junior Loan Agreement dated March 31, 2006 by and between the Company, HSH Nordbank AG and certain other financial institutions listed therein relating to a term loan and short-term credit facilities of up to $110,000,000 (12)
4.7	Supplemental Letter Agreement dated May 15, 2006 to the HSH Nordbank Senior and Junior Loan Agreement(13)
4.8	Supplemental Agreement dated November 28, 2006 to the HSH Nordbank Senior Loan Agreement (14)
4.9	Supplemental Agreement dated November 28, 2006 to the HSH Nordbank Junior Loan Agreement (15)
4.10	Amending and Restating Agreement dated May 23, 2007 to the HSH Nordbank Senior Loan Agreement (16)
4.11	Amending and Restating Agreement dated May 23, 2007 to the HSH Nordbank Junior Loan Agreement (17)
4.12	Supplemental Agreement dated February 27, 2008 to the HSH Nordbank Senior Loan Agreement (18)
4.13	Supplemental Agreement dated February 27, 2008 to the HSH Nordbank Junior Loan Agreement (19)
4.14	Supplemental Letter Agreement dated April 23, 2008 to the HSH Nordbank Senior Loan Agreement (20)
4.15	Supplemental Letter Agreement dated April 23, 2008 to the HSH Nordbank Junior Loan Agreement (21)
4.16	Supplemental Agreement dated November 17, 2009 to the HSH Nordbank Senior Loan Agreement (22)
4.17	Supplemental Agreement dated November 17, 2009 to the HSH Nordbank Junior Loan Agreement (23)
4.18	Supplemental Agreement dated September 29, 2010to the HSH Nordbank Senior Loan Agreement (24)
4.19	Supplemental Agreement dated September 29, 2010to the HSH Nordbank Junior Loan Agreement (25)
4.20	Loan Agreement dated October 2, 2007 by and between Ioli Owning Company Limited and Deutsche Schiffsbank Aktiengesellschaft relating to a secured loan of up to $35,000,000 (26)
4.21	Waiver Letter, dated December 11, 2009 to a loan agreement dated October 2, 2007 by and between Ioli Owning Company Limited and Deutsche Schiffsbank Aktiengesellschaft relating to a secured loan of up to $35,000,000

4.22 First Supplemental Agreement dated February 25, 2010 to a loan agreement dated October 2, 2007 by and between Ioli Owning Company Limited and Deutsche Schiffsbank Aktiengesellschaft relating to a secured loan of up to $35,000,000(27)

4.23 Waiver Letter, dated May 19, 2010, to a loan agreement dated October 2, 2007 by and between Ioli Owning Company Limited and Deutsche Schiffsbank Aktiengesellschaft relating to a secured loan of up to $35,000,000, as amended

4.24 Waiver Letter, dated September 22, 2010, to a loan agreement dated October 2, 2007 by and between Ioli Owning Company Limited and Deutsche Schiffsbank Aktiengesellschaft relating to a secured loan of up to $35,000,000, as amended(28)

4.25 Loan Agreement dated October 5, 2007 by and between Boone Star Owners Inc., Iokasti Owning Company Limited and Piraeus Bank A.E. relating to a loan facility of up to $90,000,000 (29)

4.26 Waiver Letter, dated April 15, 2009 to a loan agreement dated October 5, 2007 by and between Boone Star Owners Inc. Iokasti Owning Company Limited and Piraeus Bank A.E relating to a loan facility of up to $90,000,000

4.27 First Supplemental Agreement dated July 30, 2009 to a loan agreement dated October 5, 2007 by and between Boone Star Owners Inc. Iokasti Owning Company Limited and Piraeus Bank A.E relating to a loan facility of up to $90,000,000 (30)

4.28 Second Supplemental Agreement dated August 25, 2010 to a loan agreement dated October 5, 2007 by and between Boone Star Owners Inc., Iokasti Owning Company Limited and Piraeus Bank A.E. relating to a loan facility of up to $90,000,000

4.29 Loan Agreement dated November 16, 2007 by and between Iason Owning Company Limited and EFG Eurobank Ergasias S.A. relating to a loan of up to $47,000,000 (31)

4.30 Waiver Letter, dated February 25, 2009, to a loan agreement dated November 16, 2007 by and between Iason Owning Company Limited and EFG Eurobank Ergasias S.A. relating to a loan of up to $47,000,000

4.31 Waiver Letter, dated November, 11, 2009, to a loan agreement dated November 16, 2007 by and between Iason Owning Company Limited and EFG Eurobank Ergasias S.A. relating to a loan of up to $47,000,000

4.32 Waiver Letter, dated February 24, 2010, to a loan agreement dated November 16, 2007 by and between Iason Owning Company Limited and EFG Eurobank Ergasias S.A. relating to a loan of up to $47,000,000 (32)

4.33 Supplemental Agreement dated April 15, 2010 to a loan agreement dated November 16, 2007 by and between Iason Owning Company Limited and EFG Eurobank Ergasias S.A. relating to a loan of up to $47,000,000

4.34 Loan Agreement dated December 4, 2007 by and between Team-Up Owning Company Limited, Orpheus Owning Company Limited and DnB NOR Bank ASA relating to a loan of up to $101,150,000 (33)

4.35 Waiver Letter, dated May 19, 2010, to a loan agreement dated December 4, 2007 by and between Team-Up Owning Company Limited, Orpheus Owning Company Limited and DnB NOR Bank ASA relating to a loan of up to $101,150,000

4.36 Supplemental Agreement dated June 11, 2009 to a loan agreement dated December 4, 2007 by and between Team-Up Owning Company Limited, Orpheus Owning Company Limited and DnB NOR Bank ASA relating to a loan of up to $101,150,000 (34)

4.37 Contract for Construction and Sale of a Drillship (Hull No. 1865) dated January 24, 2008 by and between Drillship Kithira Owners Inc. and Samsung Heavy Industries Co., Ltd. (35)

4.38 Addendum No. 1 dated March 21, 2008 to the Contract for Construction and Sale of a Drillship (Hull No. 1865) by and between Drillship Kithira Owners Inc. and Samsung Heavy Industries Co., Ltd. (36)

4.39 Contract for Construction and Sale of a Drillship (Hull No 1866) dated January 24, 2008, by and between Drillship Skopelos Owner Inc. and Samsung Heavy Industries Co. Ltd (37)

4.40 Addendum No 1 dated March 21, 2008 to the Contract for Construction and Sale of the a Drillship (Hull No 1866)by and between Drillship Skopelos Owners Inc. and Samsung Heavy Industries Co Ltd. (38)

4.41 Construction and Sale Contract of Drillship Hull No. 1837 by Samsung Heavy Industries Co., Ltd to Drillship Paros Owners Inc., dated September 17, 2007 (39)

4.42 Construction and Sale Contract of Drillship Hull No. 1838 by Samsung Heavy Industries Co., Ltd to Drillship Paros Owners Inc., dated September 17, 2007 (40)

4.43 Agreement dated January 24, 2008 by and between Drillship Skopelos Owners Inc. and Samsung Heavy Industries Co., Ltd. relating to Hull No. 1865 (41)

4.44 Agreement dated January 24, 2008 by and between Drillship Kithira Owners Inc. and Samsung Heavy Industries Co., Ltd. relating to Hull No. 1866 (42)

4.45 Loan Agreement dated March 13, 2008 by and between Annapolis Shipping Company Limited, Atlas Owing Company Limited, Farat Shipping Company Limited, Lansat Shipping Company Limited and Piraeus Bank A.E. relating to a loan facility of up to $130,000,000 (43)

4.46 First Supplemental Agreement dated December 12, 2008 to a loan agreement dated March 13, 2008 by and between Annapolis Shipping Company Limited, Atlas Owning Company Limited, Farat Shipping Company Limited, Lansat Shipping Company Limited and Piraeus Bank A.E. relating to a loan facility of up to $130,000,000 (44)

4.47 Waiver Letter, dated April 15, 2009, to a loan agreement dated March 13, 2008 by and between Annapolis Shipping Company Limited, Atlas Owning Company Limited, Farat Shipping Company Limited, Lansat Shipping Company Limited and Piraeus Bank A.E. relating to a loan facility of up to $130,000,000, as amended

4.48 Second Supplemental Agreement dated July 30, 2009 to a loan agreement dated March 13, 2008 by and between Annapolis Shipping Company Limited, Atlas Owning Company Limited, Farat Shipping Company Limited, Lansat Shipping Company Limited and Piraeus Bank A.E. relating to a loan facility of up to $130,000,000 (45)

4.49 Waiver Letter, dated November 27, 2009, to a loan agreement dated March 13, 2008 by and between Annapolis Shipping Company Limited, Atlas Owning Company Limited, Farat Shipping Company Limited, Lansat Shipping Company Limited and Piraeus Bank A.E. relating to a loan facility of up to $130,000,000, as amended

4.50 Amending and Restating Loan Agreement, dated January 25, 2010, to a loan agreement dated March 13, 2008 by and between Annapolis Shipping Company Limited, Atlas Owning Company Limited, Farat Shipping Company Limited, Lansat Shipping Company Limited and Piraeus Bank A.E. relating to a loan facility of up to $130,000,000, as amended

4.51 Amended and Restated Loan Agreement dated August 25, 2010 relating to a loan agreement dated March 13, 2008 by and between Annapolis Shipping Company Limited, Atlas Owning Company Limited, Farat Shipping Company Limited, Lansat Shipping Company Limited and Piraeus Bank A.E. relating to a loan facility of up to $130,000,000, as amended and restated on January 25, 2010

4.52 Amended and Restated Loan Agreement dated November 29, 2010 relating to a loan agreement dated March 13, 2008 by and between Annapolis Shipping Company Limited, Atlas Owning Company Limited, Farat Shipping Company Limited, Lansat Shipping Company Limited and Piraeus Bank A.E. relating to a loan facility of up to $130,000,000, as amended and restated on January 25, 2010 and on August 25, 2010

4.53 Loan Agreement dated May 5, 2008 by and between Dalian Star Owners Inc., Dresdner Bank AG and other financial institutions listed therein relating to a term loan facility of up to $90,000,000 (46)

4.54 Waiver Letter, dated October 22, 2009 to a loan agreement dated May 5, 2008 by and between Dalian Star Owners Inc., Dresdner Bank AG (now Commerzbank AG) and other financial institutions listed therein relating to a term loan facility of up to $90,000,000 (47)

4.55 Supplemental Agreement dated May 10, 2010 to a loan agreement dated May 5, 2008 by and between Dalian Star Owners Inc., Dresdner Bank AG (now Commerzbank AG) and other financial institutions listed therein relating to a term loan facility of up to $90,000,000

4.56 International Swap Dealers Association Inc. Master Agreement dated May 7, 2008 by and between the Company and EFG Eurobank Ergasias S.A. (48)

4.57 Loan Agreement dated May 13, 2008 by and between Ionian Traders Inc., Norwalk Star Owners Inc. Deutsche Schiffsbank Aktiengesellschaft Bayerische Hypo-Und Vereinsbank AG, and certain other financial institutions listed therein relating to a secured loan of $125,000,000 (49)

4.58 Waiver Letter, dated December 11, 2009 to a loan agreement dated May 13, 2008 by and between Ionian Traders Inc., Norwalk Star Owners Inc. Deutsche Schiffsbank Aktiengesellschaft Bayerische Hypo-Und Vereinsbank AG, and certain other financial institutions listed therein relating to a secured loan of $125,000,000

4.59 First Supplemental Agreement, dated February 25, 2010 to a loan agreement dated May 13, 2008 by and between Ionian Traders Inc., Norwalk Star Owners Inc., Deutsche Schiffsbank Aktiengesellschaft Bayerische Hypo-Und Vereinsbank AG, and certain other financial institutions listed therein relating to a secured loan of $125,000,000 (50)

4.60 Waiver Letter, dated May 19, 2010 to a loan agreement dated May 13, 2008 by and between Ionian Traders Inc., Norwalk Star Owners Inc. Deutsche Schiffsbank Aktiengesellschaft Bayerische Hypo-Und Vereinsbank AG, and certain other financial institutions listed therein relating to a secured loan of $125,000,000, as amended

4.61 Waiver Letter, dated September 22, 2010 to a loan agreement dated May 13, 2008 by and between Ionian Traders Inc., Norwalk Star Owners Inc. Deutsche Schiffsbank Aktiengesellschaft Bayerische Hypo-Und Vereinsbank AG, and certain other financial institutions listed therein relating to a secured loan of $125,000,000, as amended (51)

4.62 Loan Agreement dated June 20, 2008 by and between Aegean Traders Inc., Iguana Shipping Company Limited and WestLB AG relating to a loan facility of up to $103,200,000 (52)

4.63 Waiver Letter, dated July 22, 2009, to a loan agreement dated June 20, 2008 by and between Aegean Traders Inc., Iguana Shipping Company Limited and WestLB AG relating to a loan facility of up to $103,200,000

4.64 First Supplemental Agreement, dated October 8, 2009, to a loan agreement dated June 20, 2008 by and between Aegean Traders Inc., Iguana Shipping Company Limited and WestLB AG relating to a loan facility of up to $103,200,000 (53)

4.65 Waiver Letter, dated November 23, 2009, to a loan agreement dated June 20, 2008 by and between Aegean Traders Inc., Iguana Shipping Company Limited and WestLB AG relating to a loan facility of up to $103,200,000, as amended

4.66 Amending and Restating Loan Agreement dated January 18, 2010 to a loan agreement dated June 20, 2008 by and between Aegean Traders Inc., Iguana Shipping Company Limited and WestLB AG relating to a loan facility of up to $103,200,000, as amended

4.67 Supplemental Letter, dated June 10, 2010, to a loan agreement dated June 20, 2008 by and between Aegean Traders Inc., Iguana Shipping Company Limited and WestLB AG relating to a loan facility of up to $103,200,000, as amended and restated on January 18, 2010

4.68 Loan Agreement dated July 23, 2008 by and between Cretan Traders Inc. and Norddeutsche Landesbank Girozentrale relating to a term loan facility of up to $126,400,000 (54)

4.69 Waiver Letter, dated July 24, 2009, to a loan agreement dated July 23, 2008 by and between Cretan Traders Inc. and Norddeutsche Landesbank Girozentrale relating to a term loan facility of up to $126,400,000

4.70 Supplemental Agreement, dated October 12, 2009, to a loan agreement dated July 23, 2008 by and between Cretan Traders Inc. and Norddeutsche Landesbank Girozentrale relating to a term loan facility of up to $126,400,000 (55)

4.71 Supplemental Letter, dated February 8, 2010, to a loan agreement dated July 23, 2008 by and between Cretan Traders Inc. and Norddeutsche Landesbank Girozentrale relating to a term loan facility of up to $126,400,000, as amended

4.72 Credit Facility Agreement dated July 18, 2008 by and between Drillship Skopelos Owners Inc., Deutsche Bank A.G. and certain financial institutions listed therein for a maximum of $562,500,000 (56)

4.73 Credit Facility Agreement dated July 18, 2008 by and between Drillship Kithira Owners Inc., Deutsche Bank A.G. and certain financial institutions listed therein for a maximum of $562,500,000 (57)

4.74 Supplemental Agreement, dated September 17, 2008, relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Skopelos Owners Inc. and Deutsche Bank AG (58)

4.75 Supplemental Agreement, dated September 17, 2008, relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Kithira Owners Inc. and Deutsche Bank AG (59)

4.76 Supplemental Agreement No. 2, dated December 18, 2008, relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Skopelos Owners Inc. and Deutsche Bank AG, as amended (60)

4.77 Supplemental Agreement No. 2, dated December 18, 2008, relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Kithira Owners Inc. and Deutsche Bank AG, as amended (61)

4.78 Waiver Letter, dated May 21, 2009, relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Skopelos Owners Inc. and Deutsche Bank AG, as amended

4.79 Waiver Letter, dated May 21, 2009, relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Kithira Owners Inc. and Deutsche Bank AG, as amended

4.80 Facility Agent's and Security Trustee's Consent Letter, dated June 5, 2009, relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Skopelos Owners Inc. and Deutsche Bank AG, as amended

4.81 Facility Agent's and Security Trustee's Consent Letter, dated June 5, 2009, relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Kithira Owners Inc. and Deutsche Bank AG, as amended

4.82 Supplemental Agreement No. 3, dated January 29, 2010, relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Skopelos Owners Inc. and Deutsche Bank AG (62)

4.83 Supplemental Agreement No. 3, dated January 29, 2010, relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Kithira Owners Inc. and Deutsche Bank AG (63)

4.84 Facility Agent's Consent Letter, dated June 23, 2010 relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Skopelos Owners Inc. and Deutsche Bank AG, as amended

4.85 Facility Agent's Consent Letter, dated June 23, 2010, relating to a $562,500,000 Credit Facility Agreement dated July 18, 2008, between Drillship Kithira Owners Inc. and Deutsche Bank AG

4.86 Guarantee, Revolving Credit and Term Loan Facility Agreement dated September 17, 2008 by and between Ocean Rig ASA, Ocean Rig Norway AS and certain financial institutions listed therein for $1,040,000,000 (64)

4.87 Addendum No. 1, dated December 19, 2008, to a Guarantee, Revolving Credit and Term Loan Facility Agreement dated September 17, 2008 by and between Ocean Rig ASA, Ocean Rig Norway AS and certain financial institutions listed therein for $1,040,000,000 (65)

4.88 Amendment and Restatement Agreement, dated November 19, 2009, to a Guarantee, Revolving Credit and Term Loan Facility Agreement dated September 17, 2008 by and between Ocean Rig ASA, Ocean Rig Norway AS and certain financial institutions listed therein for $1,040,000,000 (66)

4.89 Share Purchase Agreement dated October 3, 2008 by and between Primelead Shareholders Inc., Entrepreneurial Sprit Holdings Inc., Advice Investments S.A., Magic Management Inc. and Deep Sea Investments Inc. (67)

4.90 Agreement dated January 15, 2009 by and between the Company and Central Mare Inc., as amended on March 18, 2009 (68)

4.91 ATM Equity Offering℠ Sales Agreement dated January 28, 2009 by and between the Company and Merrill Lynch, Pierce, Fenner & Smith, Incorporated (69)

4.92 Termination and Release Agreement dated March 6, 2009 by and between the Company and the purchasers named therein (70)

4.93 Securities Purchase Agreement dated March 6, 2009 by and between the Company and the purchasers named therein (71)

4.94 Secured Loan Agreement, dated September 10, 2007, by and between Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. and DVB Bank AG, relating to a loan of up to $230,000,000 (72)

4.95 First Supplemental Agreement, dated January 10, 2008, to a loan agreement, dated September 10, 2007, by and between Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. and DVB Bank AG relating to a secured loan facility of up to $230,000,000 (73)

4.96 Second Supplemental Agreement, dated January 23, 2009, to a loan agreement, dated September 10, 2007, by and between Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. and DVB AG relating to a secured loan facility of up to $230,000,000, as amended and supplemented by a first supplemental agreement, dated January 10, 2008 (74)

4.97 Waiver Letter, dated April 16, 2010, to a loan agreement, dated September 10, 2007, by and between Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. and DVB AG relating to a secured loan facility of up to $230,000,000, as amended and supplemented by a first supplemental agreement, dated January 10, 2008, and a second supplemental agreement, dated January 23, 2009

4.98 Compliance Confirmation Letter, dated June 16, 2010, to a loan agreement, dated September 10, 2007, by and between Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. and DVB AG relating to a secured loan facility of up to $230,000,000, as amended and supplemented by a first supplemental agreement, dated January 10, 2008, and a second supplemental agreement, dated January 23, 2009

4.99 Compliance Confirmation Letter, dated September 3, 2010, to a loan agreement, dated September 10, 2007, by and between Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. and DVB AG relating to a secured loan facility of up to $230,000,000, as amended and supplemented by a first supplemental agreement, dated January 10, 2008, and a second supplemental agreement, dated January 23, 2009

4.100 Compliance Confirmation Letter, dated November 25, 2010, to a loan agreement, dated September 10, 2007, by and between Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. and DVB AG relating to a secured loan facility of up to $230,000,000, as amended and supplemented by a first supplemental agreement, dated January 10, 2008, and a second supplemental agreement, dated January 23, 2009

4.101 ATM Equity Offering℠ Sales Agreement dated May 7, 2009 by and between the Company and Merrill Lynch, Pierce, Fenner & Smith, Incorporated (75)

4.102 Loan Agreement, dated May 13, 2009, between Primelead Holding Inc. and Nordea Bank Finland PLC, relating to a loan facility of up to $300,000,000 (76)

4.103 Securities Purchase Agreement, dated as of July 9, 2009, by and between the Company and Entrepreneurial Sprit Holdings Inc., Advice Investments S.A., Magic Management Inc. and Deep Sea Investments Inc (77)

4.104 Underwriting Agreement dated November 19, 2009 by and between the Company, Deutsche Bank and Deutsche Bank AG, London Branch relating to the issuance of loan of up to 26,100,000 shares of common stock by the Company (78)

4.105 Underwriting Agreement dated November 19, 2009 by and between the "Company and Deutsche Bank Securities Inc. relating to the offering of 5.00% Convertible Senior Notes Due 2014 by the Company (79)

4.106 Share Lending Agreement dated November 19, 2009 between the Company and Deutsche Bank AG, London Branch (80)

4.107 Underwriting Agreement dated April 21, 2010 by and between the Company, Deutsche Bank and Deutsche Bank AG, London Branch relating to the issuance of loan of up to 10,000,000 shares of common stock by the Company (81)

4.108 Underwriting Agreement dated April 21, 2010 by and between the Company and Deutsche Bank Securities Inc. relating to the offering of 5.00% Convertible Senior Notes Due 2014 by the Company (82)

4.109 Share Lending Agreement dated April 21, 2010 by and between the Company and Deutsche Bank AG, London Branch (83)

4.110 Sales Agreement, dated September 7, 2010 by and between the Company and Deutsche Bank Securities Inc. (84)

4.111 Form of Vessel Management Agreement, dated September 1, 2011 by and between the Company and Cardiff (85)

4.112 Form of Vessel Management Agreement, dated January 1, 2011, by and between the Company and TMS Bulkers Ltd.

4.113 Form of Vessel Management Agreement, dated December 28, 2010, by and between the Company and TMS Tankers Ltd.

4.114 Consultancy Agreement, dated September 1, 2010, by and between the Company and Vivid Finance Inc. (86)

4.115 Global Services Agreement, dated December 1, 2010, by and between the Company and Cardiff Marine Inc.

4.116 Drillship Master Agreement, dated November 22, 2010, by and between the Company and Samsung Heavy Industries Co., Ltd.

4.117 Novation Agreement dated December 30, 2010, by and between the Company, Ocean Rig UDW Inc. and Samsung Heavy Industries Co., Ltd.

4.118 Facility Agreement, dated December 21, 2010, by and among Drillship Hydra Owners Inc., Deutsche Bank AG, London Branch and certain financial institutions listed therein relating to a short-term loan facility of $325,000,000

4.119 Loan Agreement, dated February 7, 2011, by and among Olympian Zeus Owners Inc., Olympian Apollo Owners Inc. and Nordea Bank Finland, plc, London Branch and certain financial institutions listed therein relating to a term loan of up to $70,000,000

4.120	Letter of Deloitte Hadjipavlou Sofianos & Cambanis S.A., dated April 16, 2010, regarding change in the Company's registered public accounting firm (87)
8.1	Subsidiaries of the Company
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 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 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 Public Accounting Firm (Ernst & Young (Hellas) Certified Auditors Accountants S.A.)
15.2	Consent of Independent Registered Public Accounting Firm (Ernst & Young AS)
15.3	Consent of Independent Registered Public Accounting Firm (Deloitte Hadjipavlou Sofianos & Cambanis S.A.)

(1) Filed as Exhibit 3.1 to the Company's Registration Statement on Form 8-A (File No. 001-33922) on January 18, 2008.
(2) Filed as Exhibit 3.1 to the Company's Registration Statement on Form F-3 (File No. 333-169235).
(3) Filed as an Exhibit 2.1 to the Company's Annual Report on Form 20-F on March 30, 2009.
(4) Filed as Exhibit 2.2 to the Company's Annual Report on Form 20-F on April 9, 2010.
(5) Filed as Exhibit 4.7 to the Company's Post-effective amendment to the Registration Statement on Form F-3 (File No. 001-146540) on November 17, 2009.
(6) Filed as Exhibit 3 to the Company's Report on Form 6-K on November 25, 2009.
(7) Filed as Exhibit 4.2 to the Company's Registration Statement on Form 8-A (File No. 001-33922) on January 18, 2008.
(8) Filed as Exhibit 99.1 to the Company's Registration Statement on Form 8-A (File No. 001-33922) on July 15, 2009.
(9) Filed as Exhibit 99.1 to the Company's Registration Statement on Form 8-A (File No. 001-33922) on April 27, 2010.
(10) Filed as Exhibit 4.1 to the Company's Annual Report on Form 20-F on April 9, 2010.
(11) Filed as Exhibit 4.4 to the Company's Annual Report on Form 20-F on April 21, 2006.
(12) Filed as Exhibit 4.5 to the Company's Annual Report on Form 20-F on April 21, 2006.
(13) Filed as Exhibit 4.5 to the Company's Annual Report on Form 20-F on April 9, 2010.
(14) Filed as Exhibit 4.5 to the Company's Annual Report on Form 20-F on March 31, 2008.
(15) Filed as Exhibit 4.6 to the Company's Annual Report on Form 20-F on March 31, 2008.
(16) Filed as Exhibit 4.8 to the Company's Annual Report on Form 20-F on March 31, 2008.
(17) Filed as Exhibit 4.9 to the Company's Annual Report on Form 20-F on March 31, 2008.
(18) Filed as Exhibit 4.10 to the Company's Annual Report on Form 20-F on March 30, 2009.
(19) Filed as Exhibit 4.11 to the Company's Annual Report on Form 20-F on March 30, 2009.
(20) Filed as Exhibit 4.12 to the Company's Annual Report on Form 20-F on March 30, 2009.

(21) Filed as Exhibit 4.13 to the Company's Annual Report on Form 20-F on March 30, 2009.
(22) Filed as Exhibit 4.15 to the Company's Annual Report on Form 20-F on April 9, 2010.
(23) Filed as Exhibit 4.14 to the Company's Annual Report on Form 20-F on April 9, 2010.
(24) Filed as Exhibit 1 to the Company's Report on Form 6-K on September 30, 2010.
(25) Filed as Exhibit 2 to the Company's Report on Form 6-K on September 30, 2010.
(26) Filed as Exhibit 4.10 to the Company's Annual Report on Form 20-F on March 31, 2008.
(27) Filed as Exhibit 2 to the Company's Report on Form 6-K on September 30, 2010.
(28) Filed as Exhibit 1 to the Company's Report on Form 6-K on September 30, 2010.
(29) Filed as Exhibit 4.22 to the Company's Annual Report on Form 20-F on March 30, 2009.
(30) Filed as Exhibit 4.21 to the Company's Annual Report on Form 20-F on April 9, 2010.
(31) Filed as Exhibit 4.11 to the Company's Annual Report on Form 20-F on March 31, 2008.
(32) Filed as Exhibit 4.23 to the Company's Annual Report on Form 20-F on April 9, 2010.
(33) Filed as Exhibit 4.12 to the Company's Annual Report on Form 20-F on March 31, 2008.
(34) Filed as Exhibit 4.25 to the Company's Annual Report on Form 20-F on April 9, 2010.
(35) Filed as Exhibit 10.4 to the Company's Post-Effective Amendment to an Automatic Shelf Registration Statement on Form POSASR (File No. 333-146540) on October 20, 2008.
(36) Filed as Exhibit 4.32 to the Company's Annual Report on Form 20-F on March 30, 2009.
(37) Filed as Exhibit 10.5 to the Company's Post-Effective Amendment to an Automatic Shelf Registration Statement on Form POSASR (File No. 333-146540) on October 20, 2008.
(38) Filed as Exhibit 4.31 to the Company's Annual Report on Form 20-F on March 30, 2009.
(39) Filed as Exhibit 4.29 to the Company's Annual Report on Form 20-F on April 9, 2010.
(40) Filed as Exhibit 4.28 to the Company's Annual Report on Form 20-F on April 9, 2010.
(41) Filed as Exhibit 4.29 to the Company's Annual Report on Form 20-F on March 30, 2009.
(42) Filed as Exhibit 4.30 to the Company's Annual Report on Form 20-F on March 30, 2009.
(43) Filed as Exhibit 4.33 to the Company's Annual Report on Form 20-F on March 30, 2009.
(44) Filed as Exhibit 4.35 to the Company's Annual Report on Form 20-F on April 9, 2010.
(45) Filed as Exhibit 4.36 to the Company's Annual Report on Form 20-F on April 9, 2010.
(46) Filed as Exhibit 4.34 to the Company's Annual Report on Form 20-F on March 30, 2009.
(47) Filed as Exhibit 4.38 to the Company's Annual Report on Form 20-F on April 9, 2010.
(48) Filed as Exhibit 4.35 to the Company's Annual Report on Form 20-F on March 30, 2009.
(49) Filed as Exhibit. 4.38 to the Company's Annual Report on Form 20-F on March 30, 2009.
(50) Filed as Exhibit 4.44 to the Company's Annual Report on Form 20-F on April 9, 2010.
(51) Filed as Exhibit 1 to the Company's Report on Form 6-K on September 30, 2010.

(52) Filed as Exhibit 4.40 to the Company's Annual Report on Form 20-F on March 30, 2009.
(53) Filed as Exhibit 4.46 to the Company's Annual Report on Form 20-F on April 9, 2010.
(54) Filed as Exhibit 4.41 to the Company's Annual Report on Form 20-F on March 30, 2009.
(55) Filed as Exhibit 4.48 to the Company's Annual Report on Form 20-F on April 9, 2010.
(56) Filed as Exhibit 10.6 to the Company's Post-Effective Amendment to an Automatic Shelf Registration Statement on Form POSASR (File No. 333-146540) on October 20, 2008.
(57) Filed as Exhibit 10.7 to the Company's Post-Effective Amendment to an Automatic Shelf Registration Statement on Form POSASR (File No. 333-146540) on October 20, 2008.
(58) Filed as Exhibit 4.51 to the Company's Annual Report on Form 20-F on April 9, 2010.
(59) Filed as Exhibit 4.52 to the Company's Annual Report on Form 20-F on April 9, 2010.
(60) Filed as Exhibit 4.53 to the Company's Annual Report on Form 20-F on April 9, 2010.
(61) Filed as Exhibit 4.54 to the Company's Annual Report on Form 20-F on April 9, 2010.
(62) Filed as Exhibit 4.55 to the Company's Annual Report on Form 20-F on April 9, 2010.
(63) Filed as Exhibit 4.56 to the Company's Annual Report on Form 20-F on April 9, 2010.
(64) Filed as Exhibit 4.44 to the Company's Annual Report on Form 20-F on March 30, 2009.
(65) Filed as Exhibit 4.58 to the Company's Annual Report on Form 20-F on April 9, 2010.
(66) Filed as Exhibit 4.59 to the Company's Annual Report on Form 20-F on April 9, 2010.
(67) Filed as Exhibit 10.1 to the Company's Post-Effective Amendment to an Automatic Shelf Registration Statement on Form POSASR (File No. 333-146540) on October 20, 2008.
(68) Filed as Exhibit 4.46 to the Company's Annual Report on Form 20-F on March 30, 2009.
(69) Filed as Exhibit 1.4 to the Company's Report on Form 6-K on January 29, 2009.
(70) Filed as Exhibit 1 to the Company's Report on Form 6-K on March 10, 2009.
(71) Filed as Exhibit 2 to the Company's Report on Form 6-K on March 10, 2009.
(72) Filed as Exhibit 4.65 to the Company's Annual Report on Form 20-F on April 9, 2010.
(73) Filed as Exhibit 4.66 to the Company's Annual Report on Form 20-F on April 9, 2010.
(74) Filed as Exhibit 4.67 to the Company's Annual Report on Form 20-F on April 9, 2010.
(75) Filed as Exhibit 1.6 to the Company's Report on Form 6-K on May 12, 2009.
(76) Filed as Exhibit 4.69 to the Company's Annual Report on Form 20-F on April 9, 2010.
(77) Filed as Exhibit 1 to the Company's Report on Form 6-K on July 14, 2009.
(78) Filed as Exhibit 2 to the Company's Report on Form 6-K on November 25, 2009.
(79) Filed as Exhibit 1 to the Company's Report on Form 6-K on November 25, 2009.
(80) Filed as Exhibit 4 to the Company's Report on Form 6-K on November 25, 2009
(81) Filed as Exhibit 2 to the Company's Report on Form 6-K on April 27, 2010.

(82) Filed as Exhibit 1 to the Company's Report on Form 6-K on April 27, 2010.
(83) Filed as Exhibit 3 to the Company's Report on Form 6-K on April 27, 2010.
(84) Filed as Exhibit 1 to the Company's Report on Form 6-K on September 7, 2010.
(85) Filed as Exhibit 1 to the Company's Report on Form 6-K on September 7, 2010.
(86) Filed as Exhibit 2 to the Company's Report on Form 6-K on September 7, 2010.
(87) Filed as Exhibit 1 to the Company's Report on Form 6-K/A on April 19, 2010.

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.

DRYSHIPS INC.
(Registrant)

Date: April 15, 2011

By: /s/ Ziad Nakhleh
Ziad Nakhleh
Chief Financial Officer

DRYSHIPS INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of DryShips Inc.

We have audited the accompanying consolidated balance sheet of DryShips Inc. as of December 31, 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. Our audit also included the financial statement schedule listed in the Index at Item 18. 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 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 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 audit provides 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 DryShips Inc. at December 31, 2010, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), DryShips Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 15, 2011 expressed an adverse opinion thereon.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A
Athens Greece
April 15, 2011

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

To the Board of Directors and Shareholders of DryShips Inc.

We have audited DryShips Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). DryShips 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. 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in the management's assessment. A material weakness in the Company's internal control over financial reporting has been identified, specifically related to the design of the controls over the computation of interest to be capitalized related to vessels and rigs under construction and the design of the controls to identify those cash flow hedges associated with borrowings for which interest was capitalized as a component of rigs under construction. An audit adjustment was recorded by DryShips Inc. prior to the issuance of its financial statements in order to correct the identified misstatement.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of DryShips Inc. as of December 31, 2010 and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2010. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2010 consolidated financial statements and this report does not affect our report dated April 15, 2011, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, DryShips Inc. has not maintained effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A
Athens, Greece
April 15, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Ocean Rig UDW Inc.

We have audited the consolidated balance sheet of Ocean Rig UDW Inc. and subsidiaries ("the Company") as of December 31, 2009, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended (not presented separately herein). 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 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 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 audit provides a reasonable basis for our opinion.

International Accounting Standards (IAS) No. 1, Presentation of Financial Statements, requires that financial statements be presented with comparative financial information. These consolidated financial statements have been prepared solely for the purpose of meeting the requirements of Rule 2-05 of Regulation S-X as it relates to the results of operations of the Company for the year ended December 31, 2009. Accordingly, no comparative financial information is presented.

Since the date of initial issuance of our report on the financial statements dated April 7, 2010, which report contained an explanatory paragraph regarding the Company's ability to continue as a going concern, the Company, as discussed in Note 20, has in March 2011, received commitments from financial institutions for additional financing amounting to $800 million and consents from existing lenders to draw down an additional amount of $495 million to cover obligations falling due within 2011. Additionally, Dryships Inc., majority owner of the Company, has committed to provide cash to meet the Company's liquidity needs during 2011. Therefore, the conditions that raised substantial doubt about whether the Company will continue as going concern no longer exist.

In our opinion, except for the omission of comparative information as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ocean Rig UDW Inc. and subsidiaries at December 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As discussed in Note 23 and Note 24 to the consolidated financial statements, the financial statements have been restated to correct errors in the application of IAS 23, Borrowing costs, and ASC 835-20, Capitalization of Interest.

International Financial Reporting Standards as issued by the International Accounting Standards Board differ in certain respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 24 to the consolidated financial statements.

/s/ Ernst & Young AS
Stavanger, Norway, April 15, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Ocean Rig ASA.

We have audited the consolidated statements of income, shareholders' equity, and cash flows of Ocean Rig ASA and subsidiaries ("the Company") for the period May 15, 2008 to December 31, 2008 (not presented separately herein). These financial statements are the responsibility of the Company's management and the Board of Directors. Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

IAS 1 requires that financial statements be presented with comparative financial information. These consolidated financial statements have been prepared solely for the purpose of meeting the requirements of Rule 2-05 of Regulation S-X as it relates to the results of operations of the Company for the period from the date control of Company was acquired by Dry Ships, Inc. through December 31, 2008. Accordingly no comparative financial information is presented.

In our opinion, except for the omission of comparative information as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated results of their operations and their cash flows of Ocean Rig ASA and subsidiaries ("the Company") for the period May 15, 2008 to December 31, 2008, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

International Financial Reporting Standards as issued by the International Accounting Standards Board differ in certain respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 21 to the consolidated financial statements.

The accompanying consolidated financial statements have been prepared assuming that Ocean Rig ASA and subsidiaries will continue as a going concern. As more fully described in Note 13, Ocean Rig ASA is a wholly owned subsidiary of DryShips Inc. On a consolidated basis, DryShips Inc. reported a current portion of long- term debt of $2,370,556 as of December 31, 2008 due to DryShip Inc.'s inability to comply with financial covenants under its current debt agreements and a negative working capital position. These conditions raise substantial doubt about DryShips Inc.'s ability to continue as a going concern. Because of the aforementioned conditions relating to DryShips Inc., and the uncertainties surrounding its plans to address its liquidity needs, the parent entity's actions could have a substantial effect on Ocean Rig ASA and subsidiaries' assets; therefore, there is also substantial doubt about whether Ocean Rig ASA and subsidiaries will continue as a going concern. The 2008 consolidated financial statements of Ocean Rig ASA and subsidiaries do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Ernst & Young AS
Stavanger, Norway, March 27, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of DryShips, Inc.

We have audited the accompanying consolidated balance sheet of DryShips, Inc. and subsidiaries (the "Company") as of December 31, 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 18. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits. We did not audit the consolidated financial statements of Ocean Rig UDW and subsidiaries (a consolidated subsidiary) as of December 31, 2009 and for the year then ended, which statements reflect total assets and total revenues constituting 54% and 47%, respectively, of the related consolidated totals for that year. We did not audit the consolidated statement of income, stockholders' equity, and cash flows of Ocean Rig ASA and subsidiaries (a consolidated subsidiary) for the period from May 15, 2008 to December 31, 2008. Such statements reflect total revenues constituting 18.7% of consolidated total revenues for the period May 15, 2008 to December 31, 2008, prior to the allocation of the Company's purchase price to Ocean Rig ASA and subsidiaries' net assets. Those statements were audited by other auditors whose reports as to: (1) 2008 expresses an unqualified opinion on the consolidated financial statements and includes an explanatory paragraph relating to substantial doubt about the consolidated subsidiary's ability to continue as a going concern and (2) 2009 expresses an unqualified opinion on the consolidated financial statements and includes explanatory paragraphs relating to the (i) restatement discussed in Note 1b to the consolidated financial statements and (ii) removal of the explanatory paragraph relating to the consolidated subsidiary's ability to continue as a going concern, have been furnished to us, and our opinion, insofar as it relates to the amounts included for Ocean Rig UDW and Ocean Rig ASA for the years ended December 31, 2009 and 2008, is based solely on the reports of the other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of DryShips, Inc. and its subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

The accompanying consolidated balance sheet as of December 31, 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2009, have been prepared assuming that the Company will continue as a going concern. The Company's inability to comply with financial covenants under its original loan agreements as of December 31, 2009, its negative working capital position and other matters raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 1b to the consolidated financial statements, the accompanying 2009 financial statements have been restated to correct a misstatement. As discussed in the financial statement schedule listed in the Index at Item 18, the financial statement schedule has been restated to correct a misstatement.

April 7, 2010 (April 15, 2011 as to the effects of the restatement discussed in Note 1b to the consolidated financial statements and in the financial statement schedule listed in the Index at Item 18)

/s/ Deloitte.
Hadjipavlou Sofianos & Cambanis S.A.
Athens, Greece

Consolidated Balance Sheets
As of December 31, 2009 and 2010
(Expressed in thousands of U.S. Dollars - except for share and per share data)

	2009 (As restated)	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 693,169	$ 391,530
Restricted cash (Note 2)	350,833	578,311
Trade accounts receivable, net of allowance for doubtful receivables of $487 and $0	66,681	25,204
Due from related parties (Note 4)	27,594	20,939
Financial instruments (Note 12)	993	1,538
Other current assets	41,380	47,588
Total current assets	1,180,650	1,065,110
FIXED ASSETS, NET:		
Advances for vessels and rigs under construction and acquisitions (Note 5)	1,182,600	2,072,699
Vessels, net (Note 6)	2,058,329	1,917,966
Drilling rigs, machinery and equipment, net (Note 6)	1,329,641	1,249,333
Total fixed assets, net	4,570,570	5,239,998
OTHER NON-CURRENT ASSETS:		
Restricted cash (Note 2)	—	195,517
Intangible assets, net (Note 9)	12,639	10,506
Above-market acquired time charter (Note 9)	2,048	1,170
Other non-current assets (Note 10)	41,088	472,193
Total other non-current assets	55,775	679,386
Total assets	$5,806,995	$6,984,494
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 11)	$1,698,692	$ 731,232
Accounts payable and other current liabilities	24,565	14,009
Accrued liabilities	80,236	67,554
Deferred revenue	19,693	49,937
Financial instruments (Note 12)	72,837	72,703
Total current liabilities	1,896,023	935,435
NON-CURRENT LIABILITIES		
Below- market acquired time charter (Note 9)	7,632	854
Long-term debt, net of current portion (Note 11)	985,992	1,988,460
Financial instruments (Note 12)	104,763	159,376
Other non-current liabilities (Note 15)	43	840
Total non-current liabilities	1,098,430	2,149,530
COMMITMENTS AND CONTINGENCIES (Note 16)	—	—
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 500,000,000 shares authorized; 100,000,000 shares designated as Series A Convertible preferred stock; 52,238,806 shares of Series A Convertible Preferred Stock issued and outstanding at December 31, 2009 and 2010 (Note 13)	522	522
Common stock, $0.01 par value; 1,000,000,000 shares authorized at December 31, 2009 and 2010; 280,326,271 and 369,649,777 shares issued and outstanding at December 31, 2009 and 2010, respectively (Note 13)	2,803	3,696
Additional paid-in capital (Note 13)	2,681,974	3,062,444
Accumulated other comprehensive loss	(33,399)	(38,754)
Retained earnings	160,642	335,345
Total Dryships Inc. stockholders' equity	2,812,542	3,363,253
Non controlling interests (Note 8)	—	536,276
Total equity	2,812,542	3,899,529
Total liabilities and stockholders' equity	$5,806,995	$6,984,494

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

DRYSHIPS INC.

Consolidated Statements of Operations
For the years ended December 31, 2008, 2009 (as restated) and 2010
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	2008	2009 (As restated)	2010
REVENUES:			
Revenues (Note 2 and 20)	$ 1,080,702	$ 819,834	$ 859,745
OPERATING EXPENSES/(INCOME):			
Voyage expenses (Note 2 and 18)	53,172	28,779	27,433
Vessel and drilling rigs operating expenses (Note 18)	165,891	201,887	190,614
Depreciation and amortization (Note 6 and 9)	157,979	196,309	192,891
Gain on sale of assets, net (Note 6)	(223,022)	(2,045)	(9,435)
Gain on contract cancellation (Note 6)	(9,098)	(15,270)	—
Contract termination fees and forfeiture of vessel deposits (Note 4 and 5)	160,000	259,459	—
Vessel impairment charge (Note 6 and 12)	—	1,578	3,588
Goodwill impairment charge (Note 7)	700,457	—	—
General and administrative expenses	89,358	90,823	87,264
Operating income/(loss)	(14,035)	58,314	367,390
OTHER INCOME / (EXPENSES):			
Interest and finance costs (Note 19)	(113,194)	(84,430)	(67,825)
Interest income	13,085	10,414	21,866
Gain/(loss) on interest rate swaps (Note 12)	(207,936)	23,160	(120,505)
Other, net (Note 12)	(12,640)	(6,692)	9,960
Total expenses, net	(320,685)	(57,548)	(156,504)
INCOME /(LOSS) BEFORE INCOME TAXES AND EQUITY IN LOSS OF INVESTEE	(334,720)	766	210,886
Less: Income taxes (Note 22)	(2,844)	(12,797)	(20,436)
Less: Equity in loss of investee (Note 7)	(6,893)	—	—
NET INCOME/(LOSS)	(344,457)	(12,031)	190,450
Less: Net income attributable to non controlling interests (Note 2 and 8)	(16,825)	(7,178)	(2,123)
NET INCOME/(LOSS) ATTRIBUTABLE TO DRYSHIPS INC.	$ (361,282)	$ (19,209)	$ 188,327
NET INCOME/(LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS (Note 21)	$ (361,809)	$ (26,706)	$ 172,564
EARNINGS/(LOSS) PER COMMON SHARE ATTRIBUTABLE TO DRYSHIPS INC. COMMON STOCKHOLDERS, BASIC (Note 21)	$ (8.11)	$ (0.13)	$ 0.64
WEIGHTED AVERAGE NUMBER OF COMMON SHARES, BASIC (Note 21)	44,598,585	209,331,737	268,858,688
EARNINGS/(LOSS) PER COMMON SHARE ATTRIBUTABLE TO DRYSHIPS INC. COMMON STOCKHOLDERS, DILUTED (Note 21)	$ (8.11)	$ (0.13)	$ 0.61
WEIGHTED AVERAGE NUMBER OF COMMON SHARES, DILUTED (Note 21)	44,598,585	209,331,737	305,425,852

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

DRYSHIPS INC.

Consolidated Statements of Stockholders' Equity
For the years ended December 31, 2008, 2009 (as restated) and 2010
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	Comprehensive Income/Loss	Comprehensive Income/Loss		Series A Convertible Preferred Stock		Common Stock			
	Comprehensive Income/Loss	Attributable To the parent	Attributable To noncontrolling interest	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss
BALANCE, December 31, 2007				**—**		**36,681,097**	**$ 367**	**$ 454,538**	**$ —**
-Net loss	$ (361,282)	—	—	—	—	—	—	—	—
-Issuance of common stock	—	—	—	—	—	32,918,903	329	662,335	
-Issuance of non-vested shares and amortization of stock based compensation	—	—	—	—	—	1,000,000	10	31,492	—
-Acquisition of subsidiary shares to non controlling interest	—	—	—	—	—	—	—	—	—
-Unrealized loss on cash flows hedges	$ (46,548)	—	—	—	—	—	—	—	(46,548)
-Redemption of non controlling interest	—	—	—	—	—	—	—	—	—
-Decrease in minimum pension liability	$ 1,701	—	—	—	—	—	—	—	1,701
-Dividends declared and paid ($ 0.80 per share)	—	—	—	—	—	—	—	—	$ —
Comprehensive loss	**$ (406,129)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
BALANCE, December 31, 2008				**—**	**—**	**70,600,000**	**706**	**1,148,365**	**(44,847)**
-Net income/(loss) (as restated)	$ (12,031)	—	—	—	—	—	—	—	—
-Issuance of common stock and warrants	—	—	—	—	—	209,645,000	2,096	1,027,967	—
-Issuance of non-vested shares	—	—	—	—	—	81,271	1	(1)	—
-Equity component of convertible notes	—	—	—	—	—	—	—	125,336	—
-Issuance of subsidiary shares to non controlling interest	—	—	—	—	—	—	—	(37,511)	9,738
-Issuance of Series A convertible preferred stock	—	—	—	52,238,806	522	—	—	267,478	—
-Acquisition of non controlling interest	—	—	—	—	—	—	—	84,814	(6,331)

	Retained Earnings	Total Dryships Inc. Stockholders Equity	Non controlling interests	Total Equity	Redeemable Noncontrolling interests (Temporary equity)	Net income
BALANCE, December 31, 2007	**$ 566,824**	**$1,021,729**	**$ —**	**$1,021,729**	**$ —**	
-Net loss	(361,282)	(361,282)	—	(361,282)	16,825	$(344,457)
-Issuance of common stock	—	662,664	—	662,664		
-Issuance of non-vested shares and amortization of stock based compensation	—	31,502	—	31,502	—	
-Acquisition of subsidiary shares to non controlling interest	—	—	—	—	4,644	
-Unrealized loss on cash flows hedges	—	(46,548)	—	(46,548)	—	
-Redemption of non controlling interest	15,050	15,050	—	15,050	(21,469)	
-Decrease in minimum pension liability	—	1,701	—	1,701	—	
-Dividends declared and paid ($ 0.80 per share)	(33,244)	(33,244)	—	(33,244)	—	
Comprehensive loss						
BALANCE, December 31, 2008	**187,348**	**1,291,572**	**—**	**1,291,572**		
-Net income/(loss)	(19,209)	(19,209)	7,178	(12,031)		
-Issuance of common stock and warrants	—	1,030,063	—	1,030,063		
-Issuance of non-vested shares	—	—	—	—		
-Equity component of convertible notes	—	125,336	—	125,336		
-Issuance of subsidiary shares to non controlling interest	—	(27,773)	385,898	358,125		
-Issuance of Series A convertible preferred stock	—	268,000	—	268,000		
-Acquisition of non controlling interest	—	78,483	(396,483)	(318,000)		

DRYSHIPS INC.

Consolidated Statements of Stockholders' Equity
For the years ended December 31, 2008, 2009 (as restated) and 2010
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	Comprehensive Income/Loss	Comprehensive Income/Loss		Series A Convertible Preferred Stock		Common Stock			
	Comprehensive Income/Loss	Attributable to the Parent	Attributable to noncontrolling interest	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss
-Shareholder's contribution of cancellation fees for vessels acquisitions		—	—	—	—	—	—	19,958	—
-Unrealized gain on cash flows hedges (as restated)	$ 10,878	—	—	—	—	—	—	—	7,627
-Amortization of stock based compensation		—	—	—	—	—	—	38,071	—
-Decrease in minimum pension liability	$ 570	—	—	—	—	—	—	—	414
-Dividends on preferred stock								7,497	
-Comprehensive loss (as restated)	$ (583)	—	—	—	—	—	—	—	—
BALANCE December 31, 2009 (as restated)				**52,238,806**	**522**	**280,326,271**	**2,803**	**2,681,974**	**(33,399)**
-Net income	$ 190,450	188,327	2,123	—	—	—	—	—	—
-Issuance of common stock		—	—	—	—	84,818,706	848	341,026	—
-Issuance of non-vested shares		—	—	—	—	4,504,800	45	(45)	—
-Equity component of convertible notes and other		—	—	—	—	—	—	74,500	—
-Acquisition of subsidiary shares from non controlling interest		309	309	—	—	—	—	(16,038)	309
-Issuance of subsidiary shares to non controlling interest		—	—	—	—	—	—	(56,797)	11,131
-Unrealized loss on cash flows hedges	$ (5,495)	(5,694)	199	—	—	—	—	—	(5,694)
-Realized losses on cash flow hedges	$ (11,539)	(11,450)	(89)						(11,450)
-Amortization of stock based compensation		—	—	—	—	—	—	24,200	—
-Increase in benefit plan adjustment, net of tax	$ 425	349	76	—	—	—	—	—	349
-Dividends on preferred stock		—	—	—	—	—	—	13,624	—
-Comprehensive income	$ 174,150	171,841	$ 2,309	—	—	—	—	—	—
BALANCE December 31, 2010				**52,238,806**	**$522**	**369,649,777**	**$3,696**	**$3,062,444**	**$ (38,754)**

	Retained Earnings	Total Dryships Inc. Stockholders Equity	Non controlling interests	Total equity	Redeemable Noncontrolling interests (Temporary equity)	Net income
-Shareholder's contribution of cancellation fees for vessels acquisitions	—	19,958	—	19,958		
-Unrealized gain on cash flows hedges (as restated)	—	7,627	3,251	10,878		
-Amortization of stock based compensation	—	38,071	—	38,071		
-Decrease in minimum pension liability	—	414	156	570		
-Dividends on preferred stock	(7,497)	—	—	—		
-Comprehensive loss (as restated)	—	—	—	—		
BALANCE December 31, 2009 (as restated)	**160,642**	**2,812,542**	**—**	**2,812,542**		
-Net income	188,327	188,327	2,123	190,450		
-Issuance of common stock	—	341,874	—	341,874		
-Issuance of non-vested shares	—	—	—	—		
-Equity component of convertible notes and other	—	74,500	—	74,500		
-Acquisition of subsidiary shares to non controlling interest	—	(15,729)	—	(15,729)		
-Issuance of subsidiary shares to non controlling interest	—	(45,666)	533,967	488,301		
-Unrealized loss on cash flows hedges	—	(5,694)	199	(5,495)		
-Realized losses on cash flow hedges		(11,450)	(89)	(11,539)		
-Amortization of stock based compensation	—	24,200	—	24,200		
-Increase in benefit plan adjustment, net of tax	—	349	76	425		
-Dividends on preferred stock	(13,624)	—	—	—		
-Comprehensive income	—	—	—	—		
BALANCE December 31, 2010	**$335,345**	**$3,363,253**	**$536,276**	**$3,899,529**		

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

DRYSHIPS INC.

Consolidated Statements of Cash Flows
For the years ended December 31, 2008, 2009 (as restated) and 2010
(Expressed in thousands of U.S. Dollars - except for share and per share data)

	Year ended December 31,		
	2008	2009 (As restated)	2010
Cash Flows from Operating Activities:			
Net income / (loss)	$ (344,457)	(12,031)	$ 190,450
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	157,979	196,309	192,891
Commitments fees on undrawn line of credit	2,855	5,760	6,376
Amortization, write off of financing costs and premium paid over withdrawn loans	15,980	12,940	11,866
Amortization of convertible senior notes debt discount	—	1,769	26,516
Amortization of fair value of acquired time charters	(34,638)	(9,462)	(5,557)
Vessel impairment charge	—	1,578	3,588
Gain on sale of assets, net	(223,022)	(2,045)	(9,435)
Gain on contract cancellation	(9,098)	(15,270)	—
Goodwill impairment charge	700,457	—	—
Equity in loss of investees	6,893	—	—
Forfeiture of advances for vessel acquisitions	55,000	93,158	—
Contract termination fees	—	99,205	—
Amortization of stock based compensation	31,502	38,071	24,200
Interest income on restricted cash	—	(6,997)	(6,205)
Change in fair value of derivatives	204,964	(60,230)	48,439
Security deposits for derivatives	(31,600)	(9,100)	(37,900)
Amortization of free lubricants benefit	(276)	(333)	(24)
Changes in operating assets and liabilities:			
Trade accounts receivable	23	(14,240)	41,477
Due from related parties	(2,770)	(15,451)	6,610
Other current assets	433	(16,059)	(6,208)
Accounts payable and other current liabilities	(291)	1,259	(10,336)
Pension liability	—	(142)	1,415
Accrued liabilities	10,770	13,887	14,133
Other non – current assets	—	126	—
Deferred revenue	(575)	(3,316)	(2,956)
Net settlements of cash flow hedges	—	(5,262)	(11,539)
Net Cash Provided by Operating Activities	540,129	294,124	477,801
Cash Flows from Investing Activities:			
Insurance proceeds	4,622	516	—
Business acquisitions, net of cash acquired	(991,306)	—	—
Cash from acquisition of drillships	—	248	—
Advances for vessel acquisitions / rigs under construction	(507,322)	(129,889)	(890,098)
Advances for rigs under constructions – related party	(4,963)	—	—
Delivery payment for rig under construction	—	—	(294,569)
Option for future construction of rigs	—	—	(99,024)
Vessel acquisitions and improvements	(742,844)	(48,542)	(43,448)
Drilling rigs, equipment and other improvements	(16,584)	(14,540)	(10,136)
Proceeds from sale of vessels	410,204	45,433	73,317
Proceeds from sale of subsidiary	—	100	—
Increase in restricted cash	(262,659)	(35,363)	(416,790)
Decrease in restricted cash	—	12,087	—
Net Cash Used in Investing Activities	(2,110,852)	(169,950)	(1,680,748)
Cash Flows from Financing Activities:			
Proceeds from issuance of convertible notes	—	447,810	237,202
Proceeds from long-term credit facility	2,443,987	855	8,250
Proceeds from short-term credit facility	430,926	150,000	300,000

Payments of short-term credit facility	(793,416)	(355,052)	(247,717)
Principal payments and repayments of long-term debt	(914,347)	(874,344)	(217,726)
Net proceeds from common stock issuance	662,664	950,555	341,774
Net proceeds from sale in ownerships of subsidiary	—	—	488,301
Proceeds from share-lending arrangement	—	261	100
Acquisition of non controlling interests	—	(50,000)	—
Dividends paid	(33,244)	—	—
Payment of financing costs	(33,801)	(4,204)	(8,876)

DRYSHIPS INC.

Consolidated Statements of Cash Flows
For the years ended December 31, 2008, 2009 (as restated) and 2010
(Expressed in thousands of U.S. Dollars - except for share and per share data)

Net Cash Provided by Financing Activities	1,762,769	265,881	901,308
Net increase/ (decrease) in cash and cash equivalents	192,046	390,055	(301,639)
Cash and cash equivalents at beginning of year	111,068	303,114	693,169
Cash and cash equivalents at end of year	$ 303,114	$693,169	$ 391,530
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year/period for:			
Interest, net of amount capitalized	$ 85,910	$ 63,814	$ 58,851
Income taxes	2,566	13,233	19,803
Non cash financing and investing activities:			
Issuance of non-vested shares	10	1	45
Issuance of common stock and warrants for termination agreements	—	79,247	—
Deemed shareholders contribution	—	19,958	—
Fair value of shares issued for the acquisition of non controlling interest	—	268,000	—
Difference between the consideration received and the equity attributed to non-controlling interest	—	357,877	45,666
Fair value of preferred share dividend	$ —	$ 7,497	$ 13,624

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

DRYSHIPS INC.

Notes to Consolidated Financial Statements
For the years ended December 31, 2008, 2009 (as restated) and 2010
(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

1. Basis of Presentation and General Information:

a. General Information

The accompanying consolidated financial statements include the accounts of DryShips Inc. and its subsidiaries (collectively, the "Company" or "DryShips"). DryShips was formed on September 9, 2004 under the laws of the Republic of the Marshall Islands. The Company is a provider of international seaborne drycargo and oil transportation services and deepwater drilling rig services.

Charterers individually accounting for more than 10% of the Company's voyage revenues and drilling rig revenues during the years ended December 31, 2008, 2009 and 2010 were as follows:

	Year ended December 31, 2010		
	2008	2009	2010
Charterer A – Drilling rig segment	16%	—	—
Charterer B – Drilling rig segment	10%	19%	—
Charterer C – Drilling rig segment	—	27%	26%
Charterer D – Drilling rig segment	—	—	20%

In addition, 6%, 1% and 0% of the Company's voyage revenues during the years ended December 31, 2008, 2009 and 2010, respectively, were derived from the participation of certain of the Company's vessels in a drybulk pool.

b. Restatement of Financial Statements in 2009

Subsequent to the issuance of the Company's 2009 consolidated financial statements, the Company's management determined that the amount of interest capitalized pursuant to ASC 835-20, *Capitalization of Interest* (ASC 835-20) for four drillships under construction for the year ended December 31, 2009 was erroneously calculated. The errors comprised the following:

- The Company erroneously excluded from the amount of the expenditures for the qualifying assets the portion of the purchase price of two drillships under construction acquired by its consolidated subsidiary, Ocean Rig UDW, that was paid for in shares of stock of Ocean Rig UDW.
- The Company erroneously excluded borrowings of its consolidated subsidiary, Ocean Rig UDW, and certain borrowings of DryShips Inc. from the calculation of the capitalization rate used to determine capitalized interest.

The correction of the above errors resulted in an increase in the amount of interest capitalized as of December 31, 2009 by $7.9 million (included in advances for vessels and rigs under construction and acquisitions in the balance sheet) and a corresponding decrease in interest and finance costs for the year ended December 31, 2009.

In addition, the Company erroneously accounted for under ASC 815-30, *Cash Flow Hedges* (ASC 815-30) the settlement payments made in 2009 on interest rate swaps that were designated and effective as cash flow hedges on variable rates debts, (interest of which was being capitalized as cost of drillships under construction) by immediately reclassifying the entire settlement payments from accumulated other comprehensive loss ("AOCL") to interest and finance costs in the statement of operations. Accordingly, a portion of the settlement payments on the interest rate swaps is reclassified back to AOCL and will be reclassified to interest and finance costs at the same time that the capitalized interest on the hedged variable rate debts is recognized in income through depreciation. The correction of the erroneous application of ASC 815-30 resulted in a decrease in interest and finance costs for the year ended December 31, 2009 and an increase in accumulated other comprehensive loss by $5.3 million as of December 31, 2009.

The impact of the foregoing errors is shown below:

Consolidated Statement of Operations	For the Year Ended December 31, 2009	
	as previously reported	as restated
Interest and finance costs	$ (97,599)	$(84,430)
Income/(Loss) before income taxes and equity in loss of investee	(12,403)	766
Net loss	(25,200)	(12,031)
Net loss attributable to Dryships Inc.	(32,378)	(19,209)
Net loss attributable to common stockholders	(39,875)	(26,706)
Loss per common share, basic and diluted	$ (0.19)	$ (0.13)

Consolidated Balance Sheet	As at December 31, 2009	
	as previously reported	as restated
Advances for vessels and rigs under construction and acquisitions	$1,174,693	$1,182,600
Total Fixed Assets, net	4,562,663	4,570,570
Total assets	5,799,088	5,806,995
Accumulated other comprehensive loss	(28,137)	(33,399)
Total Dryships Inc. stockholders' equity	2,804,635	2,812,542
Total equity	2,804,635	2,812,542
Total liabilities and stockholders' equity	$5,799,088	$5,806,995

Consolidated Cash Flow	For the Year ended December 31, 2009	
	as previously reported	as restated
Net Loss	$ (25,200)	$ (12,031)
Net Cash provided by Operating Activities	286,217	294,124
Advances for vessel acquisitions/rigs under construction	(121,982)	(129,889)
Net cash Used in Investing Activities	(162,043)	$ (169,950)

2. Significant Accounting policies:

(a) Principles of Consolidation: The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and include the accounts and operating results of DryShips and its majority-owned subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. Where necessary, comparatives have been reclassified to conform to changes in presentation in the current year.

(b) Equity method investments: Investments in the common stock of entities, in which the Company believes it exercises significant influence over operating and financial policies, are accounted for using the equity method. Under this method the investment is carried at cost, and is adjusted to recognize the investor's share of the earnings or losses of the investee after the date of acquisition and is adjusted for impairment whenever facts and circumstances determine 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 by the investor and such amount reflects adjustments similar to those made in preparing consolidated financial statements including adjustments to eliminate intercompany gains and losses, and to amortize, if appropriate, any differences between investor cost and underlying equity in net assets of the investee at the date of acquisition. The investment of an investor is also adjusted to reflect the investor's share of changes in the investee's capital.

(c) Business Combinations: In accordance with ASC 805 "Business Combinations", the purchase price of acquired businesses or properties is allocated to tangible and identified intangible assets and liabilities based on their respective fair values. The excess of the purchase price over the respective fair value of net assets acquired is recorded as goodwill. Costs incurred in relation to pursuing any business acquisition were capitalized until adoption of the guidance for business combinations on January 1, 2009 that requires the expensing of all costs related to business combinations, when they are directly related to the business acquisition and the acquisition is probable. Acquisition costs also include fees paid to bankers in connection with obtaining related financing. Such financing costs are an element of the effective interest cost of the debt; therefore they are classified as a contra to debt upon the business combination and the receipt of the related debt proceeds and are amortized using the effective interest method through the term of the respective debt.

(d) Goodwill and intangible assets: Goodwill represents the excess of the purchase price over the estimated fair value of net assets acquired within the Drilling Rigs reporting unit. Goodwill is reviewed for impairment whenever events or circumstances indicate possible impairment in accordance with guidance related to Goodwill and Other Intangible Assets. This guidance requires at least the annual testing for impairment, and not the amortization, of goodwill and other intangible assets with an indefinite life. The Company tests for impairment each year on December 31.

The Company tests goodwill for impairment by first comparing the carrying value of the Drilling Rigs reporting unit, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management, to its fair value. The Company estimates the fair value of the

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

2. Significant Accounting policies – (continued):

(d) Goodwill and intangible assets – (continued):

Drilling Rigs reporting unit by weighting the combination of generally accepted valuation methodologies, including both income and market approaches.

For the income approach, the Company discounts projected cash flows using a long-term weighted average cost of capital ("WACC") rate, which is based on the Company's estimate of the investment returns that market participants would require. To develop the projected net cash flows from the Company's Drilling Rigs reporting unit, which are based on estimated future utilization, day rates, projected demand for its services, and rig availability, the Company considers key factors that include assumptions regarding future commodity prices, credit market uncertainties and the effect these factors may have on the Company's contract drilling operations and the capital expenditure budgets of its customers.

For the market approach, the Company derives publicly traded company multiples from companies with operations similar to the Company's reporting units by using information publicly disclosed by other publicly traded companies and, when available, analyses of recent acquisitions in the marketplace.

If the fair value of a reporting unit exceeds its carrying value, then no further testing is required. This is referred to as Step 1. If the fair value is determined to be less than the carrying value, a second step, or Step 2, is performed to compute the amount of the impairment, if any. In this process, an implied fair value for goodwill is estimated, based in part on the fair value of the operations, and is compared to its carrying value. The shortfall of the implied fair value of goodwill below its carrying value represents the amount of goodwill impairment.

From the date the Company acquired Ocean Rig ASA ("Ocean Rig") in May 2008 through the annual goodwill impairment test performed on December 31, 2008, the market declined significantly and various factors negatively affected industry trends and conditions, which resulted in the revision of certain key assumptions used in determining the fair value of the Company's Drilling Rigs reporting unit and therefore the implied fair value of goodwill. During the second half of 2008, the credit markets tightened, driving up the cost of capital and therefore the Company increased the rate of a long-term weighted average cost of capital. In addition, the economic downturn and the volatile oil prices resulted in a downward revision of projected cash flows from the Company's Drilling Rigs reporting unit in the Company's forecasted discounted cash flows analysis for its 2008 impairment testing. Furthermore, the decline in the global economy negatively impacted publicly traded company multiples used when estimating fair value under the market approach. Based on results of the Company's annual goodwill impairment analysis and subsequent reconciliation to its market capitalization, the Company determined that the carrying value of the Company's goodwill was impaired. A total impairment charge of $700.5 million was recorded for the year ended December 31, 2008, which represents the write-off of all recorded goodwill in the Drilling Rigs reporting unit.

The Company's finite-lived acquired intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Intangible assets/liabilities	Years
Tradenames	10
Software	10
Fair value of above market acquired time charters	Over remaining contract term
Fair value of below market acquired time charters	Over remaining contract term

In accordance with guidance related to Accounting for the Impairment or Disposal of Long-Lived Assets, the Company evaluates the potential impairment of finite-lived acquired intangible assets when there are indicators of impairment. The finite-lived intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable based on estimates of future undiscounted cash flows. In the event of impairment, the asset is written down to its fair value. An impairment loss, if any, is measured as the amount by which the carrying amount of the asset exceeds its fair value. For finite-lived intangible assets, no impairment was recognized during any period presented.

(e) Use of Estimates: The preparation of consolidated financial statements in conformity with US 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):

(f) Other Comprehensive Income/ (Loss): The Company follows the provisions of ASC 220, "Comprehensive Income", which requires separate presentation of certain transactions, which are recorded directly as components of stockholders' equity. The Company's comprehensive income/(loss) is comprised of net income, actuarial gain related to the adoption and implementation of ASC 715, "Compensation-Retirement Benefits", as well as a loss in the fair value of the derivatives that qualify for hedge accounting in accordance with ASC 815 "Derivatives and Hedging".

(g) 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.

(h) Restricted Cash: Restricted cash includes (i) cash collateral required under the Company's financing and forward freight arrangements ("FFAs"), (ii) retention accounts which can only be used to fund the loan installments coming due and (iii) minimum liquidity requirements under the loan facilities. Total "Restricted cash" as shown in the consolidated balance sheet as at December 31, 2009 and 2010 amounted to $350,833 and $773,828, respectively.

In terms of the loan agreement, the Company is required to hold bank deposits which are used to fund the loan installments coming due. These funds can only be used for the purposes of loan repayments and are shown as "Restricted cash" under current assets that at December 31, 2009 and 2010, amounted to $337,764 and $576,702, respectively, in the accompanying consolidated balance sheets. Restricted cash also includes additional minimum cash deposits required to be maintained with certain banks under the Company's borrowing arrangements.

Included in the restricted cash balances classified as current on the accompanying consolidated balance sheets are minimum required cash deposits, as defined in the FFAs which amounted to $13,069 and $1,609, at December 31, 2009 and 2010, respectively. These deposits are used as collateral to FFAs.

Included in the cash balances classified as non current are required minimum cash and cash equivalents or minimum liquidity amounting to $ 195,517.

(i) Concentration of Credit Risk: Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents; trade accounts receivable and derivative contracts (interest rate swaps, foreign currency contracts and forward freight agreements). The Company places its cash and cash equivalents, consisting mostly of deposits, with qualified 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 counter parties to derivative instruments; however, the Company limits its exposure by diversifying among counter parties. The Company limits its credit risk with trade accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its trade accounts receivable.

(j) Trade Accounts Receivable: The amount shown as accounts receivable, trade, at each balance sheet date, includes receivables from charterers for hire of vessels and drilling rigs, freight and demurrage billings, net of a provision 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. Provision for doubtful accounts at December 31, 2009 and 2010 totaled $487 and $0, respectively.

(k) Advances for vessels and rigs under construction and acquisitions: This represents amounts expended by the Company in accordance with the terms of the purchase agreements for vessels and the construction contracts for vessels and drilling rigs. Interest costs incurred during the construction (until the asset is substantially complete and ready for its intended use) are capitalized. Capitalized interest expense for the years ended December 31, 2008, 2009 and 2010 amounted to $13,058, $31,383 and $78,451, respectively.

2. Significant Accounting policies – (continued):

(l) Capitalized interest: Interest expense is capitalized during construction period of rigs and vessels based on accumulated expenditures for the applicable project at the Company's current rate of borrowing. The amount of interest expense capitalized in an accounting period is determined by applying an interest rate ("the capitalization rate") to the average amount of accumulated expenditures for the asset during the period. The capitalization rates used in an accounting period are based on the rates applicable to borrowings outstanding during the period. The Company does not capitalize amounts in excess of actual interest expense incurred in the period. If the Company's financing plans associate a specific new borrowing with a qualifying asset, the Company uses the rate on that borrowing as the capitalization rate to be applied to that portion of the average accumulated expenditures for the asset that does not exceed the amount of that borrowing. If average accumulated expenditures for the asset exceed the amounts of specific new borrowings associated with the asset, the capitalization rate applied to such excess is a weighted average of the rates applicable to other borrowings of the Company.

(m) 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 current assets'. 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 the insurance claim.

(n) Inventories: Inventories consist of consumable bunkers (if any), lubricants and victualling stores, which are stated at the lower of cost or market value and are recorded under 'Other current assets'. Cost is determined by the first in, first out method.

(o) Foreign Currency Translation: The functional currency of the Company is the U.S. Dollar since the Company operates in international shipping and drilling markets, and therefore primarily transacts business in U.S. Dollars. The Company's accounting records are maintained in U.S. Dollars. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are translated into U.S. Dollars at the year-end exchange rates. Resulting gains or losses are included in "General and administrative expenses" in the accompanying consolidated statements of operations.

(p) Fixed Assets, Net:

(i) Drybulk and tanker carrier vessels are stated at cost, which consists of the contract price and any material expenses incurred upon acquisition (initial repairs, improvements, delivery expenses and other expenditures to prepare the vessel for its initial voyage). Subsequent expenditures for major improvements are also capitalized when they appreciably extend the useful life, increase the earning capacity or improve the efficiency or safety of the vessels. The cost of each of the Company's vessels is depreciated beginning when the vessel is ready for its intended use, on a straight-line basis over the vessel's remaining economic useful life, after considering the estimated residual value. Vessel's residual value is equal to the product of its lightweight tonnage and estimated scrap rate per ton. In general, management estimates the useful life of the Company's vessels to be 25 years from the date of initial delivery from the shipyard. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life is adjusted at the date such regulations are adopted.

(ii) Drilling rigs are stated at cost less accumulated depreciation. Such costs include the cost of adding/replacing parts of drilling rig machinery and equipment when that cost is incurred, if the recognition criteria are met. The recognition criteria require that the cost incurred extends the useful life of a drilling rig. The carrying amounts of those parts that are replaced are written off and the cost of the new parts is capitalized. Depreciation is calculated on a straight-line basis over the useful life of the assets as follows: bare deck 30 years and other asset parts 5 to 15 years. The residual value of drilling rigs is $15,000.

(iii) Drilling rig machinery and equipment, IT and office equipment, are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives, for Drilling rig machinery and equipment over 5-15 years and for IT and office equipment over 5 years.

2. Significant Accounting policies – (continued):

(q) Long lived assets held for sale: The Company classifies long lived assets and disposal groups as being held for sale in accordance with ASC 360, "Property, Plant and Equipment", when: (i) management has committed to a plan to sell the long lived assets; (ii) the long lived assets are available for immediate sale in their present condition; (iii) an active program to locate a buyer and other actions required to complete the plan to sell the long lived assets have been initiated; (iv) the sale of the long lived assets is probable and transfer of the asset is expected to qualify for recognition as a completed sale within one year; and (v) the long lived assets are being actively marketed for sale at a price that is reasonable in relation to its current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Long lived assets classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These long lived assets are not depreciated once they meet the criteria to be classified as held for sale.

When the Company concludes a Memorandum of Agreement for the disposal of a vessel/rig which has yet to complete a time charter contract, it is considered that the held for sale criteria discussed in guidance are not met until the time charter contract has been completed as the vessel is not available for immediate sale. As a result, such vessels/rigs are not classified as held for sale.

When the Company concludes a Memorandum of Agreement for the disposal of a vessel/rig which has no time charter contract to complete or a time charter that is transferable to a buyer, it is considered that the held for sale criteria discussed in the guidance are met. As a result such vessels/rigs are classified as held for sale. Furthermore, in the period a long-lived asset meets the held for sale criteria, a loss is recognized for any reduction of the long-lived asset's carrying amount to its fair value less cost to sell. No such adjustments were identified for the years ended December 31, 2008, 2009 and 2010.

(r) Fair value of above/below market acquired time charter: Where the Company identifies any assets or liabilities associated with the acquisition of a vessel or drilling rigs the Company records all such identified assets or liabilities at fair value. Fair value is determined by reference to market data. The Company values any asset or liability arising from the market value of the time charters assumed when a vessel and/or rig is acquired. The value of the asset or liability at the date of delivery of a vessel or drilling rig is based on the difference between the current fair values of a charter with similar characteristics as the time charter assumed and the net present value of future contractual cash flows from the time charter contract assumed. When the present value of the time charter assumed is greater than the current fair value of such charter, the difference is recorded as "Fair value of above market acquired time charter". When the opposite situation occurs, the difference is recorded as "Fair value of below market acquired time charter". Such assets and liabilities are amortized as a reduction of, or an increase in revenue, respectively over the period of the time charter assumed.

(s) Impairment of Long-Lived Assets: The Company reviews for impairment long-lived assets and intangible long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In this respect, the Company reviews its assets for impairment on a rig by rig and asset by asset basis. 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, the Company evaluates the asset for impairment loss. The impairment loss is determined by the difference between the carrying amount of the asset and the fair value of the asset. The Company evaluates the carrying amounts of its vessels by obtaining independent vessel appraisals to determine if events have occurred that would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, the Company reviews certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, vessels' operating expenses, vessels' capital expenditures, vessels' residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. To the extent impairment indicators are present, the Company determines undiscounted projected net operating cash flows for each vessel and compares them to the vessel's carrying value. The projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days. The Company estimates the daily time charter equivalent for the unfixed days based on the most recent ten year historical average for similar vessels and utilizing available market data for time charter and spot market rates and forward freight agreements over the remaining estimated life of the vessel, assumed to be 25 years from the delivery of the vessel from the shipyard, net of brokerage commissions, expected outflows for vessels' maintenance and vessel operating expenses (including planned drydocking and special survey expenditures), assuming an average annual inflation rate of 2% and fleet utilization of 98%. The salvage value used in the impairment test is estimated to be $120 per light weight ton (LWT) in accordance with the Company's vessels' depreciation policy. If the Company's estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down, by recording a charge to operations, to the vessel's fair market value if the fair market value is lower than the vessel's carrying value. The Company's analysis for the year ended December 31, 2010, which also involved sensitivity tests on the time charter rates and fleet utilization (being the most sensitive inputs to variances), allowing for variances ranging from 97.5% to 92.5% depending on vessel type on time charter rates, indicated no impairment on any of its vessels. Although the Company believes

2. Significant Accounting policies – (continued):

that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how long charter rates and vessel values will remain at their currently low levels or whether they will improve by any significant degree. Charter rates may remain at depressed levels for some time which could adversely affect the Company's revenue and profitability, and future assessments of vessel impairment. As a result of the impairment review, the Company determined that the carrying amounts of its assets held for use were recoverable, and therefore, concluded that no impairment loss was necessary for 2008, 2009 and 2010. However, due to Company's decision to sell certain vessels subsequent to the balance sheet dates and based on the agreed-upon sales price, an impairment charge of $1,578 and $3,588, for each of the years ended December 31, 2009 and 2010 respectively was recognized (Notes 6 and 12).

(t) Dry-docking Costs: The Company follows the direct expense method of accounting for dry-docking costs whereby costs are expensed in the period incurred for the drybulk carrier vessels and the drilling rigs.

(u) Deferred Financing Costs: Deferred financing costs include fees, commissions and legal expenses associated with the Company's long- term debt. These costs are amortized over the life of the related debt using the effective interest method and are included in interest expense. Unamortized fees relating to loans repaid or refinanced as debt extinguishments are expensed as interest and finance costs in the period the repayment or extinguishment is made. Amortization and write offs for each of the years ended December 31, 2008, 2009 and 2010 amounted to $15,848, $12,745 and $9,249, respectively.

(v) Convertible Senior Notes: In accordance with ASC Topic 470-20, "Debt with Conversion and Other Options," for convertible debt instruments that contain cash settlement options upon conversion at the option of the issuer, the Company determines the carrying amounts of the liability and equity components of its convertible notes by first determining the carrying amount of the liability component of the convertible notes by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity component representing the embedded conversion option is then determined by deducting the fair value of the liability component from the total proceeds. The resulting debt discount is amortized to interest cost using the effective interest method over the period the debt is expected to be outstanding as an additional non-cash interest expense. Transaction costs associated with the instrument are allocated pro-rata between the debt and equity components (Note 11).

(w) Revenue and Related Expenses:

(i) **Drybulk Carrier vessels:**

Time and bareboat charters: The Company generates its revenues from charterers for the charter hire of its vessels, which are considered to be operating lease arrangements. Vessels are chartered using time and bareboat charters and where a contract exists, the price is fixed, service is provided and collection of the related revenue is reasonably assured, revenue is recognized as it is earned ratably on a straight-line basis over the duration of the period of each time charter as adjusted for the off-hire days that the vessel spends undergoing repairs, maintenance and upgrade work depending on the condition and specification of the vessel.

Pooling Arrangement: For vessels operating in pooling arrangements, the Company earns a portion of total revenues generated by the pool, net of expenses incurred by the pool. The amount allocated to each pool participant vessel, including the Company's vessels, is determined in accordance with an agreed-upon formula, which is determined by points awarded to each vessel in the pool based on the vessel's age, design and other performance characteristics. Revenue under pooling arrangements is accounted for on the accrual basis and is recognized when an agreement with the pool exists, price is fixed, service is provided and the collectability is reasonably assured.

The allocation of such net revenue may be subject to future adjustments by the pool however, historically, such changes have not been material.

Voyage related and vessel operating costs: Voyage related and vessel operating costs are expensed as incurred. Under a time charter, specified voyage costs, such as fuel and port charges are paid by the charterer and other non-specified voyage expenses, such as commissions, are paid by the Company. Vessel operating costs including crews, maintenance and insurance are paid by the Company. Under a bareboat charter, the charterer assumes responsibility for all voyage and vessel operating expenses and risk of operation.

2. Significant Accounting policies – (continued):

(w) Revenue and Related Expenses – (continued):

Deferred Voyage Revenue: Deferred voyage revenue primarily relates to cash advances received from charterers. These amounts are recognized as revenue over the voyage or charter period.

(ii) **Drilling Rigs:**

Revenues: The Company's services and deliverables are generally sold based upon contracts with its customers that include fixed or determinable prices. The Company recognizes revenue when delivery occurs, as directed by its customer, or the customer assumes control of physical use of the asset and collectability is reasonably assured. The Company evaluates if there are multiple deliverables within its contracts and whether the agreement conveys the right to use the drill rigs for a stated period of time and meets the criteria for lease accounting, in addition to providing a drilling services element, which is generally compensated for by day rates. In connection with drilling contracts, the Company may also receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to the drilling rigs and day rate or fixed price mobilization and demobilization fees. Revenues are recorded net of agents' commissions which may range from one to three percent of gross revenues. There are two types of drilling contracts: well contracts and term contracts.

Well contracts: Well contracts are contracts under which the assignment is to drill a certain number of wells. Revenue from day-rate based compensation for drilling operations is recognized in the period during which the services are rendered at the rates established in the contracts. All mobilization revenues, direct incremental expenses of mobilization and contributions from customers for capital improvements are initially deferred and recognized in earnings over the estimated duration of the drilling period. To the extent that expenses exceed revenue to be recognized, they are expensed as incurred. Demobilization revenues and expenses are recognized over the demobilization period. All revenues for well contracts are recognized as service revenue in the statement of operations.

Term contracts: Term Contracts are contracts under which the assignment is to operate the unit for a specified period of time. For these types of contracts the Company determines whether the arrangement is a multiple element arrangement containing both a lease element and drilling services element. For revenues derived from contracts that contain a lease, the lease elements are recognized as leasing revenues in the statement of operations on a basis approximating straight line over the lease period. The drilling services element is recognized as service revenues in the period in which the services are rendered at estimated fair value. Revenues related to the drilling element of mobilization and direct incremental expenses of drilling services are deferred and recognized over the estimated duration of the drilling period. To the extent that expenses exceed revenue to be recognized, they are expensed as incurred. Demobilization fees and expenses are recognized over the demobilization period. Contributions from customers for capital improvements are initially deferred and recognized as revenues over the estimated duration of the drilling contract.

(x) Earnings/(loss) per Common Share: Basic earnings per common share are computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the year. Diluted earnings per common share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised. Dilution has been computed by the treasury stock method whereby all of the Company's dilutive securities are assumed to be exercised or converted and the proceeds used to repurchase common shares at the weighted average market price of the Company's common stock during the relevant periods. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted earnings per share computation.

2. Significant Accounting policies – (continued):

(y) ***Segment Reporting:*** The Company reports financial information and evaluates its operations by charter revenues and not by the length of employment by its customers for its vessels or drilling rigs, i.e., spot or time charters. The Company does not have discrete financial information to evaluate the operating results for each such type of employment. Although revenue can be identified for these types of employments, management cannot and does not identify expenses, profitability or other financial information for these types of employment. As a result, management, including the chief operating officer reviews results solely by revenue per day and operating results of the drybulk carrier and drilling rig fleets. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and as a result, the disclosure of geographic information is impracticable. The Company's acquisition of Ocean Rig during 2008 and its recent agreements for the construction of high specification tanker vessels, has resulted in the Company determining that it operates under three reportable segments, as a provider of drybulk commodities transportation services for the steel, electric utility, construction and agri-food industries (Drybulk carrier segment), as a provider of ultra deep water drilling rig services (Drilling rig segment) and as a provider of transportation services of crude and refined petroleum cargoes (Tanker segment). The accounting policies applied to the reportable segments are the same as those used in the preparation of the Company's consolidated financial statements.

(z) Financial Instruments: The Company designates its derivatives based upon guidance on ASC 815, "Derivatives and Hedging" which establishes accounting and reporting requirements for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The guidance on accounting for certain derivative instruments and certain hedging activities requires all derivative instruments to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings unless specific hedge accounting criteria are met.

(i) **Hedge Accounting:** At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy undertaken for the hedge. The documentation includes identification of the hedging instrument, hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Company is party to interest swap agreements where it receives a floating interest rate and pays a fixed interest rate for a certain period in exchange. Contracts which meet the strict criteria for hedge accounting are accounted for as cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognized directly as a component of "Accumulated other comprehensive income" in equity, while any ineffective portion, if any, is recognized immediately in current period earnings.

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 profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to net profit or loss for the year as financial income or expense.

(ii) **Other Derivatives:** Changes in the fair value of derivative instruments that have not been designated as hedging instruments are reported in current period earnings.

(aa) Guidance "Fair Value Measurements": Effective January 1, 2008, the Company adopted the guidance "Fair Value Measurements and Disclosures". In addition, on January 1, 2008, the Company made no election to account for its monetary assets and liabilities at fair values as allowed by FASB guidance for financial instruments.

2. Significant Accounting policies – (continued):

(ab) Stock-based compensation: Stock-based compensation represents vested and non-vested common stock granted to employees and directors, for their services. The Company calculates total compensation expense for the award based on its fair value on the grant date and amortizes the total compensation on a straight-line basis over the vesting period of the award or service period (Note 14).

(ac) Income Taxes: Income taxes have been provided for based upon the tax laws and rates in effect in the countries in which the Company's operations are conducted and income is earned. There is no expected relationship between the provision for/or benefit from income taxes and income or loss before income taxes because the countries in which the Company operates have taxation regimes that vary not only with respect to the nominal rate, but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from year to year. Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company assets and liabilities using the applicable jurisdictional tax rates. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. The Company accrues interest and penalties related to its liabilities for unrecognized tax benefits as a component of income tax expense.

(ad) Pension and retirement benefit obligation: For Norwegian employees, the Company has five retirement benefit plans, which are managed and funded through Norwegian life insurance companies. The projected benefit obligations are calculated based on projected unit credit method and compared with the fair value of pension assets.

Because a significant portion of the pension liability will not be paid until well into the future, numerous assumptions have to be made when estimating the pension liability at the balance sheet date. The assumption may be split into two categories; actuarial assumptions and financial assumptions. The actuarial assumptions are unbiased, mutually compatible and represent the Company's best estimates of the variables. The financial assumptions are based on market expectations at the balance sheet date, for the period over which the obligations are to be settled. Due to the long-term nature of the pension obligations, they are discounted to present value.

The funded status or net amount of the projected benefit obligation and pension asset (net pension liability or net pension asset) of each of its defined benefit plans, is recorded in the balance sheet under the captions "Non-current liabilities" and "Non-current assets" with an offsetting amount in "Accumulated other comprehensive income" for any amounts of actuarial gains of losses or prior service cost that has not been amortized to income. Net pension costs (benefit earned during the period including interest on the projected benefit obligation, less estimated return on pension assets and amortization of accumulated changes in estimates) are included in "General and administrative expenses" (administration employees) and "Vessel and drilling rigs operating expenses" (rig employees). Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

(ae) Commitments and Contingencies: Commitments and contingencies are recognized when:1) the Company has a present legal or constructive obligation as a result of past events; 2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and 3) reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date.

(af) Recent accounting pronouncements:

(i) In September 2009, the FASB issued ASU 2009-13 "Multiple-Deliverable revenue arrangements". The revised guidance primarily provides two significant changes: 1) eliminates the need for objective and reliable evidence of the fair value for the undelivered element in order for a delivered item to be treated as a separate unit of accounting, and 2) eliminates the residual method to allocate the arrangement consideration. In addition, the guidance also expands the disclosure requirements for revenue recognition. The new guidance will be effective for the first annual reporting period beginning on or after June 15, 2010, with early adoption permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. The Company is currently assessing the future impact of this new accounting pronouncement on its consolidated financial statements.

2. Significant Accounting policies – (continued):

(af) Recent accounting pronouncements – (continued):

(ii) In January 2010, the FASB issued ASU 2010-01, Accounting for Distributions to Shareholders with Components of Stock and Cash which amends FASB ASC 505, "Equity" in order to clarify that the stock portion of a distribution to shareholders that allows the shareholder to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend for purposes of applying FASB ASC 505, "Equity" and FASB ASC 260. The Company has not been involved in any such distributions and thus, the impact to the Company cannot be determined until any such distribution occurs.

(iii) In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820)-Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The ASU also amends guidance on employers' disclosures about postretirement benefit plan assets under ASC 715 to require that disclosures be provided by classes of assets instead of by major categories of assets. The guidance in the ASU was effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this guidance did not have any impact on the Company's financial position and results of operation.

3. Going Concern

As of December 31, 2009, the Company had obtained waivers for breaches under its facilities except for its $230 million loan facilities. On that balance sheet date, as a result of the cross default provisions in the Company's loan agreements, actual breaches existing under its credit facilities, as well as theoretical technical defaults on waivers expiring in 2010, the Company classified all of the Company's affected debt as current liabilities. Furthermore, as of December 31, 2009, the Company was a party to four newbuilding contracts for which it had not obtained financing. Accordingly the Company did not believe that cash on hand, operating cash flow and committed financing in place were sufficient to cover operating expenses, debt service and capital expenditure requirements for at least twelve months from the balance sheet date and that it would require additional financing.

As the Company believed it would receive the necessary additional financing, the consolidated financial statements as of December 31, 2009, were prepared assuming that the Company would continue as a going concern. Accordingly, the financial statements did not include any adjustments relating to the recoverability and classification of recorded asset amounts, the 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, except for the current classification of debt.

As of December 31, 2010, the Company was in compliance, had waivers or had the ability to remedy breaches, if any, of financial covenants related to its credit facilities. For those financial covenant requirements which were not met, according to the shipfinance loan agreements, the shortfalls can be remedied by providing additional collateral or repaying the portion of the loan equal to the shortfall to bring the Company into compliance with the required value-to-loans ratio and maintain compliance with its financial covenants. As a result, in addition to the required scheduled loan repayments, $45,000 has been classified as a current liability as of December 31, 2010, representing payments that may be required by the lenders to satisfy the value-to-loan shortfalls.

At December 31, 2010, the Company's short-term contractual obligations to fund the construction installments under the drillship and vessel shipbuilding contracts in 2011 amounted to $1,669,305. In March 2011, the Company received commitments from financial institutions for additional financing amounting to $800,000 and consents from existing lenders to draw down an additional amount of $495,000 to cover obligations falling due within 2011. The Company believes that cash on hand, operating cash flow and firm financing agreements, including the above financing, will be sufficient to meet its working capital needs, operating expenses, capital commitments and loan obligations throughout 2011.

4. Transactions with Related Parties:

The amounts included in the accompanying consolidated balance sheets and consolidated statements of operations are as follows:

	December 31, 2009 (As restated)	December 31, 2010
Balance Sheet		
Due from related party – Cardiff Marine Inc.	$ 27,594	$ 20,939
Vessels, net – Cardiff Marine Inc., for the year	626	430
Advances for vessels/rigs under construction – Cardiff Marine Inc./TMS Tankers, for the year	1,557	5,321
Additional paid in capital – Vivid Finance Limited	$ —	$ (1,700)

	Year ended December 31,		
	2008	2009	2010
Statement of Operations			
Revenues – Classic Maritime Inc.	$ 14,466	$ —	$ —
Voyage expenses – Cardiff Marine Inc.	10,536	5,437	5,614
Gain on sale of assets - commissions – Cardiff Marine Inc.	4,121	308	772
Contract termination fees and forfeiture of vessel deposits	160,000	25,350	—
General and administrative expenses:			
- Consultancy fees – Fabiana Services S.A.	2,031	2,802	7,598
- Management fees – Cardiff Marine Inc.	21,129	17,941	20,139
- SOX fees – Cardiff Marine Inc.	2,832	3,056	1,983
- Rent	13	13	12
- Amortization of CEO stock based compensation	$ 31,175	$37,804	$24,009

(Per day and per quarter information in the note below is expressed in United States Dollars/Euros)

4. Transactions with Related Parties – (continued):

Cardiff Marine Inc.: The operations of the Company's drybulk vessels are managed by Cardiff Marine Inc. ("Cardiff" or the "Manager"), a related technical and commercial management company incorporated in Liberia. The Manager also acts as the Company's charter and sales and purchase broker. The Manager is beneficially majority-owned by George Economou the Company's Chairman and Chief Executive Officer and members of his immediate family.

Up to August 31, 2010, the Company paid a management fee of Euro 607 ($812 at the Euro/U.S. Dollar exchange rate on December 31, 2010) per day, per vessel to Cardiff. In addition, the management agreements provided for payment by the Company to Cardiff of: (i) a fee of Euro 106 ($142 at the Euro/U.S. Dollar exchange rate on December 31, 2010) per day per vessel for services in connection with compliance with Section 404 of the Sarbanes-Oxley Act of 2002; (ii) Euro 527 ($705 at the Euro/U.S. Dollar exchange rate on December 31, 2010) for superintendent visits on board vessels in excess of five days per annum, per vessel, for each additional day, per superintendent; (iii) chartering commission of 1.25% on all freight, hire and demurrage revenues; (iv) a commission of 1.00% on all gross sale proceeds or purchase price paid for vessels; (v) a quarterly fee of $250,000 for services in relation to the financial reporting requirements of the Company under Securities and Exchange Commission rules and the establishment and monitoring of internal controls over financial reporting; and (vi) a commission of 0.2% on derivative agreements and loan financing or refinancing.

Cardiff also provided commercial operations and freight collection services in exchange for a fee of Euro 91 ($122 at the Euro/U.S. Dollar exchange rate on December 31, 2010) per day, per vessel. Cardiff provided insurance services and obtained insurance policies for the vessels for a fee of 5% on the total insurance premiums per vessel. Furthermore, if required, Cardiff also handled and settled all claims arising out of its duties under the management agreements (other than insurance and salvage claims) in exchange for a fee of Euro 158 ($212 at the Euro/U.S. Dollar exchange rate on December 31, 2010) per person, per day of eight hours.

Cardiff provided the Company with financial accounts services in exchange for a fee of Euro 121 ($162 at the Euro/U.S. Dollar exchange rate on December 31, 2010) per day, per vessel. The Company also paid Cardiff a quarterly fee of Euro 263,626 ($353,259 at the Euro/U.S. Dollar exchange rate on December 31, 2010) for services rendered by Cardiff in connection with the Company's financial accounting services. Pursuant to the terms of the management agreements, all fees payable to Cardiff were adjusted upwards or downwards based on the year-on-year increase in the Greek consumer price index.

Effective September 1, 2010, each drybulk ship-owning company entered into new management agreements with Cardiff. Cardiff provides comprehensive ship management services including technical supervision, such as repairs, maintenance and inspections, safety and quality, crewing and training as well as supply provisioning. Cardiff's commercial management services include operations, chartering, sale and purchase, post-fixture administration, accounting, freight invoicing and insurance.

Each new vessel management agreement provides for a fixed management fee of Euro 1,500 ($2,000 based on the exchange rate at December 31, 2010) per vessel per day which is payable in equal monthly installments in advance and is automatically adjusted each year to the Greek Consumer Price Index for the previous year by not less than 3% and not more than 5%. If the Company requests that Cardiff supervise the construction of a newbuilding vessel then in lieu of the fixed management fee, the Company will pay Cardiff an upfront fee equal to 10% of the supervision cost budget for such vessel. For any additional attendance above the budgeted superintendent expenses, the Company will be charged extra at a standard rate of Euro 500 ($667 based on the exchange rate of December 31, 2010) per day.

In addition, the Company will pay a commission to Cardiff of 1.25% of all monies earned by the vessel and a 1% purchase and sale commission. The management agreements further provide that in the Company's discretion, it may pay Cardiff an annual performance incentive fee.

Each new vessel management agreement has a term of five years and will be automatically renewed for a five year period and thereafter extended in five year increments if notice of termination is not provided by the Company in the fourth quarter of the year immediately preceding the end of the respective term.

Moreover, effective September 1, 2010 the Company terminated the agreement according to which a quarterly fee of $250,000 was payable to Cardiff for services in relation to financial reporting requirements and monitoring of internal controls.

4. Transactions with Related Parties – (continued):

Cardiff Marine Inc. – (continued):

Effective January 1, 2011, each drybulk ship-owning company entered into new management agreements with TMS Bulkers Ltd. ('TMS Bulkers') which replaced the management agreements with Cardiff that were effective September 1, 2010. TMS Bulkers provides comprehensive drybulk ship management services including technical supervision, such as repairs, maintenance and inspections, safety and quality, crewing and training as well as supply provisioning. TMS Bulkers'commercial management services include operations, chartering, sale and purchase, post-fixture administration, accounting, freight invoicing and insurance. The fees charged to Dryships remain the same as those charged by Cardiff according to previous agreements effective September 1, 2010.

Effective January 1, 2011, each tanker ship-owning company entered into new management agreements with TMS Tankers Ltd. ('TMS Tankers') and together with TMS Bulkers, the "Managers" are beneficially majority owned by George Economou and members of his immediate family. TMS Tankers will provide comprehensive tanker ship management services including technical supervision, such as repairs, maintenance and inspections, safety and quality, crewing and training as well as supply provisioning. TMS Tankers' commercial management services include operations, chartering, sale and purchase, post-fixture administration, accounting, freight invoicing and insurance.

TMS Tankers is entitled to a daily management fee per vessel of Euro 1,700 ($2,267 based on the exchange rate of December 31, 2010). The Managers are also entitled to (a) a discretionary incentive fee, (b) a commission of 1.25% on charter hire agreements that are arranged by the Managers and (c) a commission of 1% of the purchase price on sales or purchases of vessels in the Company's fleet that are arranged by the Managers. Furthermore, TMS Tankers is entitled to a supervision fee payable upfront for vessels under construction equal to 10% of the approved annual budget for supervision cost.

If the new management agreements with Cardiff had been in effect from the beginning of the prior year, we estimate that the aggregate amount of payments to the Manager would have been approximately $7,250 higher and net loss would have been $7,250 higher in the twelve month period ended December 31, 2009. If the new management agreements had been in effect since January 1, 2010, we estimate that aggregate amount of payments to the manager would have been approximately $4,760 higher, and net income would have been $4,760 lower, in the twelve month period ended December 31, 2010, than the amount recorded.

Effective December 21, 2010, the Company terminated the agreements with Cardiff pursuant to which Cardiff provided supervisory services in connection with the construction of newbuilding drillships Hulls 1837 and 1838. The Company paid Cardiff a management fee of $40 per month per drillship for Hull 1837 and Hull 1838. The management agreements also provided for: (i) chartering commission of 1.25% on all freight, hire and demurrage revenues; (ii) a commission of 1% on all gross sale proceeds or purchase price negotiated for drillships; (iii) a commission of 1% on loan financing or refinancing; and (iv) a commission of 2% on insurance premiums. These agreements were replaced with the Global Services Agreement.

Global Services Agreement: On December 1, 2010, the Company entered into a Global Services Agreement with Cardiff, effective December 21, 2010, pursuant to which the Company has engaged Cardiff to act as consultant on matters of chartering and sale and purchase transactions for the offshore drilling units operated by the Company. Under the Global Services Agreement, Cardiff, or its subcontractor, will (i) provide consulting services related to identifying, sourcing, negotiating and arranging new employment for offshore assets of the Company and its subsidiaries, including the Company's drilling units; and (ii) identify, source, negotiate and arrange the sale or purchase of the offshore assets of the Company and its subsidiaries, including the Company's drilling units. In consideration of such services, the Company will pay Cardiff a fee of 1.0% in connection with employment arrangements and 0.75% in connection with sale and purchase activities.

Transactions with Cardiff in Euros were settled on the basis of the average USD rate on the invoice date.

4. Transactions with Related Parties – (continued):

Cardiff Marine Inc. – (continued):

Fabiana Services S.A.: Under the consultancy agreements effective from February 3, 2005, between the Company and Fabiana Services S.A. ("Fabiana"), a related party entity incorporated in the Marshall Islands, Fabiana provides consultancy services relating to the services of George Economou in his capacity as Chief Executive Officer of the Company (Note 14).

On January 21, 2009, the Compensation Committee approved a Euro 5 million ($7 million) bonus payable for CEO services rendered during 2008.

On January 25, 2010, the Compensation Committee approved that a bonus in the form of 4,500,000 shares of the Company's common Stock, with par value $0.01, be granted to Fabiana for the contribution of George Economou for CEO services rendered during 2009 as well as for anticipated services during the years 2010, 2011 and 2012. The shares shall vest over a period of three years, with 1,000,000 shares to vest on the grant date; 1,000,000 shares to vest on December 31, 2010 and 2011 respectively; and 1,500,000 shares to vest on December 31, 2012. In addition, the annual remuneration to be awarded to Fabiana under the consultancy agreement was increased to Euro 2,700,000 ($3,609,900 based on the exchange rate as of December 31, 2010).

On January 12, 2011, the Compensation Committee approved a $4 million bonus and 9,000,000 shares of the Company's common stock payable for CEO services rendered during 2010. The shares will be granted to Fabiana and shall vest over a period of eight years, with 1,000,000 shares to vest on the grant date and 1,000,000 shares to vest annually on December 31, 2011, through 2018, respectively.

Vivid Finance Limited: Under the consultancy agreement effective from September 1, 2010 between the Company and Vivid Finance Limited ("Vivid Finance"), a related party entity incorporated in Cyprus, Vivid Finance provides the Company with financing-related services such as negotiating and arranging new loan and credit facilities, interest rate swap agreements, foreign currency contracts and forward exchange contracts, renegotiating existing loan facilities and bonds, as well as services related to raising equity or debt in the capital markets, in exchange for a fee equal to 0.20% on the total transaction amount. The consultancy agreement has a term of five years and may be terminated (i) at the end of its term unless extended by mutual agreement of the parties; (ii) at any time by the mutual agreement of the parties; and (iii) by the Company after providing written notice to Vivid Finance at least 30 days prior to the actual termination date.

Private offering: A company controlled by Dryships' Chairman, President and Chief Executive Officer, Mr. George Economou, purchased 2,869,428 common shares, or 2.38% of Ocean Rig UDW common shares, in the private offering that was completed on December 21, 2010. The offering price was $17.50 per share. The price per share paid was the same as that paid by other investors taking part in the private offering (Note 8).

Legal services Mr. Savvas D. Georghiades, a member of the Ocean Rig UDW's board of directors, provides legal services to certain subsidiaries through his law firm, Savvas D. Georghiades, Law Office. In the year ended December 31, 2010, the Company paid a fee of Euro 94,235 ($126,058), for the legal services provided by Mr. Georghiades.

Lease Agreement: The Company leases office space in Athens, Greece from a son of George Economou.

Chartering agreement: During 2008, two subsidiaries concluded charter party agreements with Classic Maritime Inc., a then related party entity incorporated in the Marshall Islands and then controlled by George Economou. On September 3, 2008, Classic Maritime Inc. was sold to an unrelated party and was no longer considered a related party to Dryships. Under the agreements, the Company chartered the vessels Manasota and Redondo for a daily rate ranging from $35,000 to $67,000 and for a period of five years.

Adjustment in Contract Price for Two Panamax Newbuildings: The Company had previously agreed to acquire two Panamax newbuildings, identified as Hulls 1518A and 1519A, for a purchase price in the amount of $33.6 million each. These vessels were scheduled for delivery from Hudong Shipbuilding in the fourth quarter of 2009 and the first quarter of 2010,

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

4. Transactions with Related Parties – (continued):

respectively. An affiliated client of Cardiff, with which the Company is affiliated, had agreed to purchase Hull 1569A, a sister vessel to Hulls 1518A and 1519A. The Company had agreed to increase the purchase price for Hulls 1518A and 1519A by $4.5 million each in consideration for:(i) a corresponding $9.0 million decrease in the purchase price of Hull 1569A and (ii) an undertaking that on delivery of Hulls 1518A and 1519A, the owner of Hull 1569A will repay the Company by effecting payment of $9.0 million to Hudong Shipbuilding. The Company issued a guarantee to the shipyard for this increase in the purchase price of Hulls 1518A and 1519A. These hulls were delivered in 2009.

Cancellation of the acquisition of nine Capesize vessels: In October 2008, the Company agreed to purchase the ship-owning companies of nine Capesize drybulk carriers for an aggregate purchase price of $1.17 billion from clients of Cardiff, including affiliates of George Economou, and unrelated third parties, consisting of 19.4 million Company common shares and the assumption of an aggregate of $478,300 in debt and future commitments. In light of the considerable subsequent decrease in the asset values of the nine Capesize vessels, the Company reached an agreement with the sellers to cancel this transaction. The cancellation of the acquisition was approved by the independent members of the Company's Board of Directors on January 21, 2009, and the termination and release agreements were signed on March 6, 2009. The consideration for canceling the transaction consisted of 6.5 million common shares issued to entities unaffiliated with the Company and nominated by the third-party sellers, which common shares were subject to a six-month "lock up" period, and 3.5 million "out-of-the-money" warrants issued to entities controlled by George Economou. As the affiliated entities received less consideration to cancel these contracts than the unrelated third parties, George Economou was deemed to have made an investor's contribution to the Company's capital.

The shares and warrants were issued on April 9, 2009. Each warrant entitles the holder to purchase one share of the Company's common stock. These warrants have a cost of $0.01 and strike prices, depending on the relevant tranches, of between $20 and $30 per share. The warrants are subject to an 18-month "lock up" period and expire after five years.

The costs of this cancellation recorded in "Contract termination fee and forfeiture of vessel deposits", are summarized as follows:

Compensation to unrelated parties (a)	$23,855
Compensation to related parties (b)	25,350
Total cancellation fee	**$49,205**

(a) The fair value of the Company's 6.5 million common shares issued to the third-party sellers was measured on March 6, 2009 (i.e., the date when the Company terminated the contracts in accordance with their terms) using the closing stock price of $3.67 per share or an aggregate fair value of $23,855.

(b) The fair value of the compensation to terminate the purchase commitment with the related parties on five of the nine vessels was $25,350, measured using the loss in value method (calculated as the difference between the total purchase consideration and the fair value of the five vessels using independent brokers' valuations). A portion of such compensation was in the form of the Company's warrants with a fair value of $5,392, which was determined using the Black-Scholes Model with the Company's common shares as the underlying security.

Cancellation of the acquisition of vessels and ship-owning companies: On June 25, 2008, the Company entered into two memoranda of agreement to acquire the vessels Sidari and Petani built in 2007 and 2008 for $200,000 in total from companies beneficially owned by George Economou. The vessels were expected to be delivered by the end of 2008 with their existing time charters attached for a period of approximately four years each with an unrelated party for a daily rate of $43,800 each. On July 10, 2008, the Company paid $40,000 representing an advance payment of 20% in accordance with the related clauses of the memoranda of agreement.

In July 2008, the Company entered into two agreements to acquire all of the issued and outstanding shares of two ship-owning companies beneficially owned by George Economou. The aggregate purchase price was $140,000, which represented the fair value of the sole assets of the two companies. In exchange for the aggregate purchase price, the Company agreed to acquire two newbuilding Panamax vessels that were scheduled to be delivered in the fourth quarter of 2008 and the first quarter of 2009, respectively, net of advances of $60,000 in total to be made under the shipbuilding contract by the Company. During October and November 2008 the Company paid $15,000 representing advances for the newbuilding hulls.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

4. Transactions with Related Parties – (continued):

On December 10, 2008, the Company agreed to cancel the aforementioned agreements. The agreements cancellation was negotiated and approved by a committee consisting of the independent members of the Company's Board of Directors. The cancellation fee consisted of forfeiture of the Company's deposits totaling $55,000, plus a cash payment of $26,250 per vessel. The total cancellation fee of $160,000 is included in contract termination fees and forfeiture of vessel deposits in the consolidated statement of operations. In addition, the Company has entered into an agreement with the selling companies of the above vessels, providing the Company with the exclusive option to purchase the abovementioned four Panamax drybulk carriers on an en bloc basis at a fixed purchase price of $160,000 to be exercised up to December 31, 2009. The fair value of such option as of December 31, 2008 is deemed to be zero. The exclusive purchase option granted to the Company by the seller was not exercised on December 31, 2009.

Purchase of Ocean Rig from a related party: On December 20, 2007 Primelead Limited ("Primelead") acquired 51,778,647 shares in Ocean Rig from Cardiff, who acted as an intermediary, for a consideration of $406,024. This represented 30.4% of the issued shares in Ocean Rig.

In April 2008, 7,546,668 shares, representing 4.4% of the share capital of Ocean Rig were purchased from companies controlled by George Economou for a consideration of $66,782, which is the USD equivalent (Norwegian Kroner) of 45 per share, which is the price that was offered to all shareholders in a mandatory offering (Note 7).

A commission was paid to Cardiff amounting to $9,925 for services rendered in relation to the acquisition of the remaining shares in Ocean Rig. The above commission was paid on December 5, 2008 and is reflected in "Other, net" in the accompanying consolidated statements of operations.

Acquisition of drillships: On October 3, 2008, the Company's then wholly owned subsidiary, Ocean Rig UDW Inc. ("Ocean Rig UDW"), entered into a share purchase agreement with certain unrelated parties and certain entities affiliated with George Economou to acquire the full equity interests in Drillships Holdings Inc. ("Drillships Holdings"), the owner of drillships Hulls 1837 and 1838 newbuilding advanced capability drillships for use in ultra deepwater drilling locations (Note 4). In connection with this transaction, Ocean Rig UDW issued to the sellers common shares equal to 25% of its total issued and outstanding common shares as of May 15, 2009.

The following table summarizes the aggregate fair values of assets acquired and liabilities assumed by the Company as of May 15, 2009:

Fair value of assets and liabilities acquired	
Cash equivalents	$ 248
Advances for rigs under construction	625,445
Short-term borrowings (Note 10)	(31,102)
Other current liabilities	(7,656)
Long-term debt (Note 10)	(228,810)
Total fair value of net assets	**$ 358,125**

The carrying amount of the advances for rigs under construction was $447,445 as of the acquisition date. A fair value adjustment of $178,000 was made to the carrying amounts based on the fair value of the assets acquired. The carrying amounts of the remaining assets and liabilities acquired did not require fair value adjustments. No intangible assets were identified during the acquisition of Drillships Holdings.

On July 15, 2009, the Company acquired the remaining 25% of the total issued and outstanding capital stock of Ocean Rig UDW from the minority interests. The consideration paid for the 25% interest consisted of a one-time $50,000 cash payment and the issuance of the Company's Series A Convertible Preferred Stock with an aggregate face value of $280,000 (Note 13).

In the event that any of the newbuilding drillships Hulls 1837 and 1838 are sold by the Company for less than $800 million prior to delivery, the sellers of Drillships Holdings are obligated to pay to the Company, in cash or in shares, 25% of the difference between the sale price and $800 million which cannot exceed $12.5 million. Management has assessed the probability of occurrence of this event as remote.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

5. Advances for Vessels and Rigs under Construction and Acquisitions:

The amounts shown in the accompanying consolidated balance sheets include milestone payments relating to the shipbuilding contracts with the shipyards, supervision costs and any material related expenses incurred during the construction periods, all of which are capitalized in accordance with the accounting policy discussed in Note 2.

As of December 31, 2009 and 2010, the advances for vessels and rigs under construction and acquisitions are set forth below:

	December 31,	
	2009 (As restated)	2010
Balance at beginning of year	$ 535,616	$1,182,600
Acquisitions of drillships	625,445	—
Advances for vessels/drillships under construction and related costs	136,662	894,416
Advances forfeited due to cancellation of vessel acquisitions	(93,158)	—
Vessels delivered	(21,965)	(4,317)
Balance at end of year	**$1,182,600**	**$2,072,699**

During 2009, the Company entered into agreements with various unrelated parties to cancel certain memoranda of agreement the Company entered into prior to January 1, 2009 for the acquisition of seven Drybulk vessels. The total consideration of $208,158, including capitalized expenses, included in "Contract termination fees and forfeiture of vessel deposits" in the accompanying consolidated statement of operations consists mainly of the forfeiture of $93,158 in deposits (including capitalized expenses) for the acquisition of the vessels already made by the Company, $65,000 in cash consideration and two additional tranches of $25,000 each payable in cash or the equivalent amount in the form of common shares. On March 19, 2009, the Company issued a total of 11,990,405 common shares to the nominees of the seller to settle the two additional tranches.

On February 17, 2010 the Company placed an order for two 76,000 dwt Panamax dry bulk vessels, namely hull number H1637A and H1638A, with an established Chinese shipyard, for a price of $33,050 each. The vessels are expected to be delivered in the fourth quarter of 2011 and the first quarter of 2012, respectively. On November 22, 2010, the Company placed an order for twelve tanker vessels (six Aframax and six Suezmax), with an established Korean shipyard, for a total consideration of $771,000. The vessels are expected to be delivered during 2011, 2012 and 2013.

On January 3 and 18, 2011 the Company took delivery of its newbuilding drillship Ocean Rig Corcovado (Hull 1837) and the tanker Saga, respectively (Note 23).

On March 23 and 30, 2011 the Company took delivery of its newbuilding tanker Vilamoura and the drillship Ocean Rig Olympia (Hull 1838), respectively (Note 23).

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

6. Vessels and Drilling Rigs:

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

Drybulk vessels:

	Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2008	$2,350,846	$ (216,196)	$2,134,650
Vessel acquisitions	70,507	—	70,507
Vessel disposals	(37,312)	9,584	(27,728)
Depreciation	—	(117,522)	(117,522)
Vessel impairment charge	(11,651)	10,073	(1,578)
Balance, December 31, 2009	2,372,390	(314,061)	2,058,329
Vessel acquisitions	43,448	—	43,448
Vessel disposals	(75,113)	12,689	(62,424)
Depreciation	—	(117,799)	(117,799)
Vessel impairment charge	(11,880)	8,292	(3,588)
Balance, December 31, 2010	**$2,328,845**	**$ (410,879)**	**$1,917,966**

During 2008, the vessels Matira, Netadola, Lanzarote, Menorca, Waikiki, Solana and Tonga were sold for net proceeds of $401,106 realizing a gain from the sale of $223,022 while the sale of the vessel Primera was cancelled and a gain on contract cancellation of $9,098 was recognized.

During 2009, the vessels Rapallo and Oliva were delivered to the Company for $70,507 and the vessel Paragon was sold for net proceeds of $30,163, resulting in a gain from the sale of $2,432. In addition, during 2009, the sale of vessels La Jolla and Toro were cancelled and a gain on contract cancellation of $15,270 was recognized.

During 2010, the vessel Amalfi was delivered at a total cost of $43,448 while the vessels Delray, Iguana and Xanadu were sold for net proceeds of $73,317, resulting in net gain of $10,893. In addition, during 2010, the Company concluded a Memorandum of Agreement for the sale of vessel Primera for $26,500. The vessel is expected to be delivered to its new owners in the second quarter of 2011. The Company performed an impairment review on the Primera as of December 31, 2010, to determine whether the change in the circumstances indicated that the carrying amount of the asset may not be recoverable. The Company's review indicated that future undiscounted operating cash flows for the vessel Primera, including revenues from the existing charter through the expected date of sale and the agreed-upon sale price, were below its carrying amount, and accordingly a vessel impairment charge of approximately $3,588 was recognized and reflected in the accompanying consolidated statement of operations for the year ended December 31, 2010.

Drilling rigs, machinery and equipment:

	Cost	Accumulated Depreciation	Net Book Value
Balance on acquisition	$1,439,740	$ (46,582)	$1,393,158
Additions	14,152	—	14,152
Disposals	(501)	114	(387)
Depreciation	—	(77,282)	(77,282)
Balance, December 31, 2009	1,453,391	(123,750)	1,329,641
Additions	6,834	—	6,834
Disposals	(18,595)	5,104	(13,491)
Depreciation	—	(73,651)	(73,651)
Balance December 31, 2010	**$1,441,630**	**$ (192,297)**	**$1,249,333**

As of December 31, 2010, all of the Company's vessels and drilling rigs except for the vessel Toro, have been pledged as collateral to secure the bank loans (Note 11).

7. Acquisition of Ocean Rig:

On December 20, 2007, the Company acquired 51,778,647 or 30.4% of the issued shares in Ocean Rig. Ocean Rig, incorporated on September 26, 1996 and at that time domiciled in Norway, was a public limited company whose shares previously traded on the Oslo Stock Exchange.

The Company accounted for its investment in Ocean Rig for the period from January 1, 2008 to May 14, 2008 using the equity method of accounting. The Company's equity in the loss of Ocean Rig is shown in the accompanying consolidated statement of operations for the year ended December 31, 2008 as "Equity in loss of investee" and amounted to a loss of $6,893.

After acquiring 33% of Ocean Rig's outstanding shares on April 22, 2008, the Company, as required by Norwegian Law, launched a mandatory bid for the remaining shares of Ocean Rig at a price of NOK45 per share ($8.89 per share). The Company acquired additional shares of Ocean Rig, resulting in the Company gaining control over Ocean Rig on May 14, 2008. The results of operations related to the acquisition are included in the consolidated financial statements since May 15, 2008. The mandatory bid expired on June 11, 2008. As of July 10, 2008, the total shares held by the Company in Ocean Rig amounted to 100% (163.6 million shares). Out of the total shares acquired as discussed above, 4.4% of the share capital of Ocean Rig was purchased from companies controlled by George Economou (Note 4).

The Company had recorded a non-controlling minority interest on its balance sheet as of June 30, 2008 in accordance with guidance related to classification and measurement of redeemable securities. The resulting non-controlling interest carrying value of $21,457 was recorded at redemption value, which was higher than the amount that would result from applying consolidation accounting under guidance relating to consolidation, resulting in an additional $15,050 allocated to non controlling interest recorded in the consolidated statement of operations for the year ended December 31, 2008. The transaction was completed in 2008.

Impairment Charge

At December 31, 2008, the Company performed its annual impairment testing for Goodwill. As a result of its impairment testing, the Company determined that the Goodwill associated with its Drilling Rigs reporting unit was impaired. Accordingly, the Company recognized an impairment charge for the full carrying amount of the Goodwill associated with this reporting unit in the amount of $700,457, which had no tax effect.

8. Private Offering of Common Shares in Ocean Rig:

On December 21, 2010, the Company completed the sale of an aggregate of 28,571,428 of Ocean Rig UDW common shares (representing approximately 22% of Ocean Rig UDW's outstanding common stock) through a private offering, at the offering price of $17.50 per share. The Company received approximately $488,301 of net proceeds from the private offering. The net assets of Ocean Rig UDW as of December 21, 2010 amounted to $2,427,121. At the date of the transaction, the carrying amounts of Ocean Rig UDW's assets and liabilities did not require fair values adjustments. The difference between the consideration received and the amount attributed to the non controlling interests which amounted to $45,666 was recognized in equity attributable to the controlling interest.

On December 21, 2010, the Company approved a share repurchase program for up to a total of $25.0 million of common stock of Ocean Rig UDW, which may be purchased from time to time through March 31, 2011. No shares were repurchased under the program.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

9. Intangible Assets and Liabilities:

The Company identified finite-lived intangible assets associated with the trade names, software, and above-market and below-market acquired time charters that are being amortized over their useful lives. Trade names and software are included in "Intangible assets, net" in the accompanying consolidated balance sheets net of accumulated amortization. Above-market and below-market acquired time charters are presented separately in the accompanying consolidated balance sheets, net of accumulated amortization.

				Amortization Schedule					
	Amount Acquired	Accumulated amortization as of December 31, 2009	Amortization and adjustments for the year ended December 31, 2010	2011	2012	2013	2014	2015	thereafter
Trade names	$ 9,145	$ 1,456	$ 1,222	$ 877	$ 877	$ 877	$ 877	$ 877	$ 2,005
Software	5,888	939	910	565	565	565	565	565	1,291
Total Intangible Assets, net	**$15,033**	**$ 2,395**	**$ 2,132**	**$1,442**	**$1,442**	**$1,442**	**$1,442**	**$1,442**	**$ 3,296**
Above-market acquired time charters	**$15,053**	**$ 13,005**	**$ 878**	**$1,170**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Below-market acquired time charters	**$65,844**	**$ 58,212**	**$ 6,778**	**$ 854**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

10. Other non current assets:

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

	December 31,	
	2009	2010
Security deposits for derivatives	$ 40,700	$ 78,600
Delivery payment for drillship	—	294,569
Option for construction of drillships	—	99,024
Pension benefit receivable	388	—
Balance at end of period	**$ 41,088**	**$ 472,193**

As of December 31, 2009 and 2010, security deposits (margin calls) of $20,200 and $39,500 for Hull 1865, respectively, and $20,500 and $39,100 for Hull 1866, respectively, were paid and were recorded as "Other non current assets" in the accompanying consolidated balance sheets. These deposits are required by the counterparty due to the market loss in the swap agreements for the years ended December 31, 2009 and 2010.

On December 28, 2010 the final yard installment and winterization fees of $294,569 for the drillship Ocean Rig Corcovado (Hull 1837) were paid to a suspense account and were recorded as 'Other non current assets' in the accompanying consolidated balance sheets. On January 3, 2011 and upon delivery of Ocean Rig Corcovado the balance in the suspense account was released to the yard.

On November 22, 2010, the Company, entered into a contract with Samsung that granted DryShips options for the construction of up to four additional ultra-deepwater drillships, which would be "sister-ships" to the Ocean Rig Corcovado and the three

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

10. Other non current assets – (continued):

drillships currently under construction and would have the same specifications as the Ocean Rig Poseidon. Each of the four options may be exercised at any time on or prior to November 22, 2011, with vessel deliveries ranging from 2013 to 2014 depending on when the options are exercised. The total construction cost is estimated to be $600.0 million per drillship. The option agreement required the Company to pay a non-refundable slot reservation fee of $24,756 per drillship, which fee will be applied towards the drillship contract price if the options are exercised. The cost of the option agreements of $99,024 was paid on December 30, 2010 and is recorded in the accompanying consolidated balance sheets as 'Other non-current assets'.

11. Long-term Debt:

The amount of long-term debt shown in the accompanying consolidated balance sheets is analyzed as follows:

	December 31, 2009	December 31, 2010
Convertible Senior Notes	$ 460,000	$ 700,000
Loan Facilities – Drybulk Segment	1,168,016	950,290
Loan Facilities – Drilling Rig Segment	1,224,824	1,285,358
Less: Deferred financing costs	(168,156)	(215,956)
Total debt	**2,684,684**	**2,719,692**
Less: Current portion	(1,698,692)	(731,232)
Long-term portion	**$ 985,992**	**$ 1,988,460**

Convertible Senior Notes

In November 2009, the Company issued $400,000 aggregate principal amount of 5% Convertible unsecured Senior Notes (the "Notes"), which are due December 1, 2014. The full over allotment option granted was exercised and an additional $60,000 Notes were purchased. Accordingly, $460,000 in aggregate principal amount of Notes were sold, resulting in aggregate net proceeds of approximately $447,810 after the underwriter commissions.

The holders may convert their Notes at any time on or after June 1, 2014 but prior to maturity. However, holders may also convert their Notes prior to June 1, 2014 under the following circumstances: (1) if the closing price of the common stock reaches and remains at or above 130% of the conversion price of $7.19 per share of common stock or 139.0821 share of common stock per $1,000 aggregate principal amount of Notes, in effect on that last trading day for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs; (2) during the ten consecutive trading-day period after any five consecutive trading-day period in which the trading price per $1,000 principal amount of the Notes for each day of that period was less than 98% of the closing price of our common stock multiplied by then applicable conversion rate; or (3) if specified distributions to holders of our common stock are made or specified corporate transactions occur. The Notes are unsecured and pay interest semi-annually at a rate of 5% per annum commencing June 1, 2010. Since the Company's stock price was below the Notes conversion price of $7.19 as of December 31, 2010, the if-converted value did not exceed the principal amount of the Notes.

As the Notes contain a cash settlement option upon conversion at the option of the issuer, the Company has applied the guidance for "Accounting for Convertible Debt Instruments That May be Settled in Cash Upon Conversion (Including Partial Cash Settlement)",and therefore, on the day of the Note issuance, bifurcated the $460,000 principal amount of the Notes into liability and equity components of $341,156 and $118,844, respectively, by first determining the carrying amount of the liability component of the Notes by measuring the fair value of a similar liability that does not have an associated equity component. The equity component was calculated by deducting the fair value of the liability component from the total proceeds received at issuance. Additionally, the guidance requires the Company to accrete the discount of $118,844 to the principal amount of the Notes over the term of the Notes. The Company's interest expense associated with this Note accretion is based on an effective interest rate of 12%.

11. Long-term Debt – (continued):

In April 2010, the Company issued $220,000 aggregate principal amount of Notes, which are due December 1, 2014. These Notes were offered as additional Notes under the indenture, as supplemented by a supplemental indenture, pursuant to which the Company previously issued $460,000 aggregate principal amount of Notes due December 1, 2014 on November 2009. The terms of the Notes offered in April other than their issue date and public offering price, are identical to the Notes issued in November 2009.

The full over allotment option granted was exercised and an additional $20,000 aggregate principal amount of Notes were purchased. Accordingly, $240,000 in aggregate principal amount of Notes were sold, resulting in aggregate net proceeds of approximately $237,202 after the underwriter commissions. On the day of the Note issuance, the Company bifurcated the $240,000 principal amount of the Notes into the liability and equity components of $168,483 and $71,517, respectively, by first determining the carrying amount of the liability component of the Notes by measuring the fair value of a similar liability that does not have an associated equity component. The equity component was calculated by deducting the fair value of the liability component from the total proceeds received at issuance. Additionally, the Company is required to accrete the discount of $71,517 to the principal amount of the Notes over the term of the Notes. The Company's interest expense associated with this Note accretion is based on an effective interest rate of 14%.

In conjunction with the public offering of 5% Notes described above, the Company also entered into share lending agreements with an affiliate of the underwriter of the offering, or the share borrower, pursuant to which the Company loaned the share borrower approximately 36.1 million shares of the Company's common stock. Under the share lending agreements, the share borrower is required to return the borrowed shares when the Notes are no longer outstanding. The Company did not receive any proceeds from the sale of the borrowed shares by the share borrower, but the Company did receive a nominal lending fee of $0.01 per share from the share borrower for the use of the borrowed shares.

The fair value of the outstanding loaned shares as of December 31, 2009 and 2010 was $151,902 and $198,189, respectively. On the days of the Notes issuance the fair value of the share lending agreements was determined to be $9,900 and $ 4,576 for the 460,000 and 240,000 Notes respectively, based on a 5.5% interest rate of the Notes without the share lending agreement and was recorded as debt issuance cost. Amortization of the issuance costs associated with the share lending agreement recorded as interest expense during the year ended December 31, 2009 and 2010 was $195 and $2,617, respectively, resulting in an unamortized amount of $9,705 and $11,664 at December 31, 2009 and 2010, respectively.

The total interest expense related to the Notes in the Company's consolidated statement of operations for the year ended December 31, 2010 was $57,681, of which $26,516 is non-cash amortization of the discount on the liability component and $31,165 is the contractual interest to be paid semi-annually at a coupon rate of 5% per year. At December 31, 2009 and 2010 the net carrying amount of the liability component and unamortized discount were $342,925 and $537,969, respectively and $117,075 and $162,031, respectively.

Credit facilities

As at December 31, 2010, the Company had six open credit facilities, which are reduced in quarterly and semi-annual installments. The aggregate available unused amounts under these facilities at December 31, 2009 and 2010 were $938,726 and $930,477, respectively and the Company is required to pay a quarterly commitment fee of 0.60% per annum of the unutilized portion of the line of credit. Interest is payable at a rate based on LIBOR plus a margin.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

11. Long-term Debt – (continued):

Term bank loans

Term loan balances outstanding at December 31, 2009 and 2010 amounted to $569,779 and $446,801, respectively. These bank loans are payable in U.S. Dollars in quarterly and semi-annual installments with balloon payments due at maturity between January 2015 and July 2018. Interest rates on the outstanding loans as at December 31, 2010, are based on LIBOR plus a margin.

The weighted-average interest rates on the above outstanding loans and credit facilities for the applicable periods were:

Year ended December 31, 2010 4.80%
Year ended December 31, 2009 3.88%
Year ended December 31, 2008 4.28%

Loan movements for credit facilities and term loans throughout 2010:

Loan	Loan agreement date	Original Amount	December 31, 2009	New Loans	Repayments	December 31, 2010
Credit Facility	March 31, 2006	$ 753,637	$ 598,237	$ —	$ (94,747)	$ 503,490
Term Bank Loan	October 2, 2007	35,000	25,000	—	(2,000)	23,000
Term Bank Loan	December 4, 2007	101,150	70,318	—	(28,681)	41,637
Term Bank Loan	October 5, 2007	90,000	74,000	—	(8,000)	66,000
Term Bank Loan	June 20, 2008	103,200	63,350	—	(26,950)	36,400
Term Bank Loan	May 13, 2008	125,000	86,000	—	(26,000)	60,000
Term Bank Loan	May 5, 2008	90,000	60,000	—	(6,000)	54,000
Term Bank Loan	November 16, 2007	47,000	29,000	—	(6,000)	23,000
Term Bank Loan	July 23, 2008	126,400	113,150	—	(14,000)	99,150
Term Bank Loan	March 13, 2008	130,000	48,961	—	(5,347)	43,614
Credit Facility	September 17, 2008	1,040,000	808,550	—	(132,717)	675,833
Credit Facility	September 10, 2007	230,000	230,000	—	(115,000)	115,000
Credit Facility	July 18, 2008	1,125,000	186,274	8,250	—	194,524
Credit Facility	December 28, 2010	300,000	—	300,000	—	300,000
Credit Facility	December 21, 2010	325,000	—	—	—	—
Convertible Senior Notes	November 21, 2009	$ 460,000	460,000	240,000	—	700,000
			$2,852,840	**$548,250**	**$(465,442)**	**$2,935,648**

On November 29, 2010, the Company signed an amended and restated agreement on the March 13, 2008 term loan, for the substitution of vessels Delray and Toro with vessel Amalfi. The vessel Delray was sold in February 2010, whereas the vessel Toro was released from the loan and security obligation and was replaced by vessel Amalfi.

The above loans are secured by a first priority mortgage over the vessels, corporate guarantee, a first assignment of all freights, earnings, insurances and requisition compensation. The loans contain covenants including restrictions, without the bank's prior consent, as to changes in management and ownership of the vessels, additional indebtedness and mortgaging of vessels, change in the general nature of the Company's business. In addition, some of the vessel owning companies are not permitted to pay any dividends to DryShips nor DryShips to its shareholders without the lender's prior consent. The loans also contain certain financial covenants relating to the Company's financial position, operating performance and liquidity. The Company's secured credit facilities impose operating and negative covenants on the Company and its subsidiaries. These covenants may limit the Dryships' subsidiaries' ability to, among other things, without the relevant lenders' prior consent (i) incur additional indebtedness, (ii) change the flag, class or management of the vessel mortgaged under such facility, (iii) create or permit to exist liens on their assets, (iv) make loans, (v) make investments or capital expenditures, and (vi) undergo a change in ownership or control.

Based on the loan agreements, the Company is required to meet certain value-to-loans ratios. However, according to the loan agreements, value–to-loan ratio shortfalls can be remedied by providing additional collateral or repaying the portion of the loan equal to the shortfall to bring the Company into compliance with the required value-to-loans ratio. As a result, in addition to the required scheduled payments, $45,000 has been classified as a current liablity as of December 31, 2010, representing payments that could be required by the lenders to satisfy the value-to-loan shortfalls, in accordance with the terms of the loans.

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11. Long-term Debt – (continued):

The Company was in breach of certain of its financial covenants as of December 31, 2008. Furthermore, as of December 31, 2009, the Company was deemed to be in breach of one financial loan covenant and not able to remedy the short falls projected for the forthcoming year 2010 due to the non compliance with certain value-to-loan ratios. As a result, in accordance with guidance related to classification of obligations that are callable by the creditor, the Company had classified all of the related long-term debt amounting to $1.3 billion as current at December 31, 2009.

Total interest incurred on long-term debt, including capitalized interest, for the years ended December 31, 2008, 2009 and 2010 amounted to $106,200, $94,717, and $99,044 respectively. These amounts net of capitalized interest are included in "Interest and finance costs" in the accompanying consolidated statements of operations.

The annual principal payments required to be made after December 31, 2010, including balloon payments, totaling $2,935,648 due through September 2020, are as follows:

2011	$ 740,604
2012	205,376
2013	583,886
2014	823,984
2015 and thereafter	581,798
Total principal payments	2,935,648
Less: Financing fees	(215,956)
Total debt	**$2,719,692**

12. Financial Instruments and Fair Value Measurements:

All derivatives are carried at fair value on the consolidated balance sheet at each period end. Balances as of December 31, 2009 and 2010 are as follows:

	December 31, 2009				December 31, 2010			
	Interest Rate Swaps	Forward Freight Agreements	Foreign Currency Forward Contracts	Total	Interest Rate Swaps	Forward Freight Agreements	Foreign Currency Forward Contracts	Total
Current assets	$ —	559	434	$ 993	$ —	—	1,538	$ 1,538
Current liabilities	(65,129)	(7,708)	—	(72,837)	(71,640)	(1,063)	—	(72,703)
Non current liabilities	(103,765)	(998)	—	(104,763)	(159,376)	—	—	(159,376)
	$(168,894)	**(8,147)**	**434**	**$(176,607)**	**$(231,016)**	**(1,063)**	**1,538**	**$(230,541)**

12.1 Interest rate swaps, cap and floor agreements: As of December 31, 2009 and 2010, the Company had outstanding 34 interest rate swap, cap and floor agreements, of $2.5 billion and $2.5 billion respectively, maturing from June 2011 through November 2017. These agreements are entered into in order to hedge its exposure to interest rate fluctuations with respect to the Company's borrowings. Of these contracts, 31 do not qualify for hedge accounting and as such changes in their fair values are included in the accompanying consolidated statement of operations, while 3 contracts are designated for hedge accounting and as such changes in their fair values are included in accumulated other comprehensive loss. The fair value of these agreements equates to the amount that would be paid by the Company if the agreements were cancelled at the reporting date, taking into account current interest rates and creditworthiness of the Company.

12. Financial Instruments and Fair Value Measurements – (continued):

The change in the fair value of such agreements which do not qualify for hedge accounting for the year ended December 31, 2008, 2009 and 2010 amounted to a loss of $202,452, a gain of $66,354 and a loss of $56,627, respectively and is reflected under "Gains/Loss on interest rate swaps" in the accompanying consolidated statement of operations while the change in fair value of the agreements that qualified for hedge accounting for the year ended December 31, 2008, 2009 and 2010 amounted to a loss of $46,548, a gain of $10,878 and a loss of $17,034, respectively and is reflected under "Accumulated other comprehensive loss" in the accompanying consolidated statements of stockholders' equity.

12.2 Forward freight agreements: The Company trades in the FFA market effective from May 2009, with both an objective to utilize the FFAs as economic hedging instruments that are effective at reducing the risk of specific vessels charter rates and to take advantage of short term fluctuations in the market prices. FFA trading generally has not qualified as hedge accounting and as such the trading of FFAs could lead to material fluctuations in the Company's reported results from operations on a period to period basis.

As of December 31, 2010, the Company had two open FFAs. None of the "mark to market" positions of the open FFA contracts qualified for hedge accounting treatment.

The change in the fair value of such agreements for the year ended December 31, 2008, 2009 and 2010 amounted to $0, a loss of $8,147 and a gain of $7,084, respectively and is reflected under "Other, net" in the accompanying consolidated statement of operations.

12.3 Foreign currency forward contracts: As of December 31, 2010 and 2009, the Company had outstanding twelve forward contracts, to sell $28 million for NOK 174 million and ten forward contracts to sell $20 million for NOK 119 million. These agreements are entered into in order to hedge its exposure to foreign currency fluctuations. Such fair value at December 31, 2009 and December 31, 2010 was an asset of $434 and $1,538, respectively.

The change in the fair value of such agreements for the year ended December 31, 2008, 2009 and 2010 amounted to a loss of $2,512, a gain of $2,023 and a gain of $1,104, respectively and is reflected under "Other, net" in the accompanying consolidated statement of operations.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

12. Financial Instruments and Fair Value Measurements – (continued):

Tabular disclosure of financial instruments is as follows:

Fair Values of Derivative Instruments in the Statement of Financial Position:

		Asset Derivatives			Liability Derivatives	
Derivatives designated as hedging instruments	**Balance Sheet Location**	**December 31, 2009 Fair value**	**December 31, 2010 Fair value**	**Balance Sheet Location**	**December 31, 2009 Fair value**	**December 31, 2010 Fair value**
Interest rate swaps	Financial instruments	$ —	$ —	Financial instruments non current liabilities	$ 31,028	$ 36,523
Total derivatives designated as hedging instruments		$ —	$ —		$ 31,028	$ 36,523
Derivatives not designated as hedging instruments						
Interest rate swaps	Financial instruments-current assets	$ —	$ —	Financial instruments-current liabilities	$ 65,129	$ 71,640
Interest rate swaps	Financial instruments-non current assets	—	—	Financial instruments-non current liabilities	72,737	122,853
Forward freight agreements	Financial instruments-current assets	559	—	Financial instruments current liabilities	7,708	1,063
Forward freight agreements	Financial instruments-non current assets	—	—	Financial instruments non current liabilities	998	—
Foreign currency forward contracts	Financial instruments-current assets	434	1,538	Financial instruments current liabilities	—	—
Total derivatives not designated as hedging instruments		$ 993	$ 1,538		$ 146,572	$ 195,556
Total derivatives		**$ 993**	**$ 1,538**	**Total derivatives**	**$ 177,600**	**$ 232,079**

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

12. Financial Instruments and Fair Value Measurements – (continued):

The Effect of Derivative Instruments on the Statement of Stockholders' Equity:

Derivatives designated for cash flow hedging relationships	Amount of Gain/ (Loss) Recognized in OCI on Derivatives (Effective Portion) Year Ended December 31, 2008	Year Ended December 31, 2009 (As restated)	Year Ended December 31, 2010
Interest rate swaps – Unrealized gains/(losses)	$ (46,548)	$ 16,140	$ (5,495)
Interest rate swaps – Realized losses associated with capitalized interest	—	(5,262)	(11,539)
Total	**$ (46,548)**	**$ 10,878**	**$ (17,034)**

No portion of the cash flow hedges shown above was ineffective during the year. During the years ended December 31, 2009 and 2010, the losses transferred from OCI into the statement of operations were $12,391 and $9,901 respectively. The estimated net amount of existing losses at December 31, 2010 that will be reclassified into earnings within the next twelve months related with cash flow hedges is $367.

Derivatives not designated as hedging instruments	Location of Gain or (Loss) Recognized	Amount of Gain/(Loss) Year Ended December 31, 2008	Year Ended December 31, 2009	Year Ended December 31, 2010
Interest rate swaps	Gain/(loss) on interest rate swaps	$ (207,936)	$ 23,160	$ (120,505)
Forward freight agreements	Other, net	—	(9,970)	(3,008)
Foreign currency forward contracts	Other, net	(2,512)	2,023	1,104
Total		**$ (210,448)**	**$ 15,213**	**$ (122,409)**

ASC 815, "Derivatives and Hedging" requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. In accordance with the guidance, the Company designates all the contracts as cash flow hedges, if they qualify for that treatment, with the last contract expiring in November 2017.

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in the accompanying consolidated statement of operations. Changes in the fair value of derivative instruments that have not been designated as hedging instruments are reported in the accompanying consolidated statement of operations.

The Company enters into interest rate swap transactions to manage interest costs and risk associated with changing interest rates with respect to its variable interest rate loans and credit facilities. The Company enters into FFAs and foreign currency forward contracts in order to manage risks associated with future hire rates and fluctuations in foreign currencies, respectively.

The carrying amounts of cash and cash equivalents, restricted cash and trade accounts receivable and accounts payable reported in the consolidated balance sheets approximate their respective fair values because of the short term nature of these accounts. The fair value of revolving credit facilities is estimated based on current rates offered to the Company for similar debt of the same remaining maturities. Additionally, the Company considers its creditworthiness in determining the fair value of the revolving credit facilities. The carrying value approximates the fair market value for the floating rate loans. The fair value of the interest rate swaps was determined using a discounted cash flow method based on market-based LIBOR swap yield curves, taking into account current interest rates and the creditworthiness of the Company. The fair value of the forward freight agreements was determined based on quoted rates. The fair value of foreign currency forward contracts was based on the forward exchange rates.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

12. Financial Instruments and Fair Value Measurements – (continued):

The guidance for fair value measurements applies to all assets and liabilities that are being measured and reported on a fair value basis. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

The following table summarizes the valuation of assets and liabilities measured at fair value on a recurring basis as of the valuation date.

	December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Recurring measurements:				
Interest rate swaps – liability position	$ (231,016)	$ —	$ (231,016)	$ —
Forward freight agreements – liability position	(1,063)	(1,063)	—	—
Foreign currency forward contracts – asset position	1,538	1,538	—	—
Total	**$ (230,541)**	**$ 475**	**$ (231,016)**	**$ —**

The following table summarizes the valuation of our assets measured at fair value on a non-recurring basis as of the valuation date.

	December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Gains/ (Losses)
Non- Recurring measurements:					
Long-lived assets held and used	$ 26,500	$ —	$ 26,500	$ —	$(3,588)
Total	**$ 26,500**	**$ —**	**$ 26,500**	**$ —**	**$(3,588)**

In accordance with the provisions of relevant guidance, a long-lived asset held and used with a carrying amount of $30,088 was written down to its fair value of $26,500 as determined based on the agreed sale price, resulting in an impairment charge of $3,588, which was included in accompanying consolidated statement of operations for December 31, 2010.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

13. Common Stock and Additional Paid-in Capital:

Net Income Attributable to Dryships Inc. and Transfers from the Non controlling Interest:

The following table represents the effects of any changes in Dryships Inc. ownership interest in a subsidiary on the equity attributable to the shareholders of Dryships Inc.

	Year Ended December 31,		
	2008	2009 (As restated)	2010
Net (loss)/income attributable to Dryships Inc.	$(361,282)	$ (19,209)	$188,327
Transfers from the noncontrolling interest:			
Increase in Dryships Inc. equity for acquisition of non controlling interest	—	352,814	—
Decrease in Dryships Inc. equity for issuance of subsidiary shares	—	(37,511)	(45,666)
Increase in Dryships Inc. retained earnings for redemption of non controlling interest:	(15,050)	—	—
Net transfers to/from the non controlling interest	(15,050)	315,303	(45,666)
Net income/ (loss) attributable to Dryships Inc. and transfers to/from the noncontrolling interest	**$(376,332)**	**$ 296,094**	**$142,661**

Issuance of common shares

In October 2007, the Company filed a universal shelf registration statement on Form F-3 relating to the offer and sale of up to 6,000,000 common shares. From January through March 2008, an amount of 4,759,000 shares of common stock were issued. The net proceeds, after underwriting commissions ranging between 1.5% to 2% and other issuance fees, amounted to $352,748.

In March 2008, the Company filed a prospectus supplement relating to the offer and sale of up to 6,000,000 shares of common stock, par value $0.01 per share. On May 6 and 7, 2008, the Company issued 1,109,903 shares of common stock. The net proceeds, after underwriting commissions of 1.75% and other issuance fees, amounted to $101,574. In October 2008, the Company issued 2,069,700 shares of common stock. The net proceeds, after underwriting commissions of 1.75% and other issuance fees, amounted to $41,891.

In November 2008, the Company filed a prospectus supplement relating to the offer and sale of up to 25,000,000 common shares. In November and December 2008, the Company issued 24,980,300 shares of common stock. The net proceeds, after underwriting commissions of 2.5% to 3% and other issuance fees, amounted to $167,057.

On January 15, 2009, the Company agreed to transfer its interests in the ship-owning companies of three Capesize newbuildings to an entity that is not affiliated with the Company. As consideration for liabilities assumed by the purchasers, on March 19, 2009, the Company issued a total of 11,990,405 common shares to the nominees of Central Mare Inc. (Note 3).

During 2009, the Company effected two at-the-market equity offerings. Under these offerings, the Company issued 165,054,595 shares of common stock. The net proceeds, after commissions, amounted to $952,369.

Concurrently with the offering of the Notes discussed in Note 10, the Company entered into share lending agreements and issued 26,100,000 shares of common stock in November 2009 and 10,000,000 in April 2010, respectively, which it subsequently loaned to the underwriter pursuant to the share lending agreements. The Company received a one time loan fee of $0.01 per share.

In September 2010, the Company filed a universal shelf registration statement on Form F-3 relating to the offer and sale of up to $350,000 of the Company's common shares. Under this offering, the Company issued 74,818,706 of common stock. The net proceeds, after deducting commissions, amounted to $342,300.

13. Common Stock and Additional Paid-in Capital – (continued):

Issuance of Series A preferred stock

On July 15, 2009, the Company issued 52,238,806 shares of its Series A Convertible Preferred Stock under its agreement to acquire the remaining 25% of the total issued and outstanding capital stock of Ocean Rig UDW (Note 3). The aggregate face value of these shares was $280,000 and the fair value of the Preferred Stock was determined by management to be $268,000.

The Company determined that the fair value of the 25% of the total issued and outstanding capital stock of Ocean Rig UDW is more reliably measurable than the fair value of the preferred stock issued. The Company determined that $318,000 is the fair value of the 25% of the outstanding common shares of Ocean Rig UDW in accordance with fair value guidance by weighting the fair values derived using the following three valuation methods: (i) Fair value of the net assets of Ocean Rig UDW; (ii) Discounted cash flow method; and (iii) Comparable company approach. Based on the foregoing, the Company recorded the preferred stock at $268,000, which was calculated as the fair value of the 25% of the total issued and outstanding capital stock of Ocean Rig UDW of $318,000 less cash consideration of $50,000.

The changes in the Company's ownership interest in Ocean Rig UDW did not represent a change in control and therefore the Company accounted for this transaction as an equity transaction with no gain or loss recorded in the statement of operations or comprehensive income. The difference between the fair value of the 25% of the total issued and outstanding capital stock of Ocean Rig UDW and the amount the non-controlling interest was recognized as equity attributable to the parent.

The Series A Convertible Preferred Stock accrues cumulative dividends on a quarterly basis at an annual rate of 6.75% of the aggregate face value. Dividends are payable in preferred stock or cash, if cash dividends have been declared on common stock. Such accrued dividends are payable in additional shares of preferred stock immediately prior to any conversion.

As of December 31, 2010, the fair value of the accrued stock dividends aggregated to $21,121. Each share of this instrument mandatorily converts into shares of the Company's common stock proportionally, upon the contractual delivery of each of the four newbuilding ultra deepwater drillships at a premium of 127.5% of the original purchase price. Furthermore, each share of this instrument can also be converted into shares of the Company's common stock at any time at the option of the holder at a conversion rate of 1.0:0.7.

The Series A Convertible Preferred Stock ranks senior to all other series of the Company's preferred stock as to the payment of dividends and the distribution of assets. Finally, the holders of this stock and the holders of shares of common stock vote together as one class on all matters submitted to a vote of the stockholders of the Company.

Series A Convertible Preferred Stock shall not be redeemable unless upon any liquidation, dissolution or winding up of the Company, or sale of all or substantially all of the Company's assets, in which case a one-to-one redemption takes place plus any accrued and unpaid dividends.

Stockholders Rights Agreement

As of January 18, 2008, the Company entered into a Stockholders Rights Agreement (the "Agreement"). Under the Agreement, the Company's Board of Directors declared a dividend payable of one preferred share purchase right, ("Right"), to purchase one one-thousandth of a share of the Company's Series A Participating Preferred Stock for each outstanding common share. Each right entitles the registered holder, upon the occurrence of certain events, to purchase from the Company one one-thousandth of a share of Series A Participating Preferred Stock. As of December 31, 2010, no exercise of any purchase right has occurred.

As of July 9, 2009, an amendment has been effected to the Agreement to reflect the issuance of Series A Convertible Preferred Stock.

14. Equity incentive plan:

On January 16, 2008, the Company's Board of Directors approved the 2008 Equity Incentive Plan (the "Plan"). Under the Plan, officers, key employees, and directors are eligible to receive awards of stock options, stock appreciation rights, restricted stock, restricted stock units, phantom stock units and unrestricted stock. On January 25, 2010 the Company's Board of Directors amended the 2008 Equity Incentive Plan to provide that a total of 21,834,055 common shares be reserved for issuance.

On March 5, 2008, 1,000,000 shares of non-vested common stock out of the 1,834,055 shares then reserved under the Plan were granted to Fabiana, an entity that offers consultancy services to the Chief Executive Officer, George Economou. The shares vest quarterly in eight equal installments with the first installment of 125,000 common shares vested on May 28, 2008. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the shares on the grant date of $75.09 per share. As of December 31, 2010 the shares have vested in full.

On October 2, 2008, the Company's Board of Directors and Compensation Committee approved grants for the non-executive directors of the Company. On October 2, 2008, 9,000 shares of non-vested common stock and 9,000 shares of vested common stock were granted to the non-executive directors. As of December 31, 2010, 12,450 of these shares have vested.

The non-vested common stock vests evenly over a three-year period with the first vesting date commencing on January 1, 2009. For the director vested and non-vested stock, the fair value of each share on the grant date was $33.59.

On March 12, 2009, 70,621 shares of non-vested common stock out of the 1,834,055 shares reserved under Plan were granted to an executive of the Company. The shares vest in annual installments of 42,373 and 28,248 shares on March 1, 2010 and 2011, respectively. The fair value of each share on the grant date was $3.54. As of December 31, 2010, 42,373 of these shares have vested.

On January 25, 2010, 4,500,000 shares of non-vested common stock out of 21,834,055 shares reserved under the Plan were granted to Fabiana as a bonus for the contribution of George Economou for CEO services rendered during 2009 as well as for anticipated services during the years 2010, 2011 and 2012. The shares shall vest over a period of three years, with 1,000,000 shares to vest on the grant date; 1,000,000 shares to vest on December 31, 2010 and 2011, respectively; and 1,500,000 shares to vest on December 31, 2012. The stock-based compensation is being recognized to expenses over the vesting period and based on the fair value of the shares on the grant date of $6.05 per share. As of December 31, 2010, 2,000,000 of these shares have vested.

On March 5, 2010, 2,000 shares of non-vested common stock and 1,000 shares of vested common stock out of the 21,834,055 shares reserved under Plan were granted to an executive of the Company. The shares vest in annual installments of 1,000 shares on March 5, 2010, December 31, 2010 and 2011, respectively. The shares were issued during July 2010 and the fair value of each share, on the grant date, was $5.66. As of December 31, 2010, 2,000 of these shares have vested.

On February 4, 2011, 15,000 shares of non-vested common stock out of the 21,834,055 shares reserved under Plan were granted to an executive of the Company. The shares will vest on a pro-rata basis over a period of three years from the date of the non-vested stock award agreement. The fair value of each share, on the grant date, was $5.01.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

14. Equity incentive plan – (continued):

A summary of the status of the Company's non vested shares as of December 31, 2008, 2009 and 2010, and movement for the years ended December 31, 2008, 2009 and 2010, is presented below. There were no shares forfeited in 2008 and 2009 while 3,600 shares where forfeited during 2010.

	Number of non vested shares	Weighted average grant date fair value per non vested shares
Balance as at January 1, 2008	—	$ —
Granted	1,018,000	74.36
Vested	(384,000)	74.12
Balance December 31, 2008	634,000	$ 74.50
Granted	70,621	3.54
Vested	(501,650)	74.95
Balance December 31, 2009	202,971	$ 48.69
Granted	4,503,000	6.05
Forfeited	(3,600)	33.59
Vested	(2,171,173)	10.00
Balance December 31, 2010	**2,531,198**	**$ 6.04**

	Number of vested shares	Weighted average grant date fair value per vested shares
Balance as at January 1, 2008	—	$ —
Granted	9,000	33.59
Non vested shares granted and vested 2008	375,000	75.09
As at December 31, 2008	384,000	$ 74.12
Non vested shares granted in prior years and vested 2009	501,650	74.95
As at December 31, 2009	885,650	$ 74.59
Granted and vested	2,002,000	6.05
Non vested shares granted in prior years and vested 2010	169,173	56.73
As at December 31, 2010	**3,056,823**	**$ 28.71**

As of December 31, 2008, 2009 and 2010, there was $44,192, $6,372 and $9,414, respectively, of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of two years. The amounts of $31,502, $38,071 and $24,200 are recorded in "General and administrative expenses", in the accompanying consolidated statement of operations for the year ended December 31, 2008 2009 and 2010 respectively. The total fair value of shares vested during the years ended December 31, 2008, 2009 and 2010 were $21,860, $2,826 and $12,466, respectively.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

15. Other non-current liabilities:

Other non-current liabilities in the accompanying consolidated balance sheets are analyzed as follows:

	December 31, 2009	December 31, 2010
Pension and retirement benefit obligation	$ —	$ 602
Other	43	238
Total	**$ 43**	**$ 840**

The Company's majority owned subsidiary, Ocean Rig UDW has three pension benefit plans for employees managed and funded through Norwegian life insurance companies. As of December 31, 2010 the pension plans cover 55 employees. The pension scheme is in compliance with the Norwegian law on required occupational pension.

The Company uses a January 1 measurement date for net periodic benefit cost and a December 31 measurement date for benefit obligations and plan assets.

For defined benefit pension plans, the benefit obligation is the projected benefit obligation, the actuarial present value, as of the December 31 measurement date, of all benefits attributed by the pension benefit formula to employee service rendered to that date. The amount for benefit to be paid depends on a number of future events incorporated into the pension benefit formula, including estimates of the average life of employees/survivors and average years of service rendered. It is measured based on assumptions concerning future interest rates and future employee compensation levels.

The following table presents the change in the projected benefit obligation for the years ended December 31:

	2009	2010
Projected benefit obligation at January 1	$ 7,033	$ 8,898
Service cost for benefits earned	4,121	2,021
Interest cost	280	334
Settlement	(1,983)	(2,984)
Actuarial gains/(losses)	(1,587)	149
Benefits paid	(42)	(72)
Payroll tax of employer contribution	(442)	(104)
Foreign currency exchange rate changes	1,518	(145)
Projected benefit obligation at end of year	$ 8,898	$ 8,097

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

15. Other non-current liabilities – (continued):

The following table presents the change in the value of plan assets for the years ended December 31, 2009 and 2010 and the plans' funded status at December 31:

	2009	2010
Fair value of plan assets at January 1,	$ 6,321	$ 9,286
Expected return on plan assets	378	395
Actual return on plan assets	(1,395)	(760)
Employer contributions	3,138	741
Settlement	(624)	(1,986)
Foreign currency exchange rate changes	1,468	(181)
Fair value of plan assets at end of year	$ 9,286	$ 7,495
Funded/ (unfunded) status at end of year	$ 388	$ (602)

Amounts included in accumulated other comprehensive loss that have not yet been recognized in net periodic benefit cost at December 31 are listed below:

	2008	2009	2010
Net actuarial loss	$3,337	$2,766	$2,342
Prior service cost	187	964	424
Defined benefit plan adjustment, before tax effect	$3,524	$3,730	$2,766

The accumulated benefit obligation for the pension plans represents the actuarial present value of benefit based on employee service and compensation as of a certain date and does not include an assumption about future compensation levels. The accumulated benefit obligation for the pension plans was $2,995 at December 31, 2010 and $6,265 at December 31, 2009.

The net periodic pension cost recognized in the consolidated statements of operations was $2,980, $3,652 and $2,008 for the years ended December 31, 2008, 2009 and 2010 respectively.

The following table presents the components of net periodic pension cost:

	2008	2009	2010
Expected return on plan assets	$ (410)	$ (378)	$ (395)
Service cost	2,870	4,121	2,021
Interest cost	275	280	334
Amortization of prior service cost	190	—	—
Amortization of actuarial loss	146	168	47
Settlement	(91)	(539)	1
Net periodic pension cost	$2,980	$3,652	$2,008

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

15. Other non-current liabilities – (continued):

The table below presents the components of changes in Plan Assets and Benefit Obligations recognized in Other Comprehensive Income:

	2008	2009	2010
Net actuarial loss (gain)	$ —	$(1,091)	$ 1,101
Prior service cost (credit)	(1,511)	777	(1,020)
Amortization of actuarial loss	—	(256)	(506)
Amortization of prior service cost	(190)	—	—
Total recognized in net pension cost and other comprehensive income, before tax effects	$(1,701)	$ (570)	$ (425)

The estimated amount in accumulated other comprehensive loss that is expected to be reclassified as a component of net periodic benefit cost over the next fiscal year is $112.

Pension obligations are actuarially determined and are affected by assumptions including expected return on plan assets. As of December 31, 2010 contributions amounting to $741 in total, have been made to the defined benefit pension plan.

The Company evaluates assumptions regarding the estimated long-term rate of return on plan assets based on historical experience and future expectations on investment returns, which are calculated by an unaffiliated investment advisor utilizing the asset allocation classes held by the plan's portfolios. Changes in these and other assumptions used in the actuarial computations could impact the Company's projected benefit obligations, pension liabilities, pension cost and other comprehensive income.

The Company bases its determination of pension cost on a market-related valuation of assets that reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets.

The following are the weighted–average assumptions used to determine net periodic pension cost:

	December 31, 2008	December 31, 2009	December 31, 2010
Weighted average assumptions			
Expected return on plan assets	5.80%	5.70%	5.40%
Discount rate	3.80%	4.50%	4.00%
Compensation increases	4.25%	4.50%	4.00%

The Company's investments are managed by the insurance company Storebrand by using models presenting many different asset allocation scenarios to assess the most appropriate target allocation to produce long-term gains without taking on undue risk. US GAAP standards require disclosures for financial assets and liabilities that are re-measured at fair value at least annually. The following table set forth the pension assets at fair value as of December 31, 2009 and 2010:

	2009	2010
Share and other equity investments	$1,086	$1,214
Bonds and other security – fixed yield	2,618	1,289
Bonds held to maturity	2,497	1,889
Properties and real estate	1,504	1,207
Money market	947	668
Other	634	1,228
Total plan net assets at fair value	$9,286	$7,495

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

15. Other non-current liabilities – (continued):

The law requires a low risk profile; hence the majority of the funds are invested in government bonds and high-rated corporate bonds.

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. If no sale was reported on that date, they are valued at the last reported bid price. Investments in securities not traded on a national securities exchange are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Alternative investments, binding investment in private equity, private bonds, hedge funds, and real estate assets, do not have readily available marked values. These estimated fair values may differ significantly from the values that would have been used had a readily available market value for these investments existed, and such differences could be material. Private equity, private bonds, hedge funds and other investments not having an established market are valued at net assets values as determined by the investment managers, which management had determined approximates fair value. Investments in real estate assets funds are stated at the aggregate net asset value of the units of these funds, which management has determined approximates fair value. Real estate assets are valued either at amounts based upon appraisal reports prepared by the investment manager, which management has determined approximates fair value.

Purchases and sales of securities are recorded as of the trade date. Realized gains and losses on sales of securities are determined on the basis of average cost. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

The major categories of plan assets as a percentage of the fair value of plan assets are as follows:

	As of December 31,	
	2009	2010
Shares and other equity instruments	12%	16%
Bonds	55%	42%
Properties and real estate	16%	16%
Other	17%	26%
Total	100%	100%

The US GAAP standards require disclosures for financial assets and liabilities that are re-measured at fair value at least annually. The US GAAP standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Tiers include three levels which are explained below:

Level 1:

Financial instruments valued on the basis of quoted priced for identical assets in active markets. This category encompasses listed equities that over the previous six months have experienced a daily average turnover equivalent to approximately $ 3,462 or more. Based on this, the equities are regarded as sufficiently liquid to be included in this level. Bonds, certificates or equivalent instruments issued by national governments are generally classified as level 1. In the case of derivatives, standardized equity-linked and interest rate futures are included in this level.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

15. Other non-current liabilities – (continued):

Level 2:

Financial instruments valued on the basis of observable market information not covered by level 1. This category encompasses financial instruments that are valued on the basis of market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that prices can be derived from observable, related markets. Level 2 encompasses equities or equivalent equity instruments for which market prices are available, but where the turnover volume is too limited to meet the criteria in level 1. Equities on this level will normally have been traded during the last month. Corporate bonds and equivalent instruments are generally classified as level 2. Interest rate and currency swaps, non-standardized interest rate and currency derivatives, and credit default swaps are also classified as level 2. Funds are generally classified as level 2, and encompass equity, interest rate, and hedge funds.

Level 3:

Financial instruments valued on the basis of information that is not observable pursuant to level 2. Equities classified as level 3 encompass investments in primarily unlisted/private companies. These include investments in forestry, real estate and infrastructure. Private equity is generally classified as level 3 through direct investments or investments in funds. Asset backed securities (ABS), residential mortgage backed securities (RMBS) and commercial mortgage backed securities (CMBS) are classified as level 3 due to their generally limited liquidity and transparency in the market.

The following table sets forth by level, within the fair value hierarchy, the pension asset at fair value as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Equity securities:				
US Equities	$ 516	$ —	$ 57	$ 573
Non-US Equities	512	—	—	512
Fixed Income:				
Government Bonds	3,345	1,205	—	4,550
Corporate Bonds	789	—	—	789
Alternative Investments:				
Hedge funds and limited partnerships	—	214	—	214
Other	169	—	—	169
Cash and cash equivalents	975	—	—	975
Real Estate	—	—	1,504	1,504
Net Plan Net Assets	$6,306	$1,419	$1,561	$9,286

The following table sets forth by level, within the fair value hierarchy, the pension asset at fair value as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Equity securities:				
US Equities	$ 531	$ —	$ 133	$ 664
Non-US Equities	551	—	—	551
Fixed Income:				
Government Bonds	2,336	842	—	3,178
Corporate Bonds	982	—	—	982
Alternative Investments:				
Hedge funds and limited partnerships	—	225	—	225
Other	22	—	—	22
Cash and cash equivalents	667	—	—	667
Real Estate	—	—	1,206	1,206
Net Plan Net Assets	$5,089	$1,067	$1,339	$7,495

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

15. Other non-current liabilities – (continued):

The tables below set forth a summary of changes in the fair value of the pension assets classified as level 3 assets for the years ended December 31.

	Year ended December 31, 2009	2010
Balance, beginning of year	$ 1,161	$ 1,561
Actual return on plan assets:		
Assets sold during the period	—	—
Assets still held at reporting date	310	75
Purchases, sales, issuances and settlements (net)	90	(297)
Net Plan Net Assets	$ 1,561	$ 1,339

The following pension benefits payments are expected to be paid by the Company during the years ending:

December 31, 2011	$ 83
December 31, 2012	84
December 31, 2013	66
December 31, 2014	106
December 31, 2015	107
December 31, 2016 – 2021	1,279
Total pension payments	$1,725

The Company's pension funds are managed by an independent life-insurance company that invests the Company's funds according to Norwegian law. The law requires a low risk profile; hence the majority of the funds are invested in government bonds and high-rated corporate bonds. The major categories of plan assets as a percentage of the fair value of plan assets are as follows:

The Company's estimated employer contribution to the define benefit pension plan for the fiscal year 2011 is $678.

The Company has a defined contribution pension plan that include 354 employees. The contribution to the defined contribution pension plan for the year 2010 was $1,775. The contribution to the defined contribution pension plan for the years 2009 and 2008 was $104 and $54 respectively.

16. Commitment and contingencies:

16.1 Legal proceedings

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business.

In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Except as described below, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

In November 2008, Annapolis Shipping Company Limited of Malta, a subsidiary of DryShips Inc. and seller of the vessel Lacerta to China National Machinery Import & Export Corporation on behalf of Qingdao Shunhe Shipping Co. Ltd of China (the "Buyers"), commenced arbitration proceedings against the Buyers because they failed to comply with their obligations under the memorandum of agreement and to take delivery of the vessel. The buyers responded by raising the issue of change of place of delivery. No quantification of the above claim and counter-claim may be given presently.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

16. Commitment and contingencies – (continued):

On July 17, 2008, the Company entered into an agreement to sell the MV Toro, a 1995-built 73,034 dwt Panamax drybulk carrier, to Samsun Logix Corporation, or Samsun, for the price of approximately $63,400. On January 29, 2009, the Company reached an agreement with the buyers whereby the price was reduced to $36,000. As part of the agreement, the buyers released the deposit of $6,300 to the Company immediately and were required to make a new deposit of $1,500 towards the revised purchase price. On February 13, 2009, the Company proceeded with the cancellation of the sale agreement due to the buyers' failure to pay the new deposit of $1,500. In February 2009, Samsun was placed in corporate rehabilitation.

In February 2010 Samsun's plan of reorganization was approved by its creditors. As part of this plan the Company will recover a certain percentage of the agreed-upon purchase price. As this is contingent on the successful implementation of the plan of reorganization, the Company is unable to estimate the impact on the Company's financial statements.

On March 5, 2009, a complaint against the Company's Board of directors and a former director was filed in the High Court of the Republic of the Marshall Islands for an unspecified amount of damages alleging that such directors had breached their fiduciary duty of good faith in connection with the termination of the acquisition of four Panamax drybulk carriers and nine Capesize drybulk carriers. The complaint, which was amended on August 14, 2009, also seeks the disgorgement of all payments made in connection with the termination of these acquisitions. The Company filed a motion for an early dismissal of this complaint. This motion to dismiss the complaint was granted by the High Court in February 2010. On March 16, 2010, the claimant filed with the Supreme Court of the Republic of the Marshall Islands a Notice of Appeal against the Order of the High Court.

On May 3, 2010, the MV Capitola was detained by the United States Coast Guard at the Port of Baltimore, Maryland. The alleged deficiencies involved in the detention related to a suspected by-pass of the vessel's oily water separating equipment and related vessel records. The relevant vessel owning subsidiary of the Company and Cardiff posted security in the amount of $1.5 million for release of the vessel from detention. During 2011 the U.S. District Court in Maryland has resolved a case in which Cardiff, the former manager of the MV Capitola, a drybulk vessel operated by DryShips, entered into a comprehensive settlement with the U.S. Department of Justice in connection with an investigation into MARPOL violations involving that vessel. Cardiff's plea agreement with the U.S. Department of Justice involved the failure to record certain discharges of oily water and oil residues in the ship's Oil Record Book. The court ordered Cardiff to pay a fine and to implement an Environmental Compliance Plan, or ECP. It has been agreed that the DryShips' current vessel manager, TMS Bulkers, will carry out the ECP for the DryShips' vessels. The ECP will strengthen the commitment of TMS Bulkers to environmental compliance in every phase of its operation, including the operation of the DryShips' vessels. The Company expects to incur costs of approximately $2.4 million.

The Company's drilling rig, Leiv Eiriksson, operated in Angola during the period 2002 to 2007. The Company understands that the Angolan government has retroactively levied import/export duties for two incorporation events during the period 2002 to 2007 estimated between $5 million to $10 million. The Company believes that the assessment of duties is without merit and that the Company will not be required to pay any material amount.

16.2 Purchase obligations:

The following table sets forth the Company's contractual obligations and their maturity dates as of December 31, 2010 for a period of three fiscal years:

Obligations:	Total	1st year	2nd year	3rd year
Vessels shipbuilding contracts	$ 701,130	$ 295,305	$249,425	$156,400
Drillship Shipbuilding contracts plus owners furnished equipment	1,374,000	1,374,000	—	—
Total obligations	**$2,075,130**	**$1,669,305**	**$249,425**	**$156,400**

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

16. Commitment and contingencies – (continued):

At December 31, 2010, the Company's short-term contractual obligations to fund the construction installments under the drillship and vessel shipbuilding contracts in 2011 amount to $1,669,305. Cash expected to be generated from operations is not anticipated to be sufficient to cover the Company's capital commitments and current loan obligations. In March 2011, the Company received commitments from financial institutions for additional financing amounting to $832,300 and consents from existing lenders to draw down an additional amount of $495,000 to cover obligations falling due within 2011. The Company believes that the above financing will be sufficient to meet its working capital needs, capital commitments and loan obligations throughout 2011. In addition, should the Company exercise all its options to construct four new drillships, the Company would be required to pay cash payments of $ 698,800 in 2011, for which it would be dependent upon obtaining additional financing.

16.3 Contractual charter revenue

Future minimum contractual charter revenue, based on vessels and rigs committed to non-cancelable, long-term time and bareboat charter contracts as of December 31, 2010, will be $957,671 during 2011, $532,502 during 2012, $150,465 during 2013, $46,256 during 2014 and $138,621 during 2015 and thereafter. These amounts do not include any assumed off-hire.

16.4 Rental payments

The Company leases office space in Athens, Greece, from a son of George Economou. As of December 31, 2010, the future obligations amount to $22 for 2011, $26 for 2012, $26 for 2013, $26 for 2014, $26 for 2015 and $6 for 2016. The contract expires in 2016. Ocean Rig entered into a five year office lease agreement with Vestre Svanholmen 6 AS which commenced on July 1, 2007. This lease includes an option for an additional five years term which must be exercised at least six months prior to the end of the term of the contract which expires in June 2012. As of December 31, 2010, the future obligations amount to $646 for 2011 and $323 for 2012. Other lease agreements relating to office and housing, had as December 31, 2010, future obligations amounting to $290 for 2011, $45 for 2012, $33 for 2013, $33 for 2014 and $24 for 2015.

17. Accumulated other comprehensive loss:

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

	Cash flow hedges Unrealized Gain/(loss)	Cash flow hedges Realized Gain/(loss)	Actuarial pension Gain/(Loss)	Total
Balance at December 31, 2009 (as restated)	$ (30,408)	(5,262)	2,271	$(33,399)
Balance at December 31, 2010	$ (27,752)	(13,105)	2,103	$(38,754)

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

18. Voyage and Vessel and Drilling Rig Operating Expenses:

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

	Year ended December 31,		
Vessel Voyage Expenses	**2008**	**2009**	**2010**
Port charges	$ 1,041	$ 1,078	$ 857
Bunkers	5,952	4,601	1,305
Gain on sale of bunkers	(9,473)	(2,146)	(17)
Commissions charged by third parties	39,181	19,809	19,674
Charter in – hire expense	5,935	—	—
	42,636	**23,342**	**21,819**
Commissions charged by a related party	10,536	5,437	5,614
Total	**$ 53,172**	**$ 28,779**	**$ 27,433**

	Year ended December 31,		
Vessel Operating Expenses	**2008**	**2009**	**2010**
Crew wages and related costs	$ 36,723	$ 36,560	$ 36,271
Insurance	7,596	7,695	6,663
Repairs and maintenance	18,278	12,897	10,566
Spares and consumable stores	16,599	18,137	17,436
Tonnage taxes	515	316	309
Total vessel operating expenses	**$ 79,711**	**$ 75,605**	**$ 71,245**

Rig Operating Expenses	**For the period from May 15, 2008 to December 31, 2008**	**Year ended December 31, 2009**	**Year ended December 31, 2010**
Crew wages and related costs	$ 51,890	$ 69,983	$ 60,540
Insurance	12,686	7,869	7,918
Repairs and maintenance	21,604	48,430	50,911
Total rig operating expenses	**$ 86,180**	**$ 126,282**	**$ 119,369**
Total	**$ 165,891**	**$ 201,887**	**$ 190,614**

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

19. Interest and Finance Costs:

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

	Year ended December 31,		
	2008	2009 (As restated)	2010
Interest incurred on long-term debt	$106,200	$ 94,717	$ 99,044
Long-term debt commitment fees	3,208	5,869	6,376
Bank charges	817	503	2,474
Amortization and write-off of financing fees	15,848	12,745	9,249
Amortization of convertible notes discount	—	1,769	26,516
Amortization of share lending agreement-note issuance costs	—	195	2,617
Other	179	15	—
Capitalized interest	(13,058)	(31,383)	(78,451)
Total	**$113,194**	**$ 84,430**	**$ 67,825**

20. Segment information:

The Company has three reportable segments of which it derives its revenues from: Drybulk carrier, Tanker and Drilling Rig segments. The reportable segments reflect the internal organization of the Company and are a strategic business that offers different products and services. The Drybulk business segment consists of transportation and handling of Drybulk cargoes through ownership and trading of vessels. The Drilling Rig business segment consists of trading of the drilling rigs through ownership and trading of such drilling rigs. The Tanker business segment consists of vessels under construction for the transportation of crude and refined petroleum cargoes.

The table below presents information about the Company's reportable segments as of and for the year ended December 31, 2008, 2009 and 2010.

The accounting policies followed in the preparation of the reportable segments are the same as those followed in the preparation of the Company's consolidated financial statements.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

20. Segment information – (continued):

The Company measures segment performance based on net income. Summarized financial information concerning each of the Company's reportable segments is as follows:

	Drybulk Segment			Drilling Rigs Segment			Tanker Segment	TOTAL		
	2008	2009	2010	2008	2009 (As restated)	2010	2010	2008	2009 (As restated)	2010
Revenues	$ 861,296	$ 444,385	$ 457,804	$ 219,406	$ 375,449	$ 401,941	$ —	$1,080,702	$ 819,834	$ 859,745
Vessel and rig operating expenses	79,711	75,605	71,245	86,180	126,282	119,369	—	165,891	201,887	190,614
Depreciation and amortization	110,507	117,522	117,799	47,472	78,787	75,092	—	157,979	196,309	192,891
(Gain)/loss on sale of assets	(223,022)	(2,432)	(10,893)	—	387	1,458	—	(223,022)	(2,045)	(9,435)
Impairment charge	—	1,578	3,588	—	—	—	—	—	1,578	3,588
General and administrative expenses	75,364	72,868	66,685	13,994	17,955	20,579	—	89,358	90,823	87,264
Gain/(loss) on interest rate swaps	(145,021)	1,098	(80,202)	(62,915)	22,062	(40,303)	—	(207,936)	23,160	(120,505)
Income taxes	—	—	—	(2,844)	(12,797)	(20,436)	—	(2,844)	(12,797)	(20,436)
Net income/(loss)	427,544	(138,874)	20,373	(772,001)	126,843	170,077	—	(344,457)	(12,031)	190,450
Net income/(loss) attributable to Dryships Inc.	427,544	(138,874)	20,373	(788,826)	119,665	167,954	—	(361,282)	(19,209)	188,327
Interest and finance cost	(49,700)	(40,528)	(91,421)	(63,494)	(43,902)	23,596	—	(113,194)	(84,430)	(67,825)
Interest income	7,425	2,995	9,402	5,660	7,419	12,464	—	13,085	10,414	21,866
Change in fair value of derivatives	139,537	(33,950)	15,320	65,427	(26,280)	33,119	—	204,964	(60,230)	48,439
Equity in loss of investee	—	—	—	(6,893)	—	—	—	(6,893)	—	—
Goodwill impairment charge	—	—	—	700,457	—	—	—	700,457	—	—
Total assets	**$2,419,159**	**$2,680,421**	**$2,470,323**	**$2,423,521**	**$ 3,126,574**	**$4,389,905**	**$124,266**	**$4,842,680**	**$ 5,806,995**	**$6,984,494**

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

21. Earnings per share:

The Company calculates basic and diluted earnings per share as follows:

	For the year ended December 31,								
	2008			2009 (As restated)			2010		
	Income (numerator)	Weighted-average number of outstanding shares (denominator)	Amount per share	Income (numerator)	Weighted-average number of outstanding share (denominator)	Amount per share	Income (numerator)	Weighted-average number of outstanding shares (denominator)	Amount per share
Net income/(loss) attributable to DryShips Inc.	$ (361,282)	—	$ —	$ (19,209)	—	$ —	$ 188,327	—	$ —
Less: Series A Convertible Preferred stock dividends	—	—	—	(7,497)	—	—	(13,624)	—	—
Less: Non-vested common stock dividends declared and undistributed earnings	(527)	—	—	—	—	—	(2,139)	—	—
Basic EPS									
Income/(loss) available to common stockholders	**$ (361,809)**	**44,598,585**	**$ (8.11)**	**$ (26,706)**	**209,331,737**	**$ (0.13)**	**$ 172,564**	**268,858,688**	**$ 0.64**
Dilutive effect of securities									
Preferred stock dividends	—	—	—	—	—	—	13,624	36,567,164	—
Diluted EPS									
Income/(loss) available to common stockholders	**$ (361,809)**	**44,598,585**	**$ (8.11)**	**$ (26,706)**	**209,331,737**	**$ (0.13)**	**$ 186,188**	**305,425,852**	**$ 0.61**

On July 15, 2009, the Company issued 52,238,806 shares of its Series A Convertible Preferred Stock under its agreement to acquire the remaining 25% of the total issued and outstanding capital stock of Ocean Rig UDW (Note 3). The aggregate face value of these shares was $280,000. The Series a Convertible Preferred Stock accrues cumulative dividends on a quarterly basis at an annual rate of 6.75% of the aggregate face value. Such accrued dividends are payable in additional shares of preferred stock immediately prior to any conversion. As of December 31, 2010, the fair value of the stock dividends amounted to $21,121.

Non-vested share-based payment awards that contain rights to receive non forfeitable dividends or dividend equivalents (whether paid or unpaid) and participate equally in undistributed earnings are participating securities and, thus, are included in the two-class method of computing earnings per share. This method was adopted on January 1, 2009 and was applied retroactively to all periods presented.

The warrants discussed in Note 3, were not included in the computation of diluted earnings per share because the effect is anti-dilutive for the years ended December 31, 2009 and 2010 since they are out-of-the-money.

Non-vested, participating restricted common stock does not have a contractual obligation to share in the losses and was therefore, excluded from the basic loss per share calculation for the year ended December 31, 2008 and 2009 due to the losses in 2008 and 2009. As of December 31, 2010 no restricted stock was included in the computation of diluted earnings per share.

21. Earnings per share – (continued):

In relation to the Convertible Senior Notes due in fiscal year 2014 (Note 11), upon conversion, the Company may settle its conversion obligations, at its election, in cash, shares of Class A common stock or a combination of cash and shares of Class A common stock. The Company has elected on conversion, any amount due up to the principal portion of the notes to be paid in cash, with the remainder, if any, settled in shares of Class A common shares. Based on this presumption, and in accordance with ASC 260 "Earnings Per Share", any dilutive effect of the Convertible Senior Notes under the if-converted method is not included in the diluted earnings per share presented above. As of December 31, 2010, none of the shares were dilutive since the average share price for the period the Notes were issued until December 31, 2009 and 2010 did not exceed the conversion price. The 26,100,000 loaned shares of common stock issued during 2009 and the 10,000,000 issued during 2010 are excluded in computing earnings per share as no default has occurred as set out in the share lending agreement.

22. Income Taxes:

22.1 Drybulk Carrier Segment

Neither the Marshall Islands nor Malta imposes a tax on international shipping income earned by a "non-resident" corporation thereof. Under the laws of the Marshall Islands and Malta, the countries in which Dryships and the vessels owned by subsidiaries of the Company are registered, the Company's subsidiaries (and their vessels) are subject to registration fees and tonnage taxes, as applicable, which have been included in Vessels' operating expenses in the accompanying consolidated statements of operations.

Pursuant to Section 883 of the United States Internal Revenue Code (the "Code") and the regulations there under, a foreign corporation engaged in the international operation of ships is generally exempt from U.S. federal income tax on its U.S.-source shipping income if the foreign corporation meets both of the following requirements: (a) the foreign corporation is organized in a foreign country that grants an "equivalent exemption" to corporations organized in the United States for the types of shipping income (e.g., voyage, time, bareboat charter) earned by the foreign corporation and (b) more than 50% of the value of the foreign corporation's stock is owned, directly or indirectly, by individuals who are "residents" of the foreign corporation's country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States (the "50% Ownership Test"). For purposes of the 50% Ownership Test, stock owned in a foreign corporation by a foreign corporation whose stock is "primarily and regularly traded on an established securities market" in the United States (the "Publicly-Traded Test") will be treated as owned by individuals who are "residents" in the country of organization of the foreign corporation that satisfies the Publicly-Traded Test.

The Marshall Islands and Malta, the jurisdictions where the Company and its ship-owning subsidiaries are incorporated, each grants an "equivalent exemption" to United States corporations with respect to each type of shipping income earned by the Company's ship-owning subsidiaries. Therefore, the ship-owning subsidiaries will be exempt from United States federal income taxation with respect to U.S.-source shipping income if they satisfy the 50% Ownership Test.

The Company believes that it satisfied the Publicly-Traded Test for its 2008, 2009 and 2010 Taxable Years and therefore 100% of the stock of its Marshall Islands and Malta ship-owning subsidiaries will be treated as owned by individuals "resident" in the Marshall Islands. As such, each of the Company's Marshall Islands and Malta ship-owning subsidiaries will be entitled to exemption from U.S. federal income tax in respect of their U.S. source shipping income. The Company's ship-owning subsidiaries intend to take such position on their U.S. federal income tax returns for the 2010 taxable year.

22.2 Drilling Rig Segment

Ocean Rig UDW operates through its various subsidiaries in a number of countries throughout the world. Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. The countries in which Ocean Rig UDW operates have taxation regimes with varying nominal rates, deductions, credits and other tax attributes. Consequently, there is an expected relationship between the provision for/or benefit from income taxes and income or loss before income taxes.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

22. Income Taxes – (continued):

22.2 Drilling Rig Segment – (continued):

The components of Ocean Rig UDW's income/(losses) before taxes by country are as follows:

	Year Ended		
	December 31, 2008	December 31, 2009	December 31, 2010
Cyprus	$ (40,599)	$ (24,617)	$ (32,438)
Norway	(747,018)	499,879	14,811
Marshall Islands	12,883	(370,007)	174,794
Korea	—	499	—
UK	62	1,915	763
Canada	—	(485)	(683)
USA	13,820	(262)	—
Ghana	704	21,628	(2,050)
Total income/(loss) before taxes and equity in loss of investee	$ (760,148)	$ 128,550	$ 155,197

The table below shows for each entity's total income tax expense for the period and statutory tax rate:

	Year Ended		
	December 31, 2008	December 31, 2009	December 31, 2010
Cyprus (10.0%)	$ —	$ —	$ 52
Norway (28.0%)	—	—	13
Marshall Islands (0.0%)	—	—	—
Turkey (*)	—	—	7,950
Korea (24.2%)	—	110	—
UK (28.0%)	366	727	765
Ireland (25.0%)	423	—	—
Canada (10% - 19%)	—	45	82
USA (15.0%-35.0%)	1,399	470	—
Ghana (**)	656	11,445	11,365
Current Tax expense	$ 2,844	$ 12,797	$ 20,227
Deferred Tax expense / (benefit)	—	—	209
Income taxes	2,844	$ 12,797	$ 20,436
Effective tax rate	0%	10%	13%

(*) Ocean Rig 1 Inc. paid in 2010 withholding tax to Turkey authorities, based upon 5% of total contract revenues.
(**) Tax in Ghana is a withholding tax, based upon 5% of total contract revenues.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

22. Income Taxes – (continued):

22.2 Drilling Rig Segment – (continued):

Taxes have not been reflected in Other Comprehensive income since the valuation allowances would result in no recognition of deferred tax. Up to December 15, 2009, when a corporate reorganization occurred, Ocean Rig's drilling operations were consolidated in Ocean Rig ASA, a company incorporated and domiciled in Norway. Subsequently, many of the activities and assets have moved to jurisdictions that do not have corporate taxation. As a result, net deferred tax assets were reversed in 2009. The net deferred tax assets of $91.6 million consisted of gross deferred tax assets of $105.1 million net of gross deferred tax liabilities of $13.5 million. However, a corresponding amount ($91.6 million) of valuation allowance was also reversed. As a result, there was no impact on deferred tax expense for the change of tax status of these entities in 2009.

Reconciliation of total tax expense:

	Year Ended		
	December 31, 2008	December 31, 2009	December 31, 2010
Statutory tax rate multiplied by profit/(loss) before tax*	$ (212,816)	$ —	$ —
Change in valuation allowance	115 407	(93,358)	(14,922)
Differences in tax rates	135,908	138,865	14,177
Effect of permanent differences	(74,929)	21,317	40
Adjustments in respect to current income tax of previous years	—	—	281
Effect of exchange rate differences	39,274	(65,472)	1,465
Withholding tax	—	11,445	19,395
Total	$ 2,844	$ 12,797	$ 20,436

* Ocean Rig has for 2008 and 2009 elected to use the statutory tax rate for each year based upon the location where the largest parts of its operations were domiciled. During 2008 most of its activities were domiciled in Norway with tax rate 28%. During 2009 and 2010, most of its activities were re-domiciled to Marshall Islands with tax rate of zero.

Ocean Rig is subject to changes in tax laws, treaties, regulations and interpretations in and between the countries in which its subsidiaries operate. A material change in these tax laws, treaties, regulations and interpretations could result in a higher or lower effective tax rate on worldwide earnings.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

22. Income Taxes – (continued):

22.2 Drilling Rig Segment – (continued):

Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company's assets and liabilities at the applicable tax rates in effect. The significant components of deferred tax assets and liabilities are as follow:

	Year Ended	
	December 31, 2009	December 31, 2010
Deferred tax assets		
Net operations loss carry forward	$ 65,045	$ 49,707
Accrued expenses	728	944
Accelerated depreciation of assets	9	8
Pension	—	157
Total deferred tax assets	$ 65,782	$ 50,816
Less: valuation allowance	(65,552)	(50,630)
Total deferred tax assets, net	230	186
Deferred tax liabilities		
Depreciation and amortization	$ (122)	$ (395)
Pension	(108)	—
Total deferred tax liabilities	$ (230)	$ (395)
The amounts above are reflected in the Consolidated Balance Sheet as follows:		
Net deferred tax liability	$ —	$ (209)
Non-current deferred tax liabilities	$ —	$ (209)

Ocean Rig ASA filed for liquidation in 2008 and on December 15, 2009 it distributed all significant assets to Primelead Ltd., a subsidiary of Dryships, as a liquidation dividend, including the shares in all its subsidiaries. The statute of limitation under Norwegian tax law is two years after the fiscal year, if correct and complete information is disclosed in the tax return. The tax treatment of the liquidation is therefore subject to audit by the tax authorities until the end of 2011. The company does not expect any adverse tax effects from this transaction.

A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. The Company provides a valuation allowance to offset deferred tax assets for net operating losses ("NOL") incurred during the year in certain jurisdictions and for other deferred tax assets where, in the Company's opinion, it is more likely than not that the financial statement benefit of these losses will not be realized. The Company provides a valuation allowance for foreign tax loss carry forward to reflect the possible expiration of these benefits prior to their utilization. As of December 31, 2010, the valuation allowance for deferred tax assets is reduced from $65,552 in 2009 to $50,630 in 2010 reflecting a reduction in net deferred tax assets during the period. The decrease is primarily a result of the reduction of deferred tax asset due to utilization of tax loss carry forwards in Norway and in Cyprus in 2010.

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

22. Income Taxes – (continued):

22.2 Drilling Rig Segment – (continued):

The table below explains the "Net operations loss carry forward" in 2009 and 2010 for the countries the Company is operating in.

	Year Ended	
	December 31, 2009	December 31, 2010
Norway		
Net operations loss carry forward	$ 183,998	$ 144,189
Tax rate	28%	28%
Net operations loss carry forward, tax effect	51,520	40,373
Cyprus		
Net operations loss carry forward	$ 57,112	$ 89,832
Tax rate	10%	10%
Net operations loss carry forward, tax effect	5,711	8,983
Canada		
Net operations loss carry forward	$ 24,419	$ 879
Tax rate	32%	32%
Net operations loss carry forward, tax effect	7,814	281
UK		
Net operations loss carry forward	$ —	$ 249
Tax rate	28%	28%
Net operations loss carry forward, tax effect	—	70
Accumulated		
Net operations loss carry forward	$ 265,529	$ 235,149
Net operations loss carry forward, tax effect	65,045	49,707

The Company has tax losses, which arose in Norway of $183,998 and $144,146 at December 31, 2009 and 2010, respectively, that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. However, all of these amounts are related to Ocean Rig ASA, Ocean Rig Norway AS, Ocean Rig 1 AS and Ocean Rig 2 AS that are under liquidation. Upon liquidation the tax losses will not be available.

The Company had tax losses, which arose in Cyprus of $57,112 and $89,832 at December 31, 2009 and 2010, respectively that are available indefinitely for offset against future taxable profits of the company in which the losses arose. A 100% valuation allowance in the assets resulting from the loss carry forward has been provided for as the Company is not profitable.

22. Income Taxes – (continued):

22.2 Drilling Rig Segment – (continued):

The Company had tax losses, which arose in Canada of $24,419 and $879 at December 31, 2009 and 2010, respectively, that are available indefinitely for offset against future taxable profits of the company in which the losses arose. The tax loss in Canada may be deducted in the future only against income and proceeds of sale derived from resource properties owned at the time of the acquisition of control, or the Weymouth well. The possibility for utilization of this tax position for the period after the change of control in Ocean Rig on May 14, 2008, expired. The tax loss carry forward per December 31, 2010 therefore only reflects tax losses after May 14, 2008.

The Company had tax losses, which arose in UK of $249 at December 31, 2010 that are available indefinitely for offset against future taxable profits of the company in which the losses arose. A 100% valuation allowance in the assets resulting from the loss carry forward has been provided for as the Company is not profitable.

The Company's income tax returns are subject to review and examination in the various jurisdictions in which the Company operates. Currently one tax audit is open. The Company may contest any tax assessment that deviates from its tax filing. However, this review is not expected to incur any tax payables.

The Company accrues for income tax contingencies that it believes are more likely than not exposures in accordance with the provisions of guidance related to accounting for uncertainty in income taxes.

The Company accrues interest and penalties related to its liabilities for unrecognized tax benefits as a component of income tax expense. During the year ended December 31, 2008, 2009 and 2010, the Company did not incur any interest or penalties.

Ocean Rig UDW, and/or one of its subsidiaries, filed federal and local tax returns in several jurisdictions throughout the world. The amount of current tax benefit recognized during the years ended December 31, 2008, 2009 and 2010 from the settlement of disputes with tax authorities and the expiration of statute of limitations was insignificant.

Ocean Rig UDW, is incorporated in Marshall Island and headquarted in Cyprus. Some of its subsidiaries are incorporated and domiciled in Norway, and as such, are in general subject to Norwegian income tax of 28%. Participation exemption normally applies to equity investments in the EEA (European Economic Area) except investments in low-tax countries. The model may also apply to investments outside of the EEA (except low-tax countries) to the extent the investment for the last two years have constituted at least 10% of the capital and votes in the entity in question. The Norwegian entities are subject to the Norwegian participation exemption model which provides that only 3% of dividend income and capital gains that are received by Norwegian companies are subject to tax. In effect this gives an effective tax of total income under the participation exemption for Norwegian companies of 0.84% (3% x 28%). After a restructuring of the Norwegian entities late in 2009, all Norwegian companies are owned directly by Primelead Ltd in Cyprus and the participation exemption model is therefore not relevant for 2010.

23. Subsequent Events:

23.1 On January 3, 2011 the Company took delivery of its newbuilding drillship, the Ocean Rig Corcovado, the first to be delivered of the four sister drillship vessels that are being constructed at Samsung Heavy Industries. In connection with the delivery of "*Ocean Rig Corcovado"*, the final yard installment of $289,000 was paid and the pre-delivery loan from DVB Bank of $115,000 was repaid in full.

23.2 On January 4, 2011 the Company announced that it had entered into firm contracts with Cairn Energy PLC for the "*Leiv Eiriksson*" and the "*Ocean Rig Corcovado*" for a period of approximately 6 months each. The total contract value including mobilization for the "*Leiv Eiriksson*" is approximately $95,000. The mobilization period will start in direct continuation from the agreed release date from Petrobras. The total contract value including mobilization and winterization of the "*Ocean Rig Corcovado*" is approximately $142,000.

23.3 On January 4, 2011 the Company announced that it had entered into a firm contract with Petrobras Tanzania for its 3rd drillship newbuilding the "*Ocean Rig Poseidon*". As part of this agreement the *Leiv Eiriksson* will be released early from the existing contract and will be made available in second quarter 2011. The firm contract period is for about 600 days plus a mobilization period. The total contract value including mobilization is $353,000.

23.4 On January 5, 2011 the Company drew down the full amount of the $325,000 Deutsche Bank credit facility, with its subsidiary Drillships Hydra Owners Inc. as borrower, for the purpose of (i) meeting the ongoing working capital needs of Drillships Hydra Owners Inc, (ii) financing the partial repayment of existing debt in relation to the purchase of the drillship identified as Samsung Hull 1837, or "*Ocean Rig Corcovado"*, and (iii) financing the payment of the final installment associated with the purchase of said drillship. Dry Ships., Drillships Holdings Inc and Ocean Rig UDW Inc. are joint guarantors and guarantee all obligations and liabilities of Drillships Hydra Owners Inc.

23.5 On January 18, 2011, the Company took delivery of its newbuilding tanker Saga. On the same day the MT Saga was employed in the Sigma Tankers Inc. pool. Sigma is a spot market pool managed by Heidmar Inc. and George Economou is the chairman of the Board of Directors of Heidmar Inc.

23.6 The vessels Capri, Capitola and Samatan, are on long term time charters to Korea Line Corporation ("KLC") pursuant to charterparties respectively dated May 6, 2008, March 3, 2008 and March 3, 2008 (the "Original Charterparties"). On January 25, 2011 KLC filed with the 4th Bankruptcy Division of the Seoul Central District Court (the "Seoul Court") an application for rehabilitation pursuant to the Debtor Rehabilitation & Bankruptcy Act. On February 15, 2011 KLC's application was approved by the Seoul Court, and Joint Receivers of KLC were appointed. Upon and with effect from March 14, 2011 the shipowning companies' Original Charterparties with KLC were terminated by the Joint Receivers, and the shipowning companies entered into New Charterparties with the Joint Receivers at reduced rates of hire and others terms, with the approval of the Seoul Court. On April 1, 2011 the shipowning companies filed claims in the corporate rehabilitation of KLC for (i) outstanding hire due under the Original Charterparties, and (ii) damages and loss caused by the early termination of the Original Charterparties.

23.7 On February 7, 2011, the Company entered into a $70,000 term loan facility to partially finance the acquisition cost of the newbuilding tankers MT Saga and MT Vilamoura. The loan bears interest at LIBOR plus a margin, and is repayable in twenty quarterly installments plus a balloon payment through January 2016. As of March 30, 2011, the Company has drawn down the full amount available under this facility.

23.8 On February 14 and April 12, 2011 and upon the delivery of Drillship Hull 1837 and Hull 1838, 50% of the shares of Series A Convertible Preferred Stock held by each holder, amounting to 26,119,402 were converted, at the conversion price, into 20,485,806 shares of common stock.

23. Subsequent Events – (continued):

23.9 Pursuant to the Drillship Master Agreement dated November 22, 2010, on February 25, 2011 and on March 18, 2011 the Company made additional payments to Samsung totaling $20,000 in exchange for certain amendments to the originally agreed terms and conditions.

23.10 On March 17, 2011, the Company's vessel Oliva, was reported to have run aground in a group of islands in the South Atlantic Ocean. Salvors report that there are no salvage prospects for the vessel or the cargo. The Company expects that most losses will be covered by insurance.

23.11 On March 18, 2011, the Company repaid the second and final $115,000 tranche of the pre-delivery financing for hulls 1837 and 1838.

23.12 On March 23, 2011, the Company took delivery of its newbuilding tanker Vilamoura. On March 24, 2011, the MT Vilamoura was employed in the Blue Fin Tankers Inc. spot pool. Blue Fin is a spot market pool managed by Heidmar Inc. and George Economou is the chairman of the Board of Directors of Heidmar Inc.

23.13 On March 25, 2011, the Company received signed commitments from all lenders participating in an $800,000 Syndicated Secured Term Loan Facility to partially finance the construction costs of the *Ocean Rig Corcovado* and the *Ocean Rig Olympia*. This facility has a five year term and a twelve year repayment profile, and bears interest at LIBOR plus a margin. The facility is guaranteed by Dryships Inc and Ocean Rig UDW Inc. and certain financial covenants on both entities. This new facility is subject to acceptable documentation customary in such loans. Upon drawdown, the Company expects to prepay its $325 million Bridge Loan Facility.

23.14 On March 28, 2011, the Company received a confirmation from the Agent of its two $562,000 Loan Agreements to finance Hulls 1865 and 1866 that it received signed consent for the restructuring of these facilities. The material terms of this restructuring are as follows: Maximum amount per facility is reduced from $562,500 to $495,000, Ocean Rig guarantee will be provided, financial covenants on Ocean Rig guarantee, full drawdowns will be allowed for Hull 1865 against the Petrobras charter, and cash collateral will be released, for Hull 1866 and the Company has up to one month prior to delivery of hull 1866 to execute a charter acceptable to the lenders.

23.15 On March 30, 2011 the Company took delivery of its newbuilding drillship Ocean Rig Olympia (Hull 1838). In connection with the delivery, the final yard installment of $288,400 was paid.

23.16 On March 30, 2011 the Company received a firm commitment from an international lender for a $32,300 secured term loan facility to partially finance the construction cost of the newbuilding tanker MT Daytona, which is scheduled to be delivered in April 2011. This facility is subject to completion of definite documentation, which the Company expects to occur in April 2011.

23.17 In March 2011, A U.S. District Court in Maryland resolved a case in which Cardiff, the former manager of the Company's vessel, M/V Capitola, entered into a comprehensive settlement with the U.S. Department of Justice in connection with an investigation into MARPOL violations involving that vessel. The court applied a fine of approximately $2,400 and instructed Cardiff to implement an Environmental Compliance Plan, or ECP, which the vessels' current operator, TMS Bulkers, will carry out.

23.18 On April 4, 2011 the Company delivered the MV Primera to her new owners.

23.19 On April 4, 2011, Ocean Rig UDW commenced an offer through a private placement, subject to market and other conditions, of approximately $500,000 of Senior Unsecured Bonds due 2016. The proceeds of the offering are expected to be used to finance Ocean Rig's newbuildings drillships program and general corporate purposes.

23.20 On April 12, 2011 the Company concluded an order for two 176,000 dwt dry bulk vessels, namely hull number H1241 and H1242, with an established Chinese shipyard, for a price of $54,164 each. The vessels are expected to be delivered in the third and the fourth quarter of 2012, respectively.

23.21 On April 12, 2011, Ocean Rig UDW announced the pricing of $500 million aggregate principal amount of 9.5% Senior Unsecured Bonds Due 2016 offered in a private placement. The proceeds of the offering are expected to be used to finance Ocean Rig's newbuilding drillships program and general corporate purposes. The offering is scheduled to close on April 27, 2011, subject to customary closing conditions.

Schedule I- Condensed Financial Information of Dryships Inc. (Parent Company Only)
Balance Sheets
December 31, 2009 and 2010
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	2009 (As restated)	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 208	$ 9,671
Restricted cash	25,851	8,280
Due from related parties	27,576	21,331
Financial instruments	559	—
Other current assets	432	531
Total current assets	54,626	39,813
NON-CURRENT ASSETS:		
Restricted cash	—	48,000
Investments in subsidiaries*	4,100,536	5,221,810
Total non-current assets	4,100,536	5,269,810
Total assets	$4,155,162	$5,309,623
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 593,578	$ 87,239
Due to subsidiaries*	331,856	818,904
Financial instruments	54,089	48,672
Other current liabilities	7,166	11,368
Total current liabilities	986,689	966,183
NON-CURRENT LIABILITIES		
Long term debt, net of current portion	323,630	930,073
Financial instruments	32,301	50,114
Total non-current liabilities	355,931	980,187
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 500,000,000 shares authorized; 100,000,000 shares designated as Series A Convertible preferred stock; 52,238,806 shares of Series A Convertible Preferred Stock issued and outstanding at December 31, 2009 and 2010	522	522
Common stock, $0.01 par value; 1,000,000,000 shares authorized at December 31, 2009 and 2010; 280,326,271 and 369,649,777 shares issued and outstanding at December 31, 2009 and 2010, respectively	2,803	3,696
Accumulated other comprehensive loss	(33,399)	(38,754)
Additional paid-in capital	2,681,974	3,062,444
Retained earnings	160,642	335,345
Total stockholders' equity	2,812,542	3,363,253
Total liabilities and stockholders' equity	$4,155,162	$5,309,623

* Eliminated in consolidation

Schedule I- Condensed Financial Information of Dryships Inc. (Parent Company Only)
Statements of Operations
For the years ended December 31, 2008, 2009 and 2010
(Expressed in thousands of U.S. Dollars – except for share and per share data)

	2008	2009 (As restated)	2010
EXPENSES:			
Contract termination fees	$ —	$ 212,586	$ —
Loss on contract cancellation	—	69	—
General and administrative expenses	56,351	54,433	43,775
Operating loss	56,351	267,088	43,775
OTHER INCOME / (EXPENSES):			
Interest and finance costs	(31,489)	(26,395)	(77,731)
Interest income	2,556	74	479
Gain/(loss) on interest rate swaps	(115,613)	4,139	(64,162)
Other, net	90	(9,787)	(1,728)
Total other (expenses), net	(144,456)	(31,969)	(143,142)
Equity in earnings/(loss) of subsidiaries*	(160,475)	279,848	375,244
Net income/(loss)	$ (361,282)	$ (19,209)	$ 188,327
Earnings/(loss) per share, basic	(8.11)	(0.13)	0.64
Weighted average number of shares, basic	44,598,585	209,331,737	268,858,688
Earnings/(loss) per share, diluted	(8.11)	(0.13)	0.61
Weighted average number of shares, diluted	44,598,585	209,331,737	305,425,852

* Eliminated in consolidation

Schedule I- Condensed Financial Information of Dryships Inc. (Parent Company Only)
Statements of Cash Flows
For the years ended December 31, 2008, 2009 and 2010
(Expressed in thousands of U.S. Dollars)

	2008	2009	2010
Net Cash (Used in)/Provided by Operating Activities	$ 934,909	$ (443,323)	$(106,952)
Cash Flows from Investing Activities:			
Proceeds of sale of subsidiary	—	100	—
Investments in subsidiaries	(1,450,562)	(817,565)	(762,639)
Restricted cash	(2,227)	(11,525)	(30,429)
Net Cash Used in Investing Activities	(1,452,789)	(828,990)	(793,068)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	49,400	—	—
Due to subsidiaries	—	—	425,467
Proceeds from issuance of convertible notes	—	447,810	237,202
Payment of short term credit facility	(30,076)	—	—
Principal payments of long-term debt	(128,996)	(75,171)	(94,746)
Net proceeds from common stock issuance	662,664	950,555	341,774
Proceeds from share-lending arrangement	—	261	100
Acquisition of noncontrolling interests	—	(50,000)	—
Dividends paid	(33,244)	—	—
Payment of financing costs	(1,405)	(1,973)	(314)
Net Cash Provided by Financing Activities	518,343	1,271,482	909,483
Net (decrease) / increase in cash and cash equivalents	463	(831)	9,463
Cash and cash equivalents at beginning of year	576	1,039	208
Cash and cash equivalents at end of year	$ 1,039	$ 208	$ 9,671

Schedule I- Condensed Financial Information of Dryships Inc. (Parent Company Only)

In the condensed financial information of the Parent Company, the Parent Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries. The Parent Company, during the years ended December 31, 2008, 2009 and 2010, received cash dividends from its subsidiaries of $33,244, $0 and $0, respectively, which are included in equity in earnings/(loss) of subsidiaries in the condensed statements of operations.

There are no legal or regulatory restrictions on the Parent Company's ability to obtain funds from its subsidiaries through dividends, loans or advances sufficient to satisfy the obligations discussed below that are due on or before December 31, 2011.

The Parent Company is the borrower under the HSH facility and the HSH bridge facility bank loan agreements and guarantor under the remaining loans outstanding at December 31, 2009 and 2010.

In November 2009 and April 2010, the Parent Company issued $400,000 and $220,000, respectively, aggregate principal amount of 5% Convertible unsecured Senior Notes (the "Notes"), which are due December 1, 2014. The full over allotment option granted was exercised and an additional $60,000 and $20,000, respectively, Notes were purchased. Accordingly, $460,000 and $240,000, respectively, in aggregate principal amount of Notes were sold, resulting in aggregate net proceeds of approximately $447,810 and $237,202, respectively, after underwriter commissions.

The principal payments required to be made after December 31, 2010 for the loans discussed above are as follows:

Year ending December 31,	Amount
2011	$ 88,291
2012	66,540
2013	66,029
2014	58,717
2015 and thereafter	923,914
Less-Financing fees	(186,179)
	$1,017,312

The Parent Company was in default of certain of its financial covenants for its HSH facility as of December 31, 2009. In accordance with relevant guidance, the Parent Company has classified all of its long-term debt in breach as current at December 31, 2009. Based on its loan agreements, the Company is required to meet certain value-to-loans ratios. However, according to the loan agreements, value–to-loan ratio shortfalls can be remedied by providing additional collateral or repaying the portion of the loan equal to the shortfall to bring the Company into compliance with the required value-to-loans ratio. As a result, $21,000 has been classified as current liabilities as of December 31, 2010, in addition to the required scheduled payments, representing payments that could be required by the lenders to satisfy value-to-loan shortfalls in accordance with the terms of the loans.

See Note 10 "Long-term Debt" to the consolidated financial statements for further information.

The condensed financial information of the Parent Company should be read in conjunction with the Company's consolidated financial statements.

In 2011 and subsequent to the issuance of the Parent Company's 2009 consolidated financial statements, the Parent Company's management determined that the amount of interest capitalized pursuant to ASC 835-20, *Capitalization of Interest* (ASC 835-20) for four drillships under construction acquired by its consolidated subsidiary, Ocean Rig UDW (the "Subsidiary") was erroneously calculated for the year ended December 31, 2009. The errors comprised the following:

- From the amount of the expenditures for the qualifying assets the Subsidiary erroneously excluded the portion of the purchase price of two drillships under construction that was paid for in shares of stock of Ocean Rig UDW.
- From the calculation of the capitalization rate used to determine capitalized interest, the Subsidiary erroneously excluded its variable rate loan.

In addition, the Subsidiary erroneously accounted for under ASC 815-30, *Cash Flow Hedges* (ASC 815-30) the settlement payments made in 2009 on interest rate swaps that were designated and effective as cash flow hedges on variable rates loan, interest of which was capitalized as cost of drillships under construction, by immediately reclassifying the entire net settlement payments from accumulated other comprehensive loss to interest and finance costs in the statement of operations. Accordingly, a portion of the net settlement payments on the foregoing interest rate swaps is reclassified back to accumulated other comprehensive loss and will be reclassified to interest and finance costs at the same time that the capitalized interest on the hedged variable rate debts is recognized in income through depreciation.

The correction of the above errors results in an increase in the Parent Company's: (i) equity in earnings of subsidiary by $13.2

million, (ii) investments in subsidiaries by $7.9 million and (iii) accumulated other comprehensive loss by $5.3 million.

The impact of the foregoing errors is shown below:

Statement of Operations	**For the Year Ended December 31, 2009**	
	as previously reported	**as restated**
Equity in earnings of subsidiaries	$ 266,679	$ 279,848
Net loss	(32,378)	(19,209)
Loss per common share, basic and diluted	$ (0.19)	$ (0.13)

Balance Sheet	**As at December 31, 2009**	
	as previously reported	**as restated**
Investments in subsidiaries	$ 4,092,629	$ 4,100,536
Total assets	4,147,255	4,155,162
Accumulated other comprehensive loss	(28,137)	(33,399)
Total stockholders' equity	2,804,635	2,812,542
Total liabilities and stockholders' equity	$ 4,147,255	$ 4,155,162

Exhibit 2.5

CERTIFICATE OF DESIGNATIONS OF RIGHTS, PREFERENCES AND PRIVILEGES OF
SERIES A CONVERTIBLE PREFERRED STOCK OF
DRYSHIPS INC.

The undersigned, Mr. George Economou and Ms. Iro Bei do hereby certify:

1. That they are the duly elected and acting Chief Executive Officer and Corporate Secretary, respectively, of DryShips Inc., a Marshall Islands corporation (the "Company").

2. That pursuant to the authority conferred by the Company's Amended and Restated Articles of Incorporation, the Company's Board of Directors on July 9, 2009, adopted the following resolution designating and prescribing the relative rights, preferences and limitations of the Company's Series A Convertible Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors (the "Board") of the Company by the Company's Amended and Restated Articles of Incorporation, the Board does hereby establish a series of preferred stock, par value U.S. $0.01 per share, and the designation and certain powers, preferences and other special rights of the shares of such series, and certain qualifications, limitations and restrictions thereon, are hereby fixed as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Convertible Preferred Stock". The Series A Convertible Preferred Stock shall have a par value of U.S. $0.01 per share, and the number of shares constituting such series shall initially be One Hundred Million (100,000,000), which number the Board may from time to time increase or decrease (but not below the number then outstanding).

Section 2. Proportional Adjustment. In the event the Company shall at any time after the issuance of any share or shares of Series A Convertible Preferred Stock (i) subdivide the outstanding Common Stock, (ii) combine the outstanding Common Stock into a smaller number of shares, or (iii) declare any dividend or other distribution payable on the Common Stock in shares of Common Stock, then in each such case the Conversion Price (as defined below) and the Optional Conversion Ratio (as defined below) in effect immediately prior thereto shall be (a) in the case of a subdivision, proportionally decreased so that the number of shares of Common Stock issuable upon conversion of each share of Series A Preferred Stock shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding, (b) in the case of a combination, proportionally increased so that the number of shares of Common Stock issuable upon conversion of each share of Series A Preferred Stock shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding, and (c) in the case of a stock dividend or distribution, decreased by multiplying the Conversion Price or Conversion Ratio then in effect by a fraction:

(X) the numerator which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance; and

(Y) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

Section 3. Dividends and Distributions.

Subject to the prior and superior right of the holders of any shares of any series of preferred stock ranking prior and superior to the shares of Series A Convertible Preferred Stock with respect to dividends, the holders of shares of Series A Convertible Preferred Stock shall accrue on a quarterly basis, when and as declared by the Board out of funds legally available for the purpose, dividends payable at the cumulative rate of 6.75% of the Original Purchase Price (as defined in Section 4 below) of the then-outstanding shares of Series A Convertible Preferred Stock per annum. The accrued dividends with respect to any share of Series A Convertible Preferred Stock shall be payable to the holder thereof immediately prior to the conversion (as described in Sections 4 and 5 below) of such share in such number of additional shares of Series A Convertible Preferred Stock (the "Dividend Shares) as is equal to the aggregate amount of accrued dividends on such share divided by the Original Purchase Price. The Dividend Shares shall convert into Common Stock at the Conversion Price (as defined in Section 4 below) on the same date as the conversion into Common Stock of the last outstanding share of Series A Convertible Preferred Stock that is not a Dividend Share; provided, however, that such dividends shall be payable in cash solely with respect to any fiscal period for which the Company declares cash dividends on its Common Stock.

Dividends shall begin to accrue on outstanding shares of Series A Convertible Preferred Stock from the date of issue of such shares of Series A Convertible Preferred Stock. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Convertible Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time, outstanding and eligible for payment. The Board shall fix a record date for the determination of holders of shares of Series A Convertible Preferred Stock entitled to receive payment of a dividend or distribution. The identities of holders entitled to dividends or distributions shall be as noted on the books of the Company.

Section 4. Mandatory Conversion. Shares of Series A Convertible Preferred Stock will be mandatorily converted into shares of Common Stock, subject to adjustment as contemplated in Section 2, as follows:

(i) upon the contractual delivery date to Primelead of Primelead Drillship 1837, twenty- five percent (25%) of the shares of Series A Convertible Preferred Stock held by each holder as of the Mandatory Conversion Record Date shall be converted at the Conversion Price;

(ii) upon the contractual delivery date to Primelead of Primelead Drillship 1838, twenty-five percent (25%) of the shares of Series A Convertible Preferred Stock held by each holder as of the Mandatory Conversion Record Date shall be converted at the Conversion Price;

(iii) upon the contractual delivery date to Primelead of Primelead Drillship 1865, twenty- five percent (25%) of the shares of Series A Convertible Preferred Stock held by each holder as of the Mandatory Conversion Record Date shall be converted at the Conversion Price;

(iv) upon the contractual delivery date to Primelead of Primelead Drillship 1866, twenty- five percent (25%) of the shares of Series A Convertible Preferred Stock held by each holder as of the Mandatory Conversion Record Date shall be converted at the Conversion Price;

(v) upon any merger or consolidation of the Company, spin off or initial public offering of Primelead, one-hundred percent (100%) of the shares of Series A Convertible Preferred Stock held by each holder as of the Record Date shall be converted at the Conversion Price; and

(vi) upon an actual or constructive total loss or a cancellation of the purchase contract by the Company with respect to a Primelead Drillship, twenty-five percent (25%) of the shares of Series A Convertible Preferred Stock held by each holder as of the Mandatory Conversion Record Date shall be converted at the Conversion Price.

For the purposes of this Section 4, the following terms shall have the meanings ascribed to them:

"Conversion Price" shall mean a price per share equal to one hundred and twenty-seven and a half percent (127.5%) of the Original Purchase Price.

"Mandatory Conversion Record Date" shall mean the business day immediately preceding the contractual delivery date for the respective Primelead Drillship. The identities of holders required to convert its shares of Series A Convertible Preferred Stock and the amount of shares held by such holder shall be as noted on the books of the Company.

"Original Purchase Price" shall mean the daily dollar volume-weighted closing price per share of the Common Stock on the Nasdaq Global Select Market for the seven (7) trading days immediately preceding July 9, 2009.

"Primelead" shall mean Primelead Shareholders inc., a Marshall Islands corporation.

"Primelead Drilship" shall mean any of Primelead Drillship 1837, Primelead Drillship 1838, Primelead Drillship 1865 or Primelead Drillship 1866

"Primelead Drillship 1837" shall mean the ultra-deep water drillship owned indirectly by Primelead and described as Hull No. 1837.

"Primelead Drillship 1838" shall mean the ultra-deep water drillship owned indirectly by Primelead and described as Hull No. 1838.

"Primelead Drillship 1865" shall mean the ultra-deep water drillship owned indirectly by Primelead and described as Hull No. 1865,

"Primelead Drillship 1866" shall mean the ultra-deep water drillship owned indirectly by Primelead and described as Hull No. 1866.

Section 5. Optional Conversion. Shares of Series A Convertible Preferred Stock may be converted into shares of Common Stock at any time at the option of the holder at a conversion rate of 1:0.70 (the "Optional Conversion Ratio"), subject to adjustment as contemplated in Section 2; provided, however, that the holder of any shares of Common Stock converted pursuant to this Section 5 may not, directly or indirectly, offer, sell, agree to offer or sell, solicit offers to purchase, grant any call option or purchase any put option with respect to, pledge, borrow or otherwise dispose of any of the shares of Common Stock for a period equal to the earlier of (i) 180 days following the date of issuance of the Common Stock converted pursuant to this Section 5 and (ii) the date the shares of Common Stock would have otherwise been mandatorily converted pursuant to Section 4. No waiver of such minimum holding period may be granted except by the unanimous consent of the audit committee of the Company's Board of Directors.

Section 6. Voting Rights. The holders of shares of Series A Convertible Preferred Stock shall have the following voting rights:

Each share of Series A Convertible Preferred Stock shall entitle the holder thereof to one vote on all matters submitted to a vote of the stockholders of the Company.

Except as otherwise provided herein or by law, the holders of shares of Series A Convertible Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Company.

Except as required by law, holders of Series A Convertible Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 7. Reacquired Shares. Any shares of Series A Convertible Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All, such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock to be created by resolution or resolutions of the Board, subject to the conditions and restrictions on issuance set forth herein and, in the Articles of Incorporation, as then amended.

Section 8. Liquidation. Dissolution or Winding Up. Sale of All or Substantially All of Assets. Upon any liquidation, dissolution or winding up of the Company, or sale of all or substantially all of the Company's assets, the holders of shares of Series A Convertible Preferred Stock shall be entitled to receive one times the Original Purchase Price (as defined in Section 4), plus any accrued and unpaid dividends, before the balance of any proceeds shall be distributed to holders of shares of Common Stock

Section 9. No Redemption. The shares of Series A Convertible Preferred Stock shall not be redeemable.

Section 10. Ranking. The Series A Convertible Preferred Stock shall rank senior to all other series of the Company's preferred stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 11. Amendment. The Articles of Incorporation of the Company shall not be further amended in any manner which would materially alter or change the powers, preference or special rights of the Series A Convertible Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority of the then outstanding shares of Series A Convertible Preferred Stock, voting separately as a class.

Section 12. Fractional Shares. Series A Convertible Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Convertible Preferred Stock.

RESOLVED FURTHER, that the President, Chief Executive Officer or any Vice President and the Secretary or any Assistant Secretary of this Company be, and they hereby are, authorized and directed to prepare and file a Certificate of Designation of Rights, Preferences and Privileges in accordance with the foregoing resolution and the provisions of Marshall Islands law and to take such actions as they may deem necessary or appropriate to carry out the intent of the foregoing resolution."

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We further declare under penalty of perjury that the matters set forth in the foregoing Certificate of Designation are true and correct of our own knowledge.

Executed in Athens, Greece on July 15, 2009.

/s/ George Economou
George Economou
Chief Executive Officer

/s/ Iro Bei
Iro Bei
Corporate Secretary

Exhibit 2.6

DRYSHIPS INC.

NUMBER **SHARES**

Organized under the Laws of the Republic of the Marshall Islands
Pursuant to the Business Corporation Act by Articles of Incorporation
Filed in the Office of the Registrar of Corporation on September 9, 2004.

The Corporation will furnish to any shareholder upon request and without charge a full statement of the designation, relative rights, preferences and limitations of each class and/or series thereof authorized to be issued by the Corporation.

SERIES A CONVERTIBLE PREFERRED STOCK
DRYSHIPS INC.
500,000,000 PREFERRED STOCK – PAR VALUE $0.01 EACH
100,000,000 DESIGNATED AS SERIES A CONVERTIBLE PREFERRED STOCK – PAR VALUE $0.01 EACH

This is to Certify that _____ is the owner of _____**_____
fully paid and non-assessable shares of Series A Convertible Preferred Stock of DryShips Inc. transferable only on the books of the Corporation by the holder thereof in person or by duly authorized Attorney upon surrender of this Certificate, properly endorsed.

Witness, the seal of the Corporation and the signatures of its duly authorized officers.

Dated:

_____ _____
President Secretary

Exhibit 4.21

Deutsche Schiffsbank

TELEFAX

Ioli Owning Company Limited
c/o Cardiff Marine Inc.
Attn. Mr. Aris Ioannidis / Mr. Dimitris Glynos

Fax 0030210 809 0205

Page(s): 1 (incl. address page)

Timo Kühl / sw
International Loans

Direct Line +49 421 3609-320
Telefax +49 421 3609-293
timo.kuehl@schiffsbank.com

11 December 2009

(i) USD 35,000,000 Secured Loan Agreement (the "Loan Agreement") dated 2 October 2007 – made between Ioli Owning Company Limited as Borrower and Deutsche Schiffsbank Aktiengesellschaft ("DSB") as Lender; and

(ii) Guarantee and Indemnity (the "Guarantee") dated 9 October 2007 by Dryships Inc. to DSB

Dear Sirs,

Reference is made to our fax dated 13 November 2009 containing the waiver terms to rectify the breach of clause 10.4 (Security Cover) of the Loan Agreement and clause 6.7 of the Guarantee. Your acceptance of the waiver terms was noted.

Please note that we now have board approval for the waiver terms as per our fax dated 13 November except for clause 4) a) which is to be deleted and replaced by the following wording:

The Fair Market Value of the vessel shall not be less than 83% of the loan amount outstanding until the end of the waiver period.

Please confirm your acceptance by countersigning this letter.

Best regards,

Deutsche Schiffsbank
Aktiengesellschaft

/s/ Illegible

/s/ Eugenia Papapontikou
Eugenia Papapontikou

Deutsche Schiffsbank

TELEFAX

Ioli Owning Company Limited
c/o Cardiff Marine Inc.
Attn. Mr. Aris Ioannidis

Fax 0030210 809 0205

Page(s): 4 (incl. address page)

Timo Kühl / st
International Loans

Direct Line +49 421 3609-320
Telefax +49 421 3609-293
timo.kuehl@schiffsbank.com

13 November 2009

(i) USD 35,000,000 Secured Loan Agreement (the "Loan Agreement") dated 2 October 2007 – made between Ioli Owning Company Limited as Borrower and Deutsche Schiffsbank Aktiengesellschaft ("DSB") as Lender; and

(ii) Guarantee and Indemnity (the "Guarantee") dated 9 October 2007 by Dryships Inc. to DSB

Dear Aris,

Please find attached as per our various discussions the Terms to rectify the breach of clause 10.4 (Security Cover) of the Loan Agreement and clause 6.7 of the Guarantee.

1) Waiver Period:	From 1st January 2009 until 31st December 2010.	
2) Margin:	For the duration of the Waiver Period the Margin shall be increased to 1.9%.	
3) Waiver Fee:	USD 46,000.	
4) Covenants:	a)	The Lender agrees to waive the compliance with clause 10.4 of the Loan Agreement and clause 6.7 of the Guarantee until the end of the Waiver Period and waive any non-compliance of such clauses before the date of this letter.
	b)	The earnings account held with DSB shall be pledged to the Lender.
	c)	The time charter concluded for MV "PAROS" shall be assigned to the Lender.
5) Financial Covenants:	a)	Throughout the Facility Period the Interest Cover Ratio shall not be less than 2:1.

b) Throughout the Facility Period the Guarantor maintains an aggregate Minimum Liquidity in an amount in excess of USD 35,000,000.

c) From now on until 31st December 2009 the Market Adjusted Net Worth shall not be less than USD 100,000,000 and afterwards until the end of the Waiver Period not less than USD 150,000,000 plus 100% of the net quarterly profits of the Guarantor.

d) The Lender agrees to waive this clause retroactive. Until the end of the Waiver Period the Market Adjusted Equity Ratio shall not be less than 15%.

Provided that the Borrower will be in compliance with the provisions of this clause if the Market Adjusted Equity Ratio falls to not less than 5 % and a) the Agent considers that such fall in the Market Adjusted Equity Ratio has resulted from a reduction in the Market Value of the Fleet Vessels (including, without limitation, any drillships owned or ordered by members of the Group) or the mark-market-position of any swap and other derivative transactions entered into by the Borrower and other members of the Group, and b) the Agent recalculates the Market Adjusted Equity Ratio on the basis of the Market Values of the Fleet Vessels (including, without limitation, any drillships owned or ordered by members of the Group) and the mark-to-market position of all the swap and other derivative transactions referred to above as at 31 December 2008 and such recalculation results in the Market Adjusted Equity Ratio being at least 15 %. Thereafter, the Market Adjusted Equity Ratio shall be not less than 40 %.

Provided that during the Waiver Period, any new Financial Indebtedness incurred by the Borrower or the Group may only be used in i) prepaying any Financial Indebtedness secured on the assets of the Group and ii) financing any New Investments and any Permitted Investments subject to the Borrower's equity contribution in each new Investments and each Permitted Investment being not less than 32.5 % of the acquisition cost of that New Investment and or, as the case may be, that Permitted Investment.

6) Disposal of assets / spin off of the Offshore business:

The Guarantor shall only be allowed to dispose any of its assets on an arm's-length basis. Nevertheless, the Guarantor may spin-off of or otherwise dispose of the offshore business of the Group ("the Spin-Off") provided that the following conditions are met:

(a) The Guarantor shall maintain at least USD 80,000,000 cash after the Spin-Off.

(b) The Guarantor shall be released from all obligations relating to the offshore business of the Group except the credit support guarantee for the pre- and post-delivery financing of the drill ship newbuildings hull nos. 1865 and 1866 arranged by Deutsche Bank AG.

(c) The Guarantor to secure latest six months prior to delivery a cash break-even employment contract (i.e. operating expenses and debt service fully covered) for at least two (2) years for the drill ship newbuildings hull nos. 1865 and 1866.

(d) The Guarantor must use its best endeavors to be released from its guarantee obligations for newbuildings hull nos. 1865 and 1866 for the pre- and post-delivery facility period.

7) Negative Undertaking: No dividend payments or any other return of capital to shareholders including stock buyback or any other form of distribution effective until the end of the Waiver Period. In relation to the spin-off of the offshore business of the Guarantor the conditions under above mentioned waiver clause 6) shall apply.

8) Permitted Investments:

Save for any Permitted Investments no new investments or capital expenditures (other than maintenance of existing vessels in the ordinary course of business). "Permitted Investments" are the newbuilding contracts

- Hull 1518A and Hull 1519A (panamax bulk carrier with delivery in 12/2009 and 03/2010, contract price $33.25m);
- SS0058 and SS 0059 (kamsarmax bulk carrier with delivery in 08/2010 and 10/2010, contract price $54.25m each);
- Hull 2089 (capesize bulker with delivery in 2009, contract price $114m);
- Hull 1837 (drillship, delivery 01/2011) and Hull 1838 (drillship, delivery 03/2011); and
- Hull 1865 (drillship, delivery 06/2011) and Hull 1866 (drillship, delivery 09/2011); provided that

a) Hull SS 0058 and Hull SS 0059 shall only be permitted if a post-delivery financing has been secured by way of minimum 50% debt finance of the respective contract costs not later than June 30, 2010; and

b) Hull 2089 shall be permitted if a post-delivery financing will be secured by way of minimum 50% debt finance of the respective contract costs not later than December 31, 2009; and

c) Hull 1837 and Hull 1838 shall only be permitted if the following milestones will be met: For each of the following contract instalments payable to Samsung HI ("Samsung") plus supervision costs evidence satisfactory to the Lenders ("the Evidence") has to be provided that financing of such instalments either by debt and/or equity has been arranged not later than

- February 15, 2010 for the 4th instalment Hull 1837 of $110,422,472 due on February 15, 2010;
- April 15, 2010 for the 4th instalment Hull 1838 of $110,422,472 due on April 15, 2010;
- September 15, 2010 for the 5th (delivery) instalment Hull 1837 of $291,881,013 due on December 15, 2010;

- December 15, 2010 for the 5th (delivery) instalment Hull 1838 of $288,874,107 due on March 15, 2011;

provided that the "milestone dates" February 15, 2010, April 15, 2010, August 15, 2010 and November 15, 2010 could be moved to a later date in line with any contract instalment payment deferral agreed with Samsung. In case Samsung and DryShips Inc./Primelead Shareholders Inc. agree on a deferral of the 4th and/or 5th instalment the Evidence to be presented to the Lenders not later than three (3) business days prior to the original a.m. due dates.

- six (6) months prior to the scheduled delivery date for each of the newbuildings Hull 1837 and 1838 an employment contract shall be concluded covering at least the first three years of the debt service of the post-delivery financings.

9) New Investments will be allowed, provided that:

- the equity portion for such New Investments has been raised from proceeds of equity offerings; and
- The Guarantor shall have cash of at least USD 80,000,000; and
- any new investments must be conducted on arm's-length-basis at prevailing market conditions

10) Percentage of shares of Mr. George Economou

Until the end of the Waiver Period Mr. George Economou does not divest any of his interests in any of the issued shares in DryShips Inc. that were owned on November 1, 2009.

Please confirm your acceptance by countersigning this letter.

Best regards,

Deutsche Schiffsbank
Aktiengesellschaft

/s/ Illegible

/s/ Eugenia Papapontikou
Eugenia Papapontikou

Exhibit 4.23

Deutsche Schiffsbank

DryShips Inc.
Attn.: Mr Ziad Nakhleh
80, Kifissias Av.
151 25 Amaroussion
Greece

Tanja Lauerer / st
International Loans

Direct Line +49 421 3609-290
Telefax +49 421 3609-329
tanja.lauerer@schiffsbank.com

19th May 2010

1. **USD 125 million loan facility between Deutsche Schiffsbank Aktiengesellschaft and Norwal Star Owners and Ionian Traders Inc. dated 13th May 2008 as amended (the "Capri / Positano Loan Facility")**
2. **USD 35 million loan facility between Deutsche Schiffsbank Aktiengesellschaft and Ioli Owning Company Limited dated 2nd October 2007 as amended (the "Paros Loan Facility")**

Dear Ziad,

Reference is made to your e-mail dated 7th May 2010 in connection with the request for a waiver in regard to Article 12.3.19 of the Capri/Positano Loan Facility and Article 12.2.19 of the Paros Loan Facility.

We, Deutsche Schiffsbank Aktiengesellschaft, (respective the syndicate of the above mentioned facilities) hereby confirm our approval to waive the Employment Requirement subject to a successful placement of the prospected USD 1bn high yield bond until 30th September 2010, which proceeds shall be used to secure the financing of the two Drillships 1837 and 1838. In case the bond can not be issued until the 30th September 2010 the original Employment Requirement will be triggered again.

The above approval is subject to documentation acceptable to us.

If you have any questions please do not hesitate to contact us.

Best regards,

Deutsche Schiffsbank
Aktiengesellschaft

/s/ Illegible

Exhibit 4.26

Private & Confidential

To: Dryships Inc.

c/o Cardiff Marine Inc.
Omega Building
80 Kifissias Ave.
Marousi 151 25

Attn: Messrs G. Economou, A. Ioannides,

15 April 2009

Dear Sirs,

We are pleased to provide you with amendments to the Loan Agreement dated 5 October 2007 between Piraeus Bank A.E (The "Lender") and Boone Star Owners Inc. and Iokasti Owning Company Limited, (the "Loan Agreement") relating to a term loan facility up to US$ 90,000,000 (the "Facility"). Save to the extent of amendments required to give efficacy to this letter, all other terms of the Loan Agreement remain intact. If these amendments are acceptable to you, kindly revert to us by 29 April 2009 so that we may proceed with the preparation of the relevant documentation.

BORROWERS (JOINT AND SEVERAL):	Boone Star Owners Inc. and Iokasti Owning Company Limited
CORPORATE GUARANTOR:	Dryships Inc.
COLLATERAL VESSELS:	• M/V Samatan, a 74,500 dwt, built in 2001, bulk carrier ("M/V Samatan"); • M/V Pachino (ex-VOC Galaxy), a 51,200 dwt, built in 2002, bulk carrier ("M/V Pachino").
ADDITIONAL COLLATERAL VESSELS:	• M/V Delray (ex-Lanikai ex-Lacerta), a 71,860 dwt, bulk carrier built in 1994 (" M/V Delray"); • M/V Toro, a 73,034 dwt, bulk carrier built in 1995 ("M/V Toro").
ADDITIONAL CORPORATE GUARANTORS:	Lotis Traders Inc., owner of M/V Delray and Farat Shipping Company Limited, owner of M/V Toro.
FACILITY AMOUNT:	Initial Facility Amount: US$ 90,000,000. Current principal outstanding US$ 80,000,000 (Eighty million United States dollars).
INTEREST PERIODS:	3, 6 or 9 month interest periods at Borrowers' option, or such other period as may be requested by the Borrowers and accepted by the Lender at its sole discretion (subject to availability).

INTEREST RATE:	The interest rate on the Facility will be based on the London Interbank Offered Rate for US Dollar deposits ("LIBOR") plus the Applicable Margin. LIBOR will be calculated by reference to the rate appearing on Reuters Screen page BBA Libor. In the event that the LIBOR does not represent the Lender's Cost of funding, then the LIBOR will be substituted by the rate equal to the arithmetic mean of the rates offered for the relevant Interest Period in the London Interbank Market for deposits in Dollars on the day of commencement of the relevant Interest Period as same appear in REUTERS screen at the corresponding electronic pages of: KLIEMM (Carl Kliem GmgH), USDDEPO=ICAP (Icap Plc) and USDDEPO=TTKL (Tullett Prebon Plc) as per Piraeus Bank A.E standard "Market disruption & Non- availability" clause. Interest will be calculated on the basis of the actual number of days elapsed in a 360 day year. Interest shall be payable in arrears on the last day of each interest period, but in the event that a period in excess of 3 months is selected then interest will be payable every 3 months.
WAIVER PERIOD:	From 31/12/2008 until 31/3/2011
APPLICABLE MARGIN:	2% p.a. from 1/4/2009 and during the Waiver Period. Thereafter Applicable Margin to be reduced to 1.5% p.a. for the period until the final maturity of the Facility, provided that Minimum Asset Cover Requirement is fully met and there is no event of default.
MANDATORY PREPAYMENT:	For the duration of the Waiver Period, in the event of a sale of any of the Collateral Vessels any receipt of insurance proceeds from the total loss of any of the Collateral Vessels, upon the sale or loss of any of the Collateral Vessel the entire sale or insurance proceeds to be applied towards the respective outstanding Advance of the Facility Amount. However if the amount of the sale proceeds of the Collateral Vessel sold or lost is greater that the respective Advance outstanding, then the surplus funds will be applied pro-rata towards the existing loan facility agreement dated 13 March 2008, as amended on 12/12/2008 between Piraeus Bank and Annapolis Shipping Company Limited, Atlas Owning Company Limited, Farat Shipping Company Limited & Lansat Shipping Company Limited.
SECURITY:	Additional security to include: • Second priority mortgages on each of the Additional Collateral Vessels;

- Second priority assignment of all earnings and insurances of each of the Additional Collaterals Vessels;
- Corporate Guarantee of each of the Additional Corporate Guarantors;
- Specific assignment of all earnings of M/V Samatan from the existing time charter between Boone Star Owners Inc. and Korea line Corp at US$ 39,500 per day until May 2013.

MINIMUM REQUIRED SECURITY COVER:	Subject to no event of default, Minimum Required Security Cover to be waived during the Waiver Period.
FINANCIAL COVENANTS OF THE CORPORATE GUARANTOR:	Subject to no event of default, Financial Covenants of Dryships Inc. (Corporate Guarantor), to be waived during the Waiver Period.
ADDITIONAL COVENANTS:	No cash Dividends for the Borrowers and the Corporate Guarantors without the prior written consent of the Lender from 31/1/2/2008 until 31/12/2009.

Please sign and return a copy of this letter to signify your acceptance latest by 29th April 2009. In the event that we do not receive your acceptance by such date, this offer shall be automatically cancelled and considered null and void.

For and on behalf of
Piraeus Bank A.E.

/s/ Serafeim Kriempardis	/s/ Jason Dallas
Serafeim Kriempardis	Jason Dallas
Head of Shipping	Relationship Manager

We acknowledge receipt of your offer letter dated 15 April 2009 and confirm that the terms and conditions contained are accepted by ourselves and that you may proceed, at our cost, to the preparation of all necessary documentation.

For and on behalf of the Borrowers:

/s/ George Economou

For Boone Star Owners Inc.

Name: George Economou

Date: 21/4/2009

/s/ George Economou

For Iokasti Owning Company Limited

Name: George Economou

Date: 21/4/2009

The Corporate Guarantor and Additional Corporate Guarantors:

/s/ George Economou

For Dryships Inc.

Name: George Economou

Date: 21/4/2009

/s/ George Economou

For Lotis Traders Inc.

Name: George Economou

Date: 21/4/2009

/s/ George Economou

For Farat Shipping Company Limited

Name: George Economou

Date: 21/4/2009

Exhibit 4.28

Date 25 August 2010

BOONE STAR OWNERS INC. and
IOKASTI OWNING COMPANY LIMITED
as Borrowers

- and -

PIRAEUS BANK A.E.
as Lender

SECOND SUPPLEMENTAL AGREEMENT

---

relating to a loan facility
of (originally) US$90,000,000

WATSON, FARLEY & WILLIAMS
Piraeus

INDEX

THIS SECOND SUPPLEMENTAL AGREEMENT is made on 25 August 2010

BETWEEN

(1) **BOONE STAR OWNERS INC.** and **IOKASTI OWNING COMPANY LIMITED** as joint and several **Borrowers**; and

(2) **PIRAEUS BANK A.E.**, acting through its branch at 47-49 Akti Miaouli, 185 36 Piraeus, Greece as **Lender**.

BACKGROUND

(A) By a loan agreement dated 5 October 2007 (as amended and supplemented by a supplemental agreement (the "**First Supplemental Agreement**") dated 30 July 2009, the "**Loan Agreement**") and made between (i) the Borrowers as joint several borrowers and (ii) the Lender has made available to the Borrowers a loan facility in an amount of (originally) US$90,000,000, of which an amount of US$68,900,000 is outstanding by way of principal on the date hereof.

(B) By the First Supplemental Agreement the Lender agreed, at the request of the Borrowers, to waive the application of certain covenants during the period 31 December 2008 to 31 March 2011 (the "**Waiver Period**").

(C) The Borrowers have requested that the Lender extends the Waiver Period by 12 months so that the last date thereof is 31 March 2012.

(D) The Lender's consent to the requests of the Borrowers referred to in Recital (C) is subject to the following conditions:

(a) the increase of the Margin to:

(A) during the period 10 August 2010 to 31 March 2012, 2.60 per cent, per annum; and

(B) at all times thereafter and subject to the terms provided herein, 1.75 per cent per annum; and

(b) the amendment of the Loan Agreement pursuant to the terms of this Second Supplemental Agreement; and

(c) all other terms and conditions contained herein.

(E) This Second Supplemental Agreement sets out the terms and conditions on which the Lender agrees, with effect on and from the Effective Date, to amend the Loan Agreement.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Defined expressions. Words and expressions defined in the Loan Agreement and the other Finance Documents shall have the same meanings when used in this Second Supplemental Agreement unless the context otherwise requires.

1.2 Definitions. In this Second Supplemental Agreement, unless the contrary intention appears:

"**Charter**" means, in respect of the New Ship, the time charter dated 6 March 2008 entered into between Arleta Navigation Company Limited, a member of the Group, as

owner of m.v. "XANADU, a Fleet Vessel which shall be substituted by the New Ship on the Delivery Date (as defined in Clause 5.1(b)) pursuant to clause 106 thereof, and SK Shipping Co., Ltd. of Seoul, Korea as charterer (as amended and supplemented by addenda nos. 1, 2 and 3 dated 31 July 2008, 29 July 2008 and 27 April 2009 respectively);

"**Effective Date**" means the date on which the conditions precedent in Clause 3 are satisfied;

"**Loan Agreement**" means the loan agreement dated 5 October 2007 (as amended and supplemented by the First Supplemental Agreement) referred to in Recital (A);

"**Mortgage Addendum**" means:

(a) in the case of each Original Ship, each of the first and second amendment to the Mortgage on that Ship, executed or, as the context may require, to be executed by the Borrower owning that Ship;

(b) in relation to "TORO", the first amendment on that Additional Ship, executed or, as the context may require, to be executed by Farat,

in favour of the Lender in such form as the Lender may approve or require and, in the plural, means all of them;

"**New Account**" means an account opened or to be opened in the name of the New Owner with the Lender for receipt of the Earnings of the New Ship or such other account or accounts as may be established for this purpose with the prior consent of the Lender;

"**New Account Pledge**" means a second priority pledge over the New Account to be executed by the New Owner in favour of the Lender in such form as the Lender may approve or require;

"**New Deed of Covenant**" means the second priority deed of covenant collateral to the Mortgage executed or to be executed by the New Owner in favour of the Lender in such form as the Lender may approve or require;

"**New Finance Documents**" means, together, the New Guarantee, the New Mortgage, the New Deed of Covenant, the New General Assignment and the New Account Pledge and in the singular, means any of them;

"**New General Assignment**" means a second priority general assignment of the Earnings, Insurances and Requisition Compensation in respect of the New Ship executed or to be executed by the New Owner in favour of the Lender in such from as the Lender may approve or require;

"**New Guarantee**" means the guarantee of the obligations of the Borrowers under the Loan Agreement executed or to be executed by the New Owner in favour of the Lender in such form as the Lender may approve or require;

"**New Mortgage**" means the second priority Maltese statutory mortgage over the New Ship executed or to be executed by the New Owner in favour of the Lender in such form as the Lender may approve or require;

"**New Owner**" means Ialysos Owning Company Limited, a corporation incorporated in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960 Marshall Islands; and

"**New Ship**" means the 2009-built Panamax bulk carrier of 75,206 metric tons deadweight currently registered in the ownership of Irika Management S.A. under the Greek flag with the name "GEMINI S" and to be acquired by the New Owner and registered in its ownership under an Approved Flag with the name "AMALFI".

1.3 Application of construction and interpretation provisions of Loan Agreement. Clauses 1.2 and 1.5 of the Loan Agreement apply, with any necessary modifications, to this Second Supplemental Agreement.

2 AGREEMENT OF THE LENDER

2.1 Agreement of the Lender. The Lender agrees, subject to and upon the terms and conditions of this Second Supplemental Agreement;

(a) to the extension of the Waiver Period by 12 months so that the last date thereof is 31 March 2012;

(b) the consequential amendment of the Loan Agreement and the other Finance Documents in connection with the matters referred to in paragraph (a) above;

(c) the other amendments to the Loan Agreement and the other Finance Documents which have been set out in Clause 5.

2.2 Effective Date. The agreement of the Lender contained in Clauses 2.1 and 2.2 shall have effect on and from the Effective Date.

3 CONDITIONS PRECEDENT

3.1 General. The agreement of the Lender contained in Clause 2.1 is subject to the fulfilment of the conditions precedent in Clause 3.2.

3.2 Conditions precedent. The conditions referred to in Clause 3.1 are that the Lender shall have received the following documents and evidence in all respects in form and substance satisfactory to the Lender and its lawyers on or before the Effective Date:

(a) documents of the kind specified in paragraphs 3, 4 and 5 of Schedule 2, Part A to the Loan Agreement in relation to each Borrower and each Additional Owner in connection with its respective execution of this Second Supplemental Agreement and as, the case may be, each Mortgage Addendum, updated with appropriate modifications to refer to this Second Supplemental Agreement;

(b) an original of this Second Supplemental Agreement duly executed by the parties to it;

(c) original copies of each New Finance Document and each Mortgage Addendum, duly executed by the New Owner or, as the case may be, the relevant Borrower and Additional Owner together with evidence that:

  (i) the New Mortgage has been registered against the New Ship with second priority in accordance with the laws of Malta;

  (ii) each Mortgage Addendum has been duly registered in accordance with the laws of Malta;

  (iii) all notices required to be served under each New General Assignment have been served and acknowledged in the manner therein provided; and

(iv) save for the Security Interests created by or pursuant to the New Mortgage and the New General Assignments, there are no Security Interests of any kind whatsoever on the New Ship or her Earnings, Insurances or Requisition Compensation;

(d) evidence that the New Ship is:

(i) registered in the ownership of the New Owner under the laws and flag of Malta; and

(ii) insured in accordance with the relevant provisions of the New Deed of Covenant and all requirements thereof in respect of such insurance have been fulfilled;

(e) a certified true copy of the Charter entered into in respect of the New Ship;

(f) the original of any mandates or other documents required in connection with the opening or operation of the New Account;

(g) documents establishing that the New Ship is managed by the Approved Manager;

(h) a letter of undertaking executed by the Approved Manager in favour of the Lender in the terms required by the Lender agreeing certain matters in relation to the management of the New Ship and subordinating the rights of the Approved Manager against the New Ship and the New Owner to the rights of the Lender under the New Finance Documents;

(i) copies of ISM DOC and SMC and the International Ship Security Certificate under the ISPS Code in respect of the New Ship;

(j) the New Ship maintains the highest available class with such first-class classification society which is a member of the IACS as the Lender may approve free of all recommendations and conditions of such classification society;

(k) evidence that the New Owner is a direct or indirect subsidiary of the Corporate Guarantor;

(1) certified copies of all documents (with a certified translation if an original is not in English) evidencing any other necessary action, approval or consents with respect to this Second Supplemental Agreement and the New Finance Documents (including without limitation) all necessary governmental and other official approvals and consents in such pertinent jurisdictions as the Lender deems appropriate;

(m) such legal opinions as the Agent may require in respect of the matters contained in this Second Supplemental Agreement and each Mortgage Addendum;

(n) evidence that the agent referred to in clause 30.4 of the Loan Agreement has accepted its appointment as agent for service of process under this Second Supplemental Agreement and the New Finance Documents; and

(o) any other document or evidence as the Lender may request in writing from the Borrowers and the New Owner.

4 REPRESENTATIONS AND WARRANTIES

4.1 Repetition of Loan Agreement representations and warranties. Each Borrower represents and; warrants to the Lender that the representations and warranties in clause 9 of the Loan Agreement remain true and not misleading if repeated on the date of this Second Supplemental Agreement.

4.2 Repetition of Finance Document representations and warranties. Each Borrower and each of the other Security Parties represents and warrants to the Lender that the representations and warranties in the Finance Documents (other than the Loan Agreement) to which it is a party remain true and not misleading if repeated on the date of this Second Supplemental Agreement.

5 AMENDMENTS TO LOAN AGREEMENT AND OTHER FINANCE DOCUMENTS

5.1 Specific amendments to Loan Agreement. With effect on and from the Effective Date the Loan Agreement shall be amended as follows:

(a) by deleting from clause 1.1 thereof the definitions of "Additional Owner", "Additional Ship", "Collateral Loan Agreement", "DELRAY", "Mortgage" and "Waiver Period";

(b) by adding in clause 1.1 thereof the following new definitions:

"**Additional Owner**" means:

(a) during the First and the Third Period, the Collateral Owner; and

(b) during the Second Period, Farat,

and, in the plural, means both of them;

"**Additional Ship**" means:

(a) during the First and the Third Period, "TORO"; and

(b) during the Second Period, the Collateral Ship,

and, in the plural, means both of them;

"**Charter**" means, in respect of the Collateral Ship, the time charter dated 6 March 2008 entered into between Arleta Navigation Company Limited, a member of the Group, as owner of m.v. "XANADU, a Fleet Vessel which shall be substituted by the Collateral Ship on the Delivery Date pursuant to clause 106 thereof, and SK Shipping Co., Ltd. of Seoul, Korea as charterer (as amended and supplemented by addenda nos. 1, 2 and 3 dated 31 July 2008,29 July 2008 and 27 April 2009 respectively);

"**Collateral Borrowers**" means, together, Farat, Annapolis Shipping Company Limited and Lansat Shipping Company Limited, each being a member of the Group and, in the singular, means any of them;

"**Collateral Loan Agreement**" means a loan agreement dated 13 March 2008 (as amended and supplemented by supplemental agreements dated 12 December 2008 and 30 July 2009 respectively and as amended and restated by the First Amending and Restating Agreement and the Second Amending and Restating Agreement) made between (inter alia) (i) the Collateral Borrowers as joint and several borrowers and (ii) the Lender as lender, in respect of a loan facility of (originally) US$130,000,000;

"**Collateral Owner**" means Ialysos Owning Company Limited, a corporation incorporated in the Marshall Islands, whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

"**Collateral Ship**" means the 2009-built Panamax bulk carrier of 75,206 metric tons deadweight currently registered in the ownership of the Seller under the Greek flag with the name "GEMINI S" and to be acquired by the Collateral Owner on the Delivery Date and registered in its ownership under the Maltese with the name "AMALFI";

"**Delivery Date**" means the date within the Substitution Period on which title to and possession of the Collateral Ship is transferred from to the Collateral Owner which is the buyer thereof, pursuant to the terms of the MOA;

"**First Amending and Restating Agreement**" means the amending and restating agreement dated 25 January 2010 and made between (inter alia) (i) the Collateral Borrowers (as joint and several borrowers) and (ii) the Lender as lender setting out the terms and conditions upon which the Collateral Loan Agreement was amended and restated;

"**First Period**" means the period commencing on the date of the Second Amending and Restating Agreement and ending on the earlier of (i) the Delivery Date and (ii) the last day of the Substitution Period;

"**MOA**" means the memorandum of agreement dated 3 May 2010 entered into between the Seller as seller and the Collateral Owner as buyer in respect of the sale and purchase of the Collateral Ship;

"**Mortgage**" means:

(a) in the case of each Original Ship, the first priority Maltese mortgage over that Ship executed by the Borrower owning that Ship in favour of the Lender (each as amended and supplemented by the relevant Mortgage Addenda)

(b) in the case of an Additional Ship, the second priority Maltese mortgage over that Ship executed by the relevant Additional Owner (in the case of "TORO", as amended and supplemented by the relevant Mortgage Addendum),

each in such form as the Lender may approve or require and, in the plural, means all of them;

"**Mortgage Addendum**" means:

(a) in the case of each Original Ship each of the first and second amendment to the Mortgage on that Ship, executed or, as the context may require, to be executed by the Borrower owning that Ship;

(b) in relation to "TORO", the first amendment on that Additional Ship, executed or, as the context may require, to be executed by Farat,

in favour of the Lender in such form as the Lender may approve or require and, in the plural, means all of them;

"**Second Amending and Restating Agreement**" means the amending and restating agreement dated
2010 and made between (inter alia) (i) the Collateral Borrowers as joint and several borrowers and (ii) the Lender setting out the terms and conditions upon which the Collateral Loan Agreement has been further amended and restated;

"**Second Period**" means the period commencing on the Delivery Date and ending on the last day of the Security Period;

"**Substitution Period**" means the period 5 February 2010 to 30 September 2010 (inclusive);

"**Seller**" means Irika Management S.A. a company incorporated in the Republic of Panama whose registered address is at Proconsa II Building, Beatriz M. De Cabal Street, Panama 5, Republic of Panama;

"**Third period**" means, if "TORO" has not been substituted by the Collateral Ship pursuant to clause 7 of the Collateral Loan Agreement within the Substitution Period, the period commencing on the last day of the Substitution Period and ending on the last day of the Security Period; and

"**Waiver Period**" means the period 31 December 2008 until (and including) 31 March 2012;";

(c) by deleting sub-paragraph (c) in the definition of "Account" contained in clause 1.1 thereof and replacing it with the following:

"(c) in the case of the Collateral Ship, an earnings account in the name of the New Owner with the Lender designated "Ialysos Owning Company Limited - Earnings Account.";

(d) be deleting the definition of "Ship" contained in clause 1.1 thereof and substituting the same with the following:

""**Ship**" means each of the Original Ships and the relevant Additional Ship and, in the plural, means all of them;";

(e) by deleting the definition of "Margin" in clause 1.1 thereof in its entirety and substituting the same with the following:

""**Margin**" means:

(a) during the period 10 August 2010 to 31 March 2012, 2.60 per cent, per annum; and

(b) at all times thereafter and subject to the terms of Clause 3.10, 1.75 per cent per annum;";

(f) by deleting clause 12.3(b) thereof in its entirety and substituting the same with the following:

"(b) in the case of fire and usual marine risks and war risks, in an amount on an agreed value basis at least the greater of (i) an amount equal to 125 per cent, of the Advance relative to the Original Ship owned by that Borrower and (ii) the Market Value of that Original Ship; and";

(g) by deleting clauses 14.1, 14.3 thereof in their entirety and substituting the same as follows:

"**14.1 Minimum required security cover.** Clause 14.2 applies if the Lender notifies the Borrowers (other than during the Waiver Period) that:

(a) the aggregate of the Market Value of the Original Ships; plus

(b) the net realisable value of any additional security previously provided under this Clause 14,

is below 125 per cent, of the amount of the Loan.

14.3 Valuation of Ships. The Market Value of an Original Ship or, as the case may be, a Fleet Vessel at any date is that shown by a valuation prepared:

(a) as at a date not more than 14 days previously;

(b) by an independent sale and purchase shipbroker which the Lender has appointed and the Borrowers have approved (such approval not to be unreasonably withheld) for the purpose;

(c) with or without physical inspection of the relevant Original Ship or, as the case may be, Fleet Vessel (as the Lender may require);

(d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer;

(e) free of any existing charter or other contract of employment (other than:

(i) in the case of an Original Ship, any Relevant Charter to which that Ship may be subject and which has an unexpired duration of at least 11 months; and

(ii) in the case of a Fleet Vessel, any charterparty (in the case of the Collateral Ship, other than the Charter as long as such Charter is not assigned in favour of the Lender pursuant to the terms of this Agreement and the Collateral Loan Agreement) to which that Fleet Vessel may be subject, which is made between the owner of that Fleet Vessel and a charterer acceptable to the Lender and has an unexpired duration of at least 11 months,

in which case such Relevant Charter or, as the case may be, charterparty, shall be taken into account in determining the Market Value of the relevant Original Ship or, as the case may be, Fleet Vessel **Provided that**, in the case of a Relevant Charter, the Lender is satisfied that the parties to such Relevant Charter are in full compliance with the terms thereof); and

(f) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

In this Clause 14.3 "**Relevant Charter**" means, in relation to an Original Ship, any time charter party in respect of that Ship entered into by the relevant Borrower and a charterer in all respects acceptable to the Lender, exceeding or which, by virtue of any optional extensions is capable of exceeding, 11 months in duration (as the same may be amended or supplemented from time to time) on terms and substance in all respects acceptable to the Lender.";

(i) by adding the word "Original" after the word "each" in the second line of clause 14.6 thereof;

(j) the definition of, and references throughout to, each Finance Documents shall be construed as if the same referred to that Finance Document as amended and supplemented by this Second Supplemental Agreement and

(k) by construing references throughout to "this Agreement", "hereunder" and other like expressions as if the same referred to the Loan Agreement as amended and supplemented by this Second Supplemental Agreement.

5.2 Amendments to Finance Documents. With effect on and from the Effective Date each of the Finance Documents (other than the Loan Agreement) shall be, and shall be deemed by this Second Supplemental Agreement to be amended as follows:

(a) the definition of, and references throughout each of the Finance Documents to, the Loan Agreement and any of the other Finance Documents shall be construed as if the same referred to the Loan Agreement and those Finance Documents as amended and supplemented by this Second Supplemental Agreement;

(b) by construing all references in the Loan Agreement and in the Finance Documents to the "Mortgage" as references to each Mortgage as amended and supplemented by the relevant Mortgage Addendum; and

(c) by construing (references throughout each of the Finance Documents to "this Agreement", "this Deed", hereunder and other like expressions as if the same referred to such Finance Documents as amended and supplemented by this Second Supplemental Agreement.

5.3 Finance Documents to remain in full force and effect. The Finance Documents shall remain in full force and effect as amended and supplemented by:

(a) the amendments to the Finance Documents contained or referred to in Clauses 5.1 and 5.2; and

(b) such further or consequential modifications as may be necessary to give full effect to the terms of this Second Supplemental Agreement.

6 FURTHER ASSURANCES

6.1 Borrowers' and each Security Party's obligation to execute further documents etc. Each Borrower and each other Security Party shall:

(a) execute and deliver to the Lender (or as it may direct) any assignment, mortgage, power of attorney, proxy or other document, governed by the law of England or such other country as the Lender may, in any particular case, specify;

(b) effect any registration or notarisation, give any notice or take any other step,

which the Lender may, by notice to the Borrowers, specify for any of the purposes described in Clause 6.2 or for any similar or related purpose.

6.2 Purposes of further assurances. Those purposes are:

(a) validly and effectively to create any Security Interest or right of any kind which the Lender intended should be created by or pursuant to the Loan Agreement or any other Finance Document, each as amended and supplemented by this Second Supplemental Agreement, and

(b) implementing the terms and provisions of this Second Supplemental Agreement,

6.3 Terms of further assurances. The Lender may specify the terms of any document to be executed by the Borrowers or any other Security Party under Clause 6.1, and those terms may include any covenants, powers and provisions which the Lender considers appropriate to protect its interests.

6.4 Obligation to comply with notice. The Borrowers or any other Security Party shall comply with a notice under Clause 6.1 by the date specified in the notice.

7 FEES AND EXPENSES

7.1 Fees and Expenses. The provisions of clause 19 (fees and expenses) of the Loan Agreement shall apply to this Second Supplemental Agreement as if they were expressly incorporated in this Second Supplemental Agreement with any necessary modifications.

8 COMMUNICATIONS

8.1 General. The provisions of clause 27 (notices) of the Loan Agreement, as amended and supplemented by this Second Supplemental Agreement, shall apply to this Second Supplemental Agreement as if they were expressly incorporated in this Second Supplemental Agreement with any necessary modifications.

9 SUPPLEMENTAL

9.1 Counterparts. This Second Supplemental Agreement may be executed in any number of counterparts.

9.2 Third Party rights. A person who is not a party to this Second Supplemental Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Second Supplemental Agreement.

10 LAW AND JURISDICTION

10.1 Governing law. This Second Supplemental Agreement shall be governed by and construed in accordance with English law.

10.2 Incorporation of the Loan Agreement provisions. The provisions of clause 30 (law and jurisdiction) of the Loan Agreement, as amended and supplemented by this Second Supplemental Agreement, shall apply to this Second Supplemental Agreement as if they were expressly incorporated in this Second Supplemental Agreement with any necessary modifications.

THIS SECOND SUPPLEMENTAL AGREEMENT has been duly executed as a Deed on the date stated at the beginning of this Second Supplemental Agreement.

EXECUTION PAGE

THE BORROWERS

SIGNED by ZIAD NAKHLEH for and on behalf of **BOONE STAR OWNERS INC.**	)))	/s/ Ziad Nakhleh
SIGNED by ZIAD NAKHLEH for and on behalf of **IOKASTI OWNING COMPANY LIMITED**	))))	/s/ Ziad Nakhleh

THE LENDER

SIGNED by MARIA YOURYI and JASON DALLAS for and on behalf of **PIRAEUS BANK A.E.**	)))	/s/ Maria Youri /s/ Jason Dallas
Witness to all the above signatures	))	

/s/ Christoforos Bismpikos

Name: CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS

Address: 89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

COUNTERSIGNED this 25 August 2010 by the following parties, each of which, by its execution hereof confirms and acknowledges that it has read and understood the terms and conditions of the above Second Supplemental Agreement, that it agrees in all respects to the same and that the Finance Documents to which each is a party shall remain in full force and effect and shall continue to stand as security for the obligations of the Borrowers under the Loan Agreement.

/s/ ZIAD NAKHLEH
ZIAD NAKHLEH
for and on behalf of
DRYSHIPS INC.

Dated 25 August 2010

/s/ ZIAD NAKHLEH
ZIAD NAKHLEH
for and on behalf of
FARAT SHIPPING COMPANY LIMITED

Dated 25 August 2010

/s/ ZIAD NAKHLEH
ZIAD NAKHLEH
for and on behalf of
LOTIS TRADERS INC.

Dated 25 August 2010

Exhibit 4.30

EFG EUROBANK Ergasias S.A

Messrs.
DRYSHIPS INC.,
80, Kifissias Ave.,
Amarousin, GR – 151 05,
Athens, Greece

Attn: Mr. George Economou

25th February 2009

Dear Sir,

We refer to our recent discussions in relation to the Loan Agreement dated 16th November 2007 between lason Owning Company Limited (as "Borrower") and EFG Eurobank Ergasias S.A. (as "Bank") for a loan of up to USD 47,000,000 (the "Facility"), as already advised, we note that the Borrower is in breach of clause 8.3.1.

Further to our recent discussions, and in view of recent market developments, the Bank would be prepared to waive the said breach under clause 8.3.1 until 31 December 2009, on condition that no later than 15th March 2009 additional security is provided in favour of the Bank for any amounts owing from time to time by Dryships Inc. to the Bank under an ISDA Agreement dated 7th May 2008 (the "ISDA"), including moneys owing under the Transaction effected as per Official Confirmation dated 7th May 2008 ("Derivatives Outstandings").

The said security to be provided should be a Credit Support Annex to be signed as an attachement to already executed ISDA (7th May 2008); the Credit Support Annex will provide that DryShips will put up security in the form of cash for the Derivatives Oustandings, such that if any such outstandings are in excess of USD 25,000,000 at any given time, then the excess (but in multiples of US$1,000,000) must be immediately cash collateralised in full.

The above proposed arrangements are subject to, and will become effective only upon execution of, documentation satisfactory to the Bank.

If you accept the above arrangements please sign and return this letter by 5th March 2009.

For and on behalf of the Bank:

/s/ Lambros Theodorou
Lambros Theodorou
Deputy General Manager

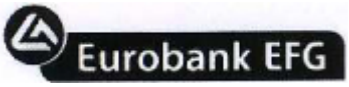
/s/ Marina Tzoutzourakis
Marina Tzoutzourakis
Account Manager

For and on behalf of Dryships Inc.

/s/ George Economou
Date: 26/2/2009

Exhibit 4.31

EFG Eurobank Ergasias S.A.



Messrs,
DRYSHIPS INC.
and
IASON OWNING COMPANY LIMITED

80, Kifissias Ave.,
Amarousion, Gr 151 25
Athens, Greece

11th November 2009

Dear Sir,

We refer to the Loan Agreement dated 16th November 2007 (the "Loan Agreement") between Iason Owning Company Limited (as "Borrower") and EFG Eurobank Ergasias S.A. (the "Bank") for a loan of up to USD 47,000,000, which was guaranteed by Dry ships Inc. (the "Guarantor").

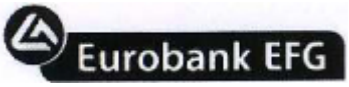
Words and expressions defined in the Loan Agreement shall have the same meanings when used in this letter.

We note that the Bank has waived until December 31 2009 the breach of clause 8.3.1 of Loan Agreement under the attached letter dated February 25 2009 (and we confirm that the conditions in such waiver letter remain satisfied as of the date of this letter).

Further, we note that the Guarantor is in breach of clauses 5.3.1 (a) and 5.3.1 (b) of the Corporate Guarantee.

The Bank further confirms that it hereby waives such breach of clauses 5.3.1(a) and 5.3.1(b) of the Corporate Guarantee but only until December 31 2009.

The above proposed waiver will become effective upon your signature, which we would kindly request by November 13, 2009.



The Bank reserves all its rights under the Loan Agreement, the Corporate Guarantee and the other security Documents, at law, in equity or otherwise, including, without limitation, as to any other Events of Default or any of the above breaches continuing unremitted after the end of their relevant waiver periods referred to in this letter.

For and on behalf of the Bank,

/s/ Lambros Theodorou
Lambros Theodorou
Deputy General Manager

/s/ Marina Tzoutzourakis
Marina Tzoutzourakis
Account Manager

For and on behalf of Dryships Inc.

/s/ Eugenia Papapontikou
Date: 11/11/09

For and on behalf of Iason Owning Company Limited

/s/ Eugenia Papapontikou
Date: 11/11/09

Exhibit 4.33

Private & Confidential

Dated 15 April 2010

SUPPLEMENTAL AGREEMENT
relating to a
Loan of US$47,000,000

to
IASON OWNING COMPANY LIMITED

provided by
EFG EUROBANK ERGASIAS S.A.

NORTON ROSE

Contents

THIS SUPPLEMENTAL AGREEMENT is dated 15 April 2010 and made **BETWEEN**:

(1) **IASON OWNING COMPANY LIMITED**, a corporation incorporated under the laws of the Marshall Islands, whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Republic of the Marshall Islands MH96960 (the "**Borrower**");

(2) **CARDIFF MARINE INC**., a corporation incorporated under the laws of the Republic of Liberia, whose registered office is at 80 Broad Street, Monrovia, Republic of Liberia (the "**Manager**");and

(3) **DRYSHIPS INC**., a corporation incorporated under the laws of the Republic of the Marshall Islands, whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Republic of the Marshall Islands MH96960 (the "**Corporate Guarantor**"); and

(4) **EFG EUROBANK ERGASIAS S.A**., a corporation incorporated in Greece whose registered office is at 8 Othonos Street, Athens 105 57, Greece acting for the purposes of this Agreement through its office at 83 Akti Miaouli & Flessa Street, 185 38 Piraeus, Greece (the "**Bank**").

WHEREAS:

(A) this Agreement is supplemental to a loan agreement dated 16 November 2007 (the "**Principal Agreement**") made between the Borrower as borrower and the Bank as lender, pursuant to which the Bank agreed (*inter alia*) to advance (and has advanced) by way of loan to the Borrower, upon the terms and conditions therein contained, the principal sum of Forty seven million Dollars ($47,000,000) of which the principal amount outstanding at the date hereof is $27,500,000; and

(B) this Agreement sets out the terms and conditions upon which the Bank agrees, at the request of the Borrower:

(a) to waive the application of clauses 7. 1.10, 8.2.14(b) and 10.1.28(b) of the Principal Agreement and clauses 4.1.10 and 5.2.7(b) of the Corporate Guarantee;

(b) to waive the application of clause 8.3.1 of the Principal Agreement and clause 5.3 of the Corporate Guarantee for a certain period specified herein;

(c) to certain amendments to the terms and conditions applicable to the Loan and the Principal Agreement agreed to by the Borrower and the Bank; and

(d) to certain consequential changes to the Principal Agreement required in connection with the above and agreed to by the Borrower and the Bank.

NOW IT IS HEREBY AGREED as follows:

1 Definitions

1.1 Defined expressions

Words and expressions defined in the Principal Agreement shall unless the context otherwise requires or unless otherwise defined herein, have the same meanings when used in this Agreement.

1.2 Definitions

In this Agreement, unless the context otherwise requires:

"**Deed of Covenant**" means the deed of covenant collateral to the Mortgage dated 31 December 2007 and executed by the Borrower in favour of the Bank;

"**Deed of Covenant Amendment**" means an amendment to the Deed of Covenant made or (as the context may require) to be made between the Borrower and the Bank in such form as the Bank may in its sole discretion require;

"**Effective Date**" means the date no later than 16 April 2010, on which the Bank notifies the Borrower in writing that the Bank has received the documents and evidence specified in clause 5 and schedule 1 in a form and substance satisfactory to it;

"**Loan Agreement**" means the Principal Agreement as amended by this Agreement;

"**Mortgage**" means the first priority statutory Maltese mortgage dated 31 December 2007 executed by the Borrower in favour of the Bank in respect of the Ship;

"**Mortgage Amendment**" means an amendment to the Mortgage made or (as the context may require) to be made between the Borrower and the Bank in such form as the Bank may in its sole discretion require;

"**Relevant Documents**" means, together, this Agreement, the Deed of Covenant Amendment and the Mortgage Amendment; and

"**Relevant Parties**" means, together, the Borrower, the Manager and the Corporate Guarantor.

1.3 Principal Agreement

References in the Principal Agreement to "this Agreement" shall, with effect from the Effective Date and unless the context otherwise requires, be references to the Principal Agreement as amended by this Agreement and words such as "herein", "hereof", "hereunder", "hereafter", "hereby" and "hereto", where they appear in the Principal Agreement, shall be construed accordingly.

1.4 Headings

Clause headings and the table of contents are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement.

1.5 Construction of certain terms

In this Agreement, unless the context otherwise requires:

1.5.1 references to clauses and schedules are to be construed as references to clauses of, and schedules to, this Agreement and references to this Agreement includes its schedules;

1.5.2 references to (or to any specified provision of) this Agreement or any other document shall be construed as references to this Agreement, that provision or that document as in force for the time being and as amended in accordance with terms thereof, or, as the case may be, with the agreement of the relevant parties;

1.5.3 references to a "**regulation**" include any present or future regulation, rule, directive, requirement, request or guideline (whether or not having the force of law) of any agency, authority, central bank or government department or any self-regulatory or other national or supra-national authority;

1.5.4 words importing the plural shall include the singular and vice versa;

1.5.5 references to a time of day are to Greek time;

1.5.6 references to a person shall be construed as references to an individual, firm, company, corporation, unincorporated body of persons or any Government Entity;

1.5.7 references to a "**guarantee**" include references to an indemnity or other assurance against financial loss including, without limitation, an obligation to purchase assets or services as a consequence of a default by any other person to pay any Indebtedness and "**guaranteed**" shall be construed accordingly; and

1.5.8 references to any enactment shall be deemed to include references to such enactment as re-enacted, amended or extended.

2 Agreement of the Bank

2.1 The Bank, relying upon the representations and warranties on the part of the Borrower contained in clause 4, agrees with the Borrower that, subject to the terms and conditions of this Agreement and, in particular but without prejudice to the generality of the foregoing, fulfillment on or before 16 April 2010 of the conditions contained in clause 5 and schedule 1, the Bank, with effect on the Effective Date:

2.1.1 waives for the period from 16 April 2010 until 1 January 2011, the application of clause 8.3.1 of the Loan Agreement Provided however that for the avoidance of doubt, such waiver shall not prejudice the Bank's right to demand compliance by the Borrower, and the Borrower's obligation to comply, with such clause immediately after the end of such period;

2.1.2 waives from 16 April 2010 and at all times thereafter the application of clauses 7.1.10, 8.2.14(b) and 10.1.28(b) of the Loan Agreement but only insofar as such clauses refer and relate to the ultimate beneficial ownership of the total issued voting share capital of the Corporate Guarantor;

2.1.3 waives from 16 April 2010 and at all times thereafter, the application of clauses 4.1.10 and 5.2.7(b) of the Corporate Guarantee but only insofar as such clauses refer and relate to the ultimate beneficial ownership of the total issued voting share capital of the Corporate Guarantor;

2.1.4 waives in relation to any financial period ending on or prior to 31 December 2010, the application of clause 5.3 of the Corporate Guarantee Provided however that, for the avoidance of doubt, such waiver shall not in any way prejudice the Bank's right to demand compliance by the Corporate Guarantor, and the Corporate Guarantor's obligation to comply, with such clause in relation to any financial period beginning on or after 1 January 2011; and

2.1.5 consents and agrees to the amendment of the Principal Agreement on the terms set out in clause 3.

3 Amendments

3.1 Amendments to Principal Agreement

The Principal Agreement shall, with effect on and from the Effective Date, be (and it is hereby) amended in accordance with the following provisions (and the Principal Agreement (as so amended) will continue to be binding upon each of the parties hereto upon such terms as so amended):

3.1.1 by inserting in clause 1.2 of the Principal Agreement the following new definitions of "**First Deed of Covenant Amendment**", "**First Mortgage Amendment**" and "**First Supplemental Agreement**" in the correct alphabetical order:

""**First Deed of Covenant Amendment**" means an amendment to the Deed of Covenant made or (as the context may require) to be made between the Borrower and the Bank under the terms of the First Supplemental Agreement";";

""**First Mortgage Amendment**" means an Amendment No.1 to the Mortgage made or (as the context may require) to be made between the Borrower and the Bank under the terms of the First Supplemental Agreement;";

""**First Supplemental Agreement**" means the agreement dated 15 April 2010 made between (inter alios) the Borrower and the Bank supplemental to this Agreement;";

3.1.2 by deleting the definition of "**Deed of Covenant**" in clause 1.2 of the Principal Agreement and by inserting in its place the following new definition of "**Deed of Covenant**":

""**Deed of Covenant**" means the deed of covenant collateral to the Mortgage dated 31 December 2007 and executed by the Borrower in favour of the Bank as amended by the First Deed of Covenant Amendment;";

3.1.3 by deleting the definition of "**Margin**" in clause 1.2 and by inserting in its place the following new definition of "**Margin**":

"**Margin**" means:

(a) from the date of this Agreement until 15 April 2010, zero point eight five per cent (0.85%) per annum;

(b) from 16 April 2010 and at all times thereafter:

(i) subject to paragraph (ii) below three per cent (3%) per annum;

(ii) if at any time the Bank notifies the Borrower in writing that it has determined in its absolute and unfettered discretion (which determination shall be conclusive and binding on the Borrower) that the turmoil in the international financial and credit markets prevailing during the months of (inter alios) January 2010 and February 2010 and caused by the liquidity squeeze and credit crisis has ceased to exist, then:

(A) if within a period of 15 days from receipt of such notice by the Borrower, the Bank and the Borrower agree to a mutually acceptable rate per annum (which is lower than three per cent (3%) per annum) as the Margin, then from the date when such agreement is made in writing and in form and substance satisfactory to the Bank and at all times thereafter, Margin shall be such agreed lower rate per annum; or

(B) if the Bank and the Borrower do not agree to a mutually acceptable rate per annum as contemplated above, Margin shall mean three per cent (3%) per annum at all times;";

3.1.4 by deleting the definition of "**Mortgage**" in clause 1.2 and by inserting in its place the following new definition of "**Mortgage**":

""**Mortgage**" means the first priority statutory Maltese mortgage dated 31 December 2007 and executed by the Borrower in favour of the Bank in relation to the Ship as amended by the First Mortgage Amendment;"; and

3.1.5 by inserting in the first line of the definition of "**Security Documents**" in clause 1.2 after the words "this Agreement," the words "the First Supplemental Agreement,".

3.2 Continued force and effect

Save as amended by this Agreement, the provisions of the Principal Agreement and the other Security Documents shall continue in full force and effect and the Principal Agreement and this Agreement shall be read and construed as one instrument.

4 Representations and warranties

4.1 Primary representations and warranties

Each Relevant Party represents and warrants to the Bank that:

4.1.1 Existing representations and warranties

the representations and warranties set out in clause 7 of the Principal Agreement and clause 4 of the Corporate Guarantee were true and correct on the date of the Principal Agreement and the Corporate Guarantee, respectively, and are true and correct, including to the extent that they may have been or shall be amended by this Agreement, as if made at the date of this Agreement with reference to the facts and circumstances existing at such date;

4.1.2 Corporate power

each of the Relevant Parties has power to execute, deliver and perform its obligations under the Relevant Documents to which it is or is to be a party; all necessary corporate, shareholder and other action has been taken by each of the Relevant Parties to authorise the execution, delivery and performance of the Relevant Documents to which it is or is to be a party;

4.1.3 Binding obligations

the Relevant Documents to which it is or is to be a party constitute valid and legally binding obligations of each of the Relevant Parties enforceable in accordance with their terms;

4.1.4 No conflict with other obligations

the execution, delivery and performance of the Relevant Documents to which it is or is to be a party by each of the Relevant Parties will not (i) contravene any existing law, statute, rule or regulation or any judgment, decree or permit to which any of the Relevant Parties is subject, (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which any of the Relevant Parties is a party or is subject or by which any of the Relevant Parties or any of its property is bound or (iii) contravene or conflict with any provision of the constitutional documents of any of the Relevant Parties or (iv) result in the creation or imposition of or oblige any of the Relevant Parties to create any Encumbrance on any of their undertakings, assets, rights or revenues of any of the Relevant Parties;

4.1.5 No filings required

save for the registration of the Mortgage Amendment with the Registry, it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of any of the Relevant Documents that they or any other instrument be notarised, filed, recorded, registered or enrolled in any court, public office or elsewhere in any Relevant Jurisdiction or that any stamp, registration or similar tax or charge be paid in any Relevant Jurisdiction on or in relation to the Relevant Documents and each of the Relevant Documents is in proper form for its enforcement in the courts of the Relevant Jurisdiction;

4.1.6 Choice of law

the choice of English law to govern this Agreement, the choice of Maltese law to govern the Mortgage Amendment and the submissions by the Relevant Parties to the non-exclusive jurisdiction of the English courts are valid and binding; and

4.1.7 Consents obtained

every consent, authorisation, licence or approval of, or registration or declaration to, governmental or public bodies or authorities or courts required by any of the Relevant Parties in connection with the execution, delivery, validity, enforceability or admissibility in evidence of the Relevant Documents to which it is or is to be a party or the performance by each Relevant Party

of its obligations under such document has been obtained or made and is in full force and effect and there has been no default in the observance of any conditions or restrictions (if any) imposed in, or in connection with, any of the same.

4.2 Repetition of representations and warranties

Each of the representations and warranties contained in clause 4.1 of this Agreement and clause 7 of the Principal Agreement (as amended by this Agreement) shall be deemed to be repeated by each Relevant Party on the Effective Date as if made with reference to the facts and circumstances existing on such day.

5 Conditions

5.1 Documents and evidence

The agreement and waivers of the Bank referred to in clause 2 shall be subject to the receipt by the Bank or its duly authorised representative of the documents and evidence specified in schedule 1 in form and substance satisfactory to the Bank.

5.2 General conditions precedent

The agreement and the waivers of the Bank referred to in clause 2 shall be further subject to:

5.2.1 the representations and warranties in clause 4 being true and correct on the Effective Date as if each were made with respect to the facts and circumstances existing at such time; and

5.2.2 no Default having occurred and continuing at the time of the Effective Date.

5.3 Waiver of conditions precedent

The conditions specified in this clause 5 are inserted solely for the benefit of the Bank and may be waived by the Bank in whole or in part with or without conditions.

6 Relevant Parties' confirmation

6.1 Security Documents

Each of the Relevant Parties acknowledges and agrees, for the avoidance of doubt, that:

6.1.1 each of the Security Documents to which it is a party, and its obligations thereunder, shall remain in full force and effect notwithstanding the amendments made to the Principal Agreement by this Agreement and the waiver and other amendments agreed by the Bank in this Agreement; and

6.1.2 with effect from the Effective Date, references to "the Agreement" or "the Loan Agreement" in any of the other Security Documents to which it is a party shall henceforth be references to the Principal Agreement as amended by this Agreement and as from time to time hereafter amended.

7 Expenses

7.1 Expenses

The Relevant Parties jointly and severally agree to pay to the Bank on a full indemnity basis on demand all expenses (including legal and out-of-pocket expenses) incurred by the Bank:

7.1.1 in connection with the negotiation, preparation, execution and, where relevant, registration of the Relevant Documents and of any amendment or extension of, or the granting of any waiver or consent under, the Relevant Documents; and

7.1.2 in contemplation of, or otherwise in connection with, the enforcement of, or preservation of any rights under the Relevant Documents or otherwise in respect of the monies owing and obligations incurred under the Relevant Documents,

together with interest at the rate referred to in clause 3.4 of the Principal Agreement from the date on which such expenses were incurred to the date of payment (as well after as before judgement).

7.2 Value Added Tax

All expenses payable pursuant to this clause 7 shall be paid together with value added tax or any similar tax (if any) properly chargeable thereon.

7.3 Stamp and other duties

The Relevant Parties jointly and severally agree to pay to the Bank on demand all stamp, documentary, registration or other like duties or taxes (including any duties or taxes payable by the Bank) imposed on or in connection with this Agreement and shall indemnify the Bank against any liability arising by reason of any delay or omission by the Borrower to pay such duties or taxes.

8 Miscellaneous and notices

8.1 Notices

Every notice, request, demand or other communication under this Agreement shall:

8.1.1 be in writing, delivered personally or by first-class prepaid letter (airmail if available) or telefax or other means of telecommunication in permanent written form;

8.1.2 be deemed to have been received, subject as otherwise provided in the relevant Security Document, in the case of a letter, when delivered personally or three (3) days after it has been put into the post and, in the case of a facsimile transmission or other means of telecommunication in permanent written form, at the time of despatch (provided that if the date of despatch is not a business day in the country of the addressee or, if the time of despatch is after the close of business in the country of the addressee, it shall be deemed to have been received at the opening of business on the next such business day); and

8.1.3 be sent:

(a) if to the Relevant Parties or any of them:

c/o DryShips Inc. (Athens office)
Omega Building
80 Kifissias Avenue
151 25 Maroussi
Greece

Fax no: +302108090275
Attention: Mr Ziad Nakhleh

(b) if to the Bank at:

EFG Eurobank Ergasias S.A.
83 Akti Miaouli & Flessa Street
185 38 Piraeus
Greece

Fax No: +302104587877
Attention: The Shipping Manager

8.2 Counterparts

This Agreement may be executed in any number of counterparts and by the different parties on separate counterparts, each of which when so executed and delivered shall be an original but all counterparts shall together constitute one and the same instrument.

9 Applicable law

9.1 Law

This Agreement (and any non-contractual obligation connected with it) is governed by, and shall be construed in accordance with, English law.

9.2 Submission to jurisdiction

Each of the Relevant Parties agrees, for the benefit of the Bank, that any legal action or proceedings arising out of or in connection with this Agreement (or any non-contractual obligation connected with it) against any of their assets may be brought in the English courts. Each of the Relevant Parties irrevocably and unconditionally submits to the jurisdiction of such courts and irrevocably designates, appoints end empowers Ince & Co. at present of International House, 1 St. Katharine's Way, London E1W 1AY, England to receive for it and on its behalf, service of process issued out of the English courts in any such legal action or proceedings. The submission to such jurisdiction shall not (and shall not be construed so as to) limit the right of the Bank to take proceedings against any of the Relevant Parties in the courts of any other competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not. Each of the Relevant Parties further agrees that only the courts of England and not those of any other state shall have jurisdiction to determine any claim which any of the Relevant Parties may have against the Bank arising out of or in connection with this Agreement (or any non-contractual obligation connected with it).

9.3 Contracts (Rights of Third Parties) Act 1999

No term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

IN WITNESS whereof the parties to this Agreement have caused this Agreement to be duly executed as a deed on the date first above written.

Schedule 1
Documents and evidence required as conditions precedent

(referred to in clause 5.1)

1 Corporate authorisations

In relation to each of the Relevant Parties:

(a) Constitutional documents

copies certified by an officer of each of the Relevant Parties, as a true, complete and up to date copies, of all documents which contain or establish or relate to the constitution of that party or a secretary's certificate confirming that there have been no changes or amendments to the constitutional documents certified copies of which were previously delivered to the Bank pursuant to the Principal Agreement;

(b) Resolutions

copies of resolutions of each of its board of directors and, if required following advice by the Bank's counsel, the shareholders of each of the Relevant Parties other than the Corporate Guarantor approving this Agreement and the other Relevant Documents and the terms and conditions hereof and hereof and authorising the signature, delivery and performance of each such party's obligations thereunder, certified (in a certificate dated no earlier than five (5) Banking Days prior to the date of this Agreement) by an officer of such Relevant Party as:

(1) being true and correct;

(2) being duly passed at meetings of the directors of such Relevant Party and, as the case may be, of the shareholders of such Relevant Party each duly convened and held;

(3) not having been amended, modified or revoked; and

(4) being in full force and effect,

together with originals or certified copies of any powers of attorney issued by any party pursuant to such resolutions; and

(c) Certificate of incumbency

a list of directors and officers of each Relevant Party specifying the names and positions of such persons, certified (in a certificate dated no earlier than five (5) Banking Days prior to the date of this Agreement) by an officer of such Relevant Party to be true, complete and up to date;

2 Consents

a certificate (dated no earlier than five (5) Banking Days prior to the date of this Agreement) from an officer of each of the Relevant Parties stating that no consents, authorisations, licences or approvals are necessary for such Relevant Party to authorise, or are required by each of the Relevant Parties or any other party (other than the Bank) in connection with, the execution, delivery, and performance of this Agreement and the other Relevant Documents to which such Relevant Party is or is to be a party;

3 Deed of Covenant Amendment and Mortgage Amendment

the Deed of Covenant Amendment duly executed and the Mortgage Amendment duly executed and registered with the Registry;

4 Legal opinions

such legal opinions in relation to the laws of the Republic of the Marshall Islands, the Republic of Liberia, Malta and any other legal opinions as the Bank shall in its absolute discretion require; and

5 Process agent

a letter from each Relevant Party's agent for receipt of service of proceedings accepting its appointment under this Agreement and the other Relevant Documents to which such Relevant Party is or is to be a party as such Relevant Party's process agent.

EXECUTED as a **DEED**	)	
by E. PAPAPONTIKOU	)	
for and on behalf of	)	/s/ E. PAPAPONTIKOU
IASON OWNING COMPANY LIMITED	)	Attorney-in-fact
as Borrower	)	
in the presence of:	)	

/s/ MARIA GKATZI
Witness
Name: MARIA GKATZI
Address: Solicitor
Occupation: Norton Rose LLP

EXECUTED as a **DEED**	)	
by E. PAPAPONTIKOU	)	
for and on behalf of	)	/s/ E. PAPAPONTIKOU
CARDIFF MARINE INC.	)	Attorney-in-fact
as Manager	)	
in the presence of:	)	

/s/ MARIA GKATZI
Witness
Name: MARIA GKATZI
Address: Solicitor
Occupation: Norton Rose LLP

EXECUTED as a **DEED**	)	
by E. PAPAPONTIKOU	)	
for and on behalf of	)	/s/ E. PAPAPONTIKOU
DRYSHIPS INC.	)	Attorney-in-fact
as Corporate Guarantor	)	
in the presence of:	)	

/s/ MARIA GKATZI
Witness
Name: MARIA GKATZI
Address: Solicitor
Occupation: Norton Rose LLP

EXECUTED as a **DEED**	)	
by S. Hydreou & M. Tzoutzourakis	)	/s/ S. Hydreou
for and on behalf of	)	Authorised Signatory
EFG EUROBANK ERGASIAS S.A.	)	
as Bank	)	/s/ M. Tzoutzourakis
in the presence of:	)	Authorised Signatory

/s/ Angela Makris
Witness
Name: Angela Makris
Address: Norton Rose LLP
Occupation: Piraeus

Exhibit 4.35

DnB NOR

To: Team-Up Owning Company Limited
Trust Company Complex
Ajeltake Road
Ajeltake Island
Majuro
Marshall Islands MH96960

Orpheus Owning Company Limited
Trust Company Complex
Ajeltake Road
Ajeltake Island
Majuro
Marshall Islands MH96960

and

DryShips Inc.
Trust Company Complex
Ajeltake Road
Ajeltake Island
Majuro
Marshall Islands MH96960

19 May 2009

Dear Sirs

US$101,50,000 loan facility to Team-Up Owning Company Limited and Orpheus Owning Company Limited

We refer to the facility agreement dated 4 December 2007 in connection with the above facility (the "**Facility Agreement**"). Words and expressions defined therein shall, unless the context otherwise requires or unless otherwise defined herein, have the same meanings when used in this letter.

Following our discussions arid subject to documentation satisfactory in all respects to ourselves and our legal counsel, we confirm our agreement to the following arrangements in connection with the Facility Agreement and the Security Documents:

1 the, Banks will waive the application of clause 5.3 of the Corporate Guarantee for the period of twenty four (24) months commencing on the date of this letter (the "**Waiver Period**");

2 the Banks will waive the application of clause 8,2.1 of the Facility Agreement for the Waiver Period:

3 the Borrowers shall not declare or pay any dividend to the Corporate Guarantor at any time until payment of all moneys payable under the Security Documents, to the effect that any surplus Earnings (as such term is defined in the relevant Ship Security Documents) will remain in the relevant Operating Account for each Ship;

4 a quarterly excess earnings recapture mechanism will be incorporated in the Facility Agreement providing that funds in excess of US$3,500,000 per Operating Account standing to the credit of each Operating Account for the relevant Ship as at the end of each quarter shall be applied quarterly in prepayment of the Loan. Such prepayment shall reduce pro rata all quarterly repayment instalments under clause 4.1 of the Facility Agreement falling due on or after 23 July 2012;

5 the Margin will be increased to two point five zero per cent (2.50%) per annum at all times during the period commencing on 19 May 2009 and terminating upon payment of all moneys payable under the Security Documents, but to be reduced to two per cent (2%) per annum for as long as the Security Value exceeds 125% of the aggregate of (a) the Loan and (b) the Swap Exposure;

6 the Corporate Guarantor shall not pay any cash dividends to shareholders during the Waiver Period; and

7 the existing charters to COSCO Qingdao (*Avoca*) and COSCO Tianjin (*Saldanha*) shall remain in full force and effect at all times. Within thirty (30) days from cancellation either of such charters, the Waiver Period shall terminate and the application of clause 5.3 of the Corporate Guarantee and clause 8.2. I of the Facility Agreement shall revive with immediate effect except if, within such thirty (30) day period the Borrowers have presented to the Agent an alternative remedial plan acceptable in all respects to the Agent in its absolute discretion to rectify and maintain compliance with such clauses at all times.

This letter and any non contractual obligations in connection with this letter shall be governed by, and construed in accordance with, English law.

The terms of this letter shall not take effect unless and until the Agent is provided with full documentation (including without limitation, a supplemental agreement to the Facility Agreement and any security documents required thereunder) on terms and conditions acceptable to the Banks in all respect and in form acceptable to the Agent in its sole discretion.

/s/ ILLEGIBLE

Signed by:
for and on behalf of
DNB NOR BANK ASA
as Agent

We agree to the above.

Signed by:
for and on behalf of
TEAM-UP OWNING COMPANY LIMITED

Dated: [•] May 2009

Signed by:
for and on behalf of
ORPHEUS OWNING COMPANY LIMITED

Dated: [•] May 2009

Acknowledged by:

for and on behalf of
DRYSHIPS INC.
Dated: [•] May 2009

Exhibit 4.47

Private & Confidential

PIRAEUS BANK

To: Dryships Inc.

c/o Cardiff Marine Inc.
Omega Building
80 Kifissias Ave.
Marousi 151 25

Attn: Messrs G. Economou, A. Ioannides,

15 April 2009

Dear Sirs,

We are pleased to provide you with amendments to the Loan Agreement dated 13 March 2008, as amended on 12/12/2008, between Piraeus Bank A.E (the "Lender") and Annapolis Shipping Company Limited, Atlas Owning Company Limited, Farat Shipping Company Limited and Lansat Shipping Company Limited (the "Loan Agreement") relating to a term loan facility up to US$ 130,000,000 (the "Facility"). Save to the extent of amendments required to give efficacy to this letter, all other terms of the Loan Agreement remain Intact. If these amendments are acceptable to you, kindly revert to us by 29 April 2009 so that we may proceed with the preparation of the relevant documentation.

BORROWERS (JOINT AND SEVERAL) :	Annapolis Shipping Company Limited, Farat Shipping Company Limited and Lansat Shipping Company Limited.
CORPORATE GUARANTORS:	Dryships Inc. and Lotis Traders Inc., owner of M/V Delray
COLLATERAL VESSELS:	• M/V Delray (ex-Lanikai ex-Lacerta), a 71,860 dwt, bulk carrier built in 1994 ("M/V Delray"); • M/VToro, a 73,034 dwt, bulk carrier built in 1995 ("M/V Toro").
ADDITIONAL COLLATERAL VESSELS:	• M/V Samatan, a 74,500 dwt, built in 2001, bulk carrier ("M/V Samatan"); • M/V Pachino (ex-VOC Galaxy), a 51,200 dwt, built in 2002, bulk carrier ("M/V Pachino").
ADDITIONAL CORPORATE GUARANTORS:	Boone Star Owners Inc. owners of M/V Samatan and Iokasti Owning Company Limited owners of M/V Pachino
FACILITY AMOUNT:	Initial Facility Amount: US$ 130,000,000. Current principal outstanding: US$ 52,972,600 (Fifty two million nine hundred and seventy two thousand six hundred United States dollars).

INTEREST PERIODS:	3, 6 or 9 month interest periods at Borrowers' option, or such other period as may be requested by the Borrowers and accepted by the Lender at its sole discretion (subject to availability).
INTEREST RATE:	The interest rate on the Facility will be based on the London Interbank Offered Rate for US Dollar deposits ("LIBOR") plus the Applicable Margin. LIBOR will be calculated by reference to the rate appearing on Reuters Screen page BBA Libor. In the event that the LIBOR does not represent the Lender's Cost of funding, then the LIBOR will be substituted by the rate equal to the arithmetic mean of the rates offered for the relevant Interest Period in the London Interbank Market for deposits in Dollars on the day of commencement of the relevant Interest Period as same appear in REUTERS screen at the corresponding electronic pages of: KLIEMM (Carl Kliem GmgH), USDDEPO=ICAP (Icap Plc) and USDDEPO=TTKL (Tullett Prebon Plc) as per Piraeus Bank A.E standard "Market disruption & Non- availability" clause. Interest will be calculated on the basis of the actual number of days elapsed in a 360 day year. Interest shall be payable in arrears on the last day of each interest period, but in the event that a period in excess of 3 months is selected then interest will be payable every 3 months.
WAIVER PERIOD:	From 31/12/2008 until 31/3/2011 /s/ George Economou
APPLICABLE MARGIN:	2% p.a. from 1/4/2009 and during the Waiver Period. Thereafter Applicable Margin to be reduced to: 1.5% p.a. for the period until the final maturity of the Facility, provided that Minimum Asset Cover Requirement is fully met and there is no event of default.
MANDATORY PREPAYMENT:	For the duration of the Waiver Period, in the event of a sale of any of the Collateral Vessels or any receipt of insurance proceeds from the total loss of any of the Collateral Vessels, upon the sale or loss of any of the Collateral Vessels the entire sale or insurance proceeds to be applied towards the then outstanding Facility Amount. Prepayments to be applied against the total outstanding of the Facility Amount on a pro-rata basis.
SECURITY:	Additional security to include: • Second priority mortgages on each of the Additional Collateral Vessels; • Second priority assignment of all earnings and insurances of the Additional Collateral Vessels;

- Corporate Guarantees of each of the Additional Corporate Guarantors;
- For the duration of the Waiver Period, pledge over a deposit account in the name of the Borrower (s) or the Corporate Guarantor(s), held with the Lender, of a minimum amount equal to the next 4 quarterly principal instalments.

MINIMUM REQUIRED SECURITY COVER:	Subject to no event of default, Minimum Required Security Cover to be waived during the Waiver Period.
FINANCIAL COVENANTS OF THE CORPORATE GUARANTOR:	Subject to no event of default, Financial Covenants of Dryships Inc. (Corporate Guarantor) to be waived during the Waiver Period.
ADDITIONAL COVENANTS:	No Cash Dividends for the Borrowers and the Corporate Guarantors without the prior written consent of the Lender for the period from 31/12/2008 until 31/12/2009.

Please sign and return a copy of this letter to signify your acceptance latest by 29th April 2009. In the event that we do not receive your acceptance by such date, this offer shall be automatically cancelled and considered null and void.

For and on behalf of
Piraeus Bank A.E.

/s/ Serafeim Kriempardis	/s/ Jason Dallas
Serafeim Kriempardis	Jason Dallas
Head of Shipping	Relationship Manager

We acknowledge receipt of your offer letter dated 15 April 2009 and confirm that the terms and conditions contained are accepted by ourselves and that you may proceed, at our cost, to the preparation of all necessary documentation.

For and on behalf of the Borrowers:

/s/ George Economou

For Annapolis Shipping Company Limited

Name: George Economou

Date: 21/4/2009

/s/ George Economou

For Farat Shipping Company Limited

Name: George Economou

Date: 21/4/2009

/s/ George Economou

For Lansat Shipping Company Limited

Name: George Economou

Date: 21/4/2009

The Corporate Guarantor and Additional Corporate Guarantors:

/s/ George Economou

For Dryships Inc.

Name: George Economou

Date: 21/4/2009

/s/ George Economou

For Lotis Traders Inc.

Name: George Economou

Date: 21/4/2009

/s/ George Economou

For Boone Star Owners Inc.

Name: George Economou

Date: 21/4/2009

/s/ George Economou

For Iokasti Owning Company Limited

Name: George Economou

Date: 21/4/2009

Exhibit 4.49

Private & Confidential

To: Dryships Inc.

c/o Cardiff Marine Inc.
Omega Building
80 Kifissias Ave.
Marousi 151 25

Attn: Messrs G. Economou, A. loannidis,

27 November 2009

Dear Sirs,

We are pleased to provide you with your requested amendments to the loan agreement dated 13 March 2008, as amended on 12 December 2008 and 30 July 2009, between Piraeus Bank A.E (the "**Lender**") and Annapolis Shipping Company Limited, Farat Shipping Company Limited and Lansat Shipping Company Limited (the "**Loan Agreement**") relating to a term loan facility up to US$ 130,000,000 (the "**Loan**"). Save to the extent of amendments required to give efficacy to this letter, all other terms of the Loan Agreement shall remain intact. If these amendments are acceptable to you, kindly revert to us by 9th of December 2009 so that we may proceed with the preparation of the relevant documentation.

BORROWERS (JOINT AND SEVERAL):	Annapolis Shipping Company Limited, Farat Shipping Company Limited and Lansat Shipping Company Limited.
NEW / ADDITIONAL BORROWERS (JOINT & SEVERAL):	• A new ship-owning company incorporated in a jurisdiction acceptable to the Lender, 100% subsidiary of Dryships Inc. and sole owner of the New Collateral Vessel A and • A new ship-owning company incorporated in a jurisdiction acceptable to the Lender, 100% subsidiary of Dryships Inc. and sole owner of the New Collateral Vessel B.
CORPORATE GUARANTORS:	Dryships Inc. and Lotis Traders Inc., owner of M/V Delray (Following the successful replacement of the Existing Collateral Vessels by the New Collateral Vessels, Lotis Traders Inc. will be released from being a Guarantor)
EXISTING COLLATERAL VESSELS:	• M/V Delray (ex-Lanikai ex-Lacerta), a 71,860 dwt, bulk carrier built in 1994 ("M/V Delray"); and • M/V Toro, a 73,034 dwt, bulk carrier built in 1995 ("M/V Toro").

NEW COLLATERAL VESSELS:	• A "Panamax" type bulk carrier vessel of above 70,000 dwt built after 1/1/2000 ("New Collateral Vessel A"); and • A "Panamax" type bulk carrier vessel of above 70,000 dwt built after 1/1/2000 ("New Collateral Vessel B").
ADDITIONAL COLLATERAL VESSELS:	• M/V Samatan, a 74,500 dwt, built in 2001, bulk carrier ("M/V Samatan"); and • M/V Pachino (ex-VOC Galaxy), a 51,200 dwt, built in 2002, bulk carrier ("M/V Pachino").
ADDITIONAL CORPORATE GUARANTORS:	Boone Star Owners Inc. owners of M/V Samatan and lokasti Owning Company Limited owners of M/V Pachino
LOAN AMOUNT:	Original Loan amount: US$ 130,000,000. Current principal outstanding: US$ 50,298,280 (Fifty million two hundred and ninety eight thousand two hundred and eighty United States dollars).
SUBSTITUTION PERIOD:	A six month period commencing the earlier of: (i) 31 March 2010 and (ii) the date on which an Existing Collateral Vessel is sold, during which the Existing Collateral Vessels may be substituted by the New Collateral Vessels.
APPLICABLE MARGIN:	Directly after the Waiver Period the Applicable Margin to be reduced to: (i) 1.75% p.a for a period of 12 months and (ii) thereafter to 1.5% p.a. for the remaining tenor of the Loan until the final maturity of the Loan, provided that in each of the above cases (i) and (ii) the Borrowers' minimum asset cover requirements are fully met and there is no event of default.
MANDATORY PREPAYMENT:	During the Substitution Period in the event of a sale of any of the Existing Collateral Vessels the entire net sale proceeds to be placed, as security, in a pledged account opened in the name of the Borrowers with the Lender.
ADDITIONAL SECURITY DURING THE SUBSTITUTION PERIOD:	For the duration of the Substitution Period, upon the sale of each of the Existing Collateral Vessels, the entire net sale proceeds will be held in pledged accounts opened in the name of the Borrowers with the Lender as additional security for the Loan until the date on which a cross-collateralized first priority mortgage and first priority assignment of all insurances and earnings on the applicable New Collateral Vessel are executed and registered in favor of the Lender, in form and substance satisfactory to the Lender. If within 6 months from a sale of an Existing Collateral Vessel no mortgage is registered on a New Collateral Vessel, the pledged cash deposit for that Existing Collateral Vessel will be applied in prepayment of the Loan. The aggregate of the net sale proceeds of both Existing Collateral Vessels (to be pledged) shall be not less than US$ 35 million.

In the event that there continues to be an amount outstanding under the Loan if the sale proceeds for both Existing Collateral Vessels sold are applied towards the Loan outstanding then such outstanding amount will become due and payable and the Loan will have to be repaid in full (including any obligations under the Loans' Master Agreement) at the end of the Substitution Period.

The pledged sale proceeds in respect of an Existing Collateral Vessel may be placed on time deposit under the Lender's standard terms however the interest rate which will apply to the sales proceeds will be 0.5% lower than the then current interest rate in respect of the Loan.

REARRANGEMENT FEE: A re-arrangement fee equal to US$ 80,000 flat, will be payable upon registration of the mortgage over the New Collateral Vessel to be acquired first.

Finally, regarding the Loan Agreement dated 5 October 2007 between Piraeus Bank A.E and Boone Star Owners Inc. and lokasti Owning Company Limited, as amended relating to a term loan facility up to US$ 90,000,000, Dryships Inc. to guarantee and procure that the second preferred mortgages and second priority assignments of all earnings and insurances of the Existing Collateral Vessels to be replaced by second preferred mortgages and second priority assignments of all earnings and insurances of the New Collateral Vessels upon the respective acquisition of such.

Please sign and return a copy of this letter to signify your acceptance latest by 9th of December 2009. In the event that we do not receive your acceptance by such date, this offer shall be automatically cancelled and considered null and void.

For and on behalf of
Piraeus Bank A.E.

/s/ Maria Youryi	/s/ Jason Dallas
Maria Youryi	Jason Dallas
Head of Shipping	Relationship Manager

We acknowledge receipt of your offer letter dated 27th November 2009 and confirm that the terms and conditions contained are accepted by ourselves and that you may proceed, at our cost, to the preparation of all necessary documentation.

For and on behalf of the Borrowers:

/s/ Eugenia Papapontikou
For and on behalf of Annapolis Shipping Company Limited

Name: EUGENIA PAPAPONTIKOU

Date: 1/12/09

/s/ Eugenia Papapontikou
For and on behalf of Farat Shipping Company Limited

Name: EUGENIA PAPAPONTIKOU

Date: 1/12/09

/s/ Eugenia Papapontikou
For and on behalf of Lansat Shipping Company Limited.

Name: EUGENIA PAPAPONTIKOU

Date: 1/12/09

The Corporate Guarantors and Additional Corporate Guarantors:

/s/ Eugenia Papapontikou
For and on behalf of Dryships Inc.

Name: EUGENIA PAPAPONTIKOU

Date: 1/12/09

/s/ Eugenia Papapontikou
For and on behalf of Lotis Traders Inc.

Name: EUGENIA PAPAPONTIKOU

Date: 1/12/09

/s/ Eugenia Papapontikou
For and on behalf Boone Star Owners Inc.

Name: EUGENIA PAPAPONTIKOU

Date: 1/12/09

/s/ Eugenia Papapontikou
For and on behalf of lokasti Owning Company Limited

Name: EUGENIA PAPAPONTIKOU

Date: 1/12/09

Exhibit 4.50

Dated 25 January 2010

ANNAPOLIS SHIPPING COMPANY LIMITED
FARAT SHIPPING COMPANY LIMITED and
LANSAT SHIPPING COMPANY LIMITED
as joint and several Borrowers

- and -

LOTIS TRADERS INC.
as Guarantor

- and -

PIRAEUS BANK A.E.
as Lender

AMENDING AND RESTATING AGREEMENT

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relating to a loan facility of (originally) up to US$130,000,000
of which the current outstandings aggregate US$48,961,120

Watson, Farley & Williams
Piraeus

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THIS AGREEMENT is made on 25 January 2010

BETWEEN

(1) **ANNAPOLIS SHIPPING COMPANY LIMITED, FARAT SHIPPING COMPANY LIMITED** and **LANSAT SHIPPING COMPANY LIMITED,** each a company incorporated and existing in Malta whose registered office is at 5/2, Merchants Street, Valletta, Malta (together the **"Borrowers"** and each a **"Borrower");**

(2) **LOTIS TRADERS INC.,** a corporation incorporated and existing in the Marshall Islands whose registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH96960, Marshall Islands (**"Guarantor"**); and

(3) **PIRAEUS BANK A.E.,** acting through its branch at 47-49 Akti Miaouli, 185 36 Piraeus, Greece (as "**Lender**").

BACKGROUND

(A) By a loan agreement dated 13 March 2008 (as amended and supplemented by a first supplemental agreement dated 12 December 2008 and a second supplemental agreement dated 30 July 2009, the **"Loan Agreement")** made between (i) the Borrowers as joint and several borrowers and (ii) the Lender as lender, the Lender made available to the Borrower a loan facility of (originally) up to $130,000,000 of which the current outstandings aggregate $48,961,120.

(B) The Borrowers have requested that the Lender agrees (inter alia) to the sale of m.vs. "TORO" **("TORO")** and "DELRAY" **("DELRAY"** and, together with "TORO", the **"Original Ships"** and each an **"Original Ship"**) and their substitution with two Panamax bulk carriers (together, the **"Collateral Ships"** and each a **"Collateral Ship")** each of at least 70,000 metric tons deadweight and constructed no earlier than 1 January 2000.

(C) This Agreement sets out the terms and conditions on which the Lender agrees to the sale of the Original Ships and their substitution with the Collateral Ships and to the consequential amendments to the Loan Agreement and the Finance Documents in connection with those matters.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Defined expressions. Words and expressions defined in the Loan Agreement and the Amended and Restated Loan Agreement shall have the same meanings when used in this Agreement unless the context otherwise requires.

1.2 Definitions. In this Agreement, unless the contrary intention appears:

"Account Pledge" means the deed of pledge in respect of the Sale Proceeds Account to be executed by Borrowers and the Guarantor in favour of the Lender in such form as the Lender may approve or require;

"Amended and Restated Loan Agreement" means the Loan Agreement as amended and restated by this Agreement in the form set out in Appendix 1;

"Sale Proceeds Account" means, in respect of each Original Ship, an account in the joint names of the Borrowers and the Guarantor with the Lender in Piraeus designated "Annapolis Shipping Company Limited et al – Sale Proceeds Account", or any other account (with that or another office of the Lender) which is designated by the Lender as a Sale Proceeds Account for the purposes of this Agreement and, in the plural, means both of them;

"Effective Date" means the date on which the Lender notifies the Borrowers that the conditions precedent in Clause 3 have been fulfilled;

"Loan Agreement" means the loan agreement as referred to in Recital (A);

"Mortgage Addendum" means:

(a) in relation to each Original Ship, the second amendment to the Mortgage on that Original Ship, executed or to be executed by in the case of "TORO", Farat; and

(b) in relation to each Additional Ship, the first amendment to the Additional Mortgage on that Ship, executed or to be executed by the relevant Additional Owner,

in favour of the Lender in such form as the Lender may approve or require and, in the plural, means all of them;

"New Finance Documents" means:

(a) this Agreement;

(b) the Account Pledge;

(c) the Amended and Restated Loan Agreement; and

(d) the Mortgage Addenda,

and, in the singular, means any of them.

1.3 Application of construction and interpretation provisions of Loan Agreement. Clauses 1.1 and 1.5 of the Loan Agreement and the Amended and Restated Loan Agreement apply, with any necessary modifications, to this Agreement.

2 AGREEMENT OF ALL PARTIES TO THE AMENDMENT OF THE LOAN AGREEMENT AND FINANCE DOCUMENTS

2.1 Agreement of the parties to this Agreement. The parties to this Agreement agree, subject to and upon the terms and conditions of this Agreement, to the amendment of the Loan Agreement and the Finance Documents to be made pursuant to Clauses 5.1 and 5.2. The agreement of the parties to this Agreement contained in Clause 2.1 shall have effect on and from the Effective Date.

3 CONDITIONS PRECEDENT

3.1 General. The agreement of the parties to this Agreement contained in Clause 2.1 is subject to the fulfilment of the conditions precedent in Clause 3.2.

3.2 Conditions precedent. The conditions referred to in Clause 2.1 are that the Lender shall have received the documents and evidence referred to in Schedule 1 in all respects in form and substance satisfactory to the Lender and its lawyers on or before the date of this Agreement or such later date as the Lender may agree with the Borrowers.

4 REPRESENTATIONS AND WARRANTIES

4.1 Repetition of Loan Agreement representations and warranties. The Borrowers represent and warrant to the Lender that the representations and warranties in clause 9 of the Loan Agreement, as amended and restated by this Agreement and updated with appropriate modifications to refer to this Agreement and, where appropriate, each other Finance Document which is being amended by this Agreement, remain true and not misleading if repeated on the date of this Agreement with reference to the circumstances now existing.

5 AMENDMENT OF LOAN AGREEMENT

5.1 Amendments to Loan Agreement.

(a) With effect on and from the Effective Date the Loan Agreement shall be, and shall be deemed by this Agreement to be, amended and restated in the form of the Amended and Restated Loan Agreement; and

(b) as so amended and restated pursuant to (a) above, the Loan Agreement shall continue to be binding on each of the parties to it in accordance with its terms as so amended and restated.

5.2 Amendments to Finance Documents. With effect on and from the Effective Date each of the Finance Documents (other than the Loan Agreement), shall be, and shall be deemed by this Agreement to be, amended as follows:

(a) the definition of, and references throughout each of the Finance Documents to, the Loan Agreement and any of the other Finance Documents shall be construed as if the same referred to the Loan Agreement and those Finance Documents as amended and restated or supplemented by this Agreement; and

(b) by construing references throughout each of the Finance Documents to "this Agreement", "this Deed", "hereunder" and other like expressions as if the same referred to such Finance Documents as amended and supplemented by this Agreement.

5.3 The Finance Documents to remain in full force and effect. The Finance Documents shall remain in full force and effect, as amended by:

(a) the amendments contained or referred to in Clause 5.2; and

(b) such further or consequential modifications as may be necessary to give full effect to the terms of this Agreement.

6 FURTHER ASSURANCES

6.1 Borrowers' obligations to execute further documents etc. The Borrowers shall:

(a) execute and deliver to the Lender (or as it may direct) any assignment, mortgage, power of attorney, proxy or other document, governed by the law of England or such other country as the Lender may, in any particular case, specify; and

(b) effect any registration or notarisation, give any notice or take any other step,

which the Lender may, by notice to the Borrowers, specify for any of the purposes described in Clause 6.2 or for any similar or related purpose.

6.2 **Purposes of further assurances.** Those purposes are:

(a) validly and effectively to create any Security Interest or right of any kind which the Lender intended should be created by or pursuant to the Loan Agreement or any other Finance Document, each as amended and restated or supplemented by this Agreement; and

(b) implementing the terms and provisions of this Agreement.

6.3 **Terms of further assurances.** The Lender may specify the terms of any document to be executed by the Borrowers (or any of them) under Clause 6.1, and those terms may include any covenants, powers and provisions which the Lender considers appropriate to protect its interests.

6.4 **Obligation to comply with notice.** The Borrowers shall comply with a notice under Clause 6.1 by the date specified in the notice.

7 FEES AND EXPENSES

7.1 **Reimbursement of expenses.** The Borrowers shall reimburse to the Lender on demand all costs, fees and expenses (including, but not limited to, legal fees and expenses) and taxes thereon incurred by the Lender in connection with the negotiation, preparation and execution of each of the New Finance Documents.

7.2 **Re-arrangement fee.** The Borrowers shall pay to the Lender on the date on which the first Collateral Mortgage is registered in accordance with clause 11.4(b) of the Amended and Restated Agreement a non-refundable re-arrangement fee of $80,000.

8 NOTICES

8.1 **General.** The provisions of clause 27 (Notices) of the Loan Agreement, as amended and restated by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

9 SUPPLEMENTAL

9.1 **Counterparts.** This Agreement may be executed in any number of counterparts.

9.2 **Third party rights.** No person who is not a party to this Agreement has any right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

10 LAW AND JURISDICTION

10.1 **Governing law.** This Agreement shall be governed by and construed in accordance with English law.

10.2 **Incorporation of the Loan Agreement provisions.** The provisions of clause 30 (Law and Jurisdiction) of the Loan Agreement, as amended and restated by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

THIS AGREEMENT has been duly executed as a Deed on the date stated at the beginning of this Agreement.

SCHEDULE 1

CONDITIONS PRECEDENT DOCUMENTS

The following are the documents referred to in Clause 3.2:

1 A duly executed original of each New Finance Document duly executed by the parties to it.

2 In relation to each Borrower and each Additional Owner documents of the kind specified in paragraphs 2, 3, 4 and 5 of Schedule 2, Part A of the Loan Agreement (as amended and restated by this Agreement) with appropriate modifications to refer to this Agreement and the Amended and Restated Loan Agreement insofar as each is a party or, as the case may be, acknowledging the contents thereto.

3 In relation to Farat and each Additional Owner, documents of the kind specified in paragraphs 2, 3, 4 and 5 of Schedule 2, Part A of the Loan Agreement (as amended and restated by this Agreement) with appropriate modifications to refer to the relevant Mortgage Addendum insofar as each is a party thereto.

4 evidence that the Sale Proceeds Account has been opened with the Lender and all mandate forms, documentation required by the Lender pursuant to the Lender's "know your customer" requirements have been received;

5 a duly executed original of the Account Pledge;

6 each Mortgage Addendum (and each document to be delivered pursuant to each of them) has been duly executed by the relevant Owner together with evidence that each Mortgage Addendum has been duly registered as a first or, as the case may be, second amendment to the Mortgage to which it relates in accordance with the laws of Malta;

7 Any further opinions, consents, agreements and documents in connection with this Agreement and the Finance Documents which the Lender may request by notice to the Borrowers prior to the Effective Date.

Every copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the Borrowers or the lawyers of the Borrowers.

EXECUTION PAGE

BORROWERS

SIGNED by)
EUGENIA PAPAPONTIKOU) /s/ Eugenia Papapontikou
for and on behalf of)
ANNAPOLIS SHIPPING COMPANY LIMITED)
in the presence of:)

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

SIGNED by)
EUGENIA PAPAPONTIKOU) /s/ Eugenia Papapontikou
for and on behalf of)
FARAT SHIPPING COMPANY LIMITED)
in the presence of:)

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

SIGNED by)
EUGENIA PAPAPONTIKOU) /s/ Eugenia Papapontikou
for and on behalf of)
LANSAT SHIPPING COMPANY LIMITED)
in the presence of:)

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

GUARANTOR

SIGNED by)
EUGENIA PAPAPONTIKOU) /s/ Eugenia Papapontikou
for and on behalf of)
LOTIS TRADERS INC.)
in the presence of:)

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

LENDER

SIGNED by)
JASON DALLAS and KRIKOR JANIKIAN) /s/ Jason Dallas /s/ Krikor Janikian
for and on behalf of)
PIRAEUS BANK A.E.)
in the presence of:)

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

COUNTERSIGNED this 25th day of January 2010 by each of Dryships Inc., Boone Star Owners Inc. and Iokasti Owning Company Limited which, by its execution hereof confirms and acknowledges that it has read and understood the terms and conditions of the above Second Supplemental Agreement, that it agrees in all respects to the same and that the Finance Documents to which each is a party shall remain in full force and effect and shall continue to stand as security for the obligations of the Borrowers under the Loan Agreement and the Guarantor under the New Guarantee.

/s/ Eugenia Papapontikou
EUGENIA PAPAPONTIKOU
for and on behalf of
DRYSHIPS INC.

/s/ Eugenia Papapontikou
EUGENIA PAPAPONTIKOU
for and on behalf of
BOONE STAR OWNERS INC.

/s/ Eugenia Papapontikou
EUGENIA PAPAPONTIKOU
for and on behalf of
IOKASTI OWNING COMPANY LIMITED

Dated 25 January 2010

APPENDIX 1

FORM OF AMENDED AND RESTATED LOAN AGREEMENT MARKED TO INDICATE AMENDMENTS TO THE LOAN AGREEMENT

Amendments are indicated as follows:

1 additions are indicated by underlined text; and

2 deletions are shown by the relevant text being struck out.

Date 13 March 2008
as amended and restated
on January 2010

ANNAPOLIS SHIPPING COMPANY LIMITED
~~ATLAS OWNING COMPANY LIMITED~~
FARAT SHIPPING COMPANY LIMITED and
LANSAT SHIPPING COMPANY LIMITED
as Borrowers

- and -

PIRAEUS BANK A.E.
as Lender

LOAN AGREEMENT

---

relating to a loan facility of (originally) up to
US$130,000,000

WATSON, FARLEY & WILLIAMS
Piraeus

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THIS AGREEMENT is made on 13 March 2008 as amended and restated by an Amending and Restating Agreement (as defined below)

BETWEEN

(1) **ANNAPOLIS SHIPPING COMPANY LIMITED, FARAT SHIPPING COMPANY LIMITED** and **LANSAT SHIPPING COMPANY LIMITED,** each a company incorporated in Malta whose registered office is at 5/2, Merchants Street, Valletta, Malta ~~and **ATLAS OWNING COMPANY LIMITED,** a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960~~ (together the **"Borrowers"** and each a **"Borrower"**); and

(2) **PIRAEUS BANK A.E.,** acting through its branch at 47-49 Akti Miaouli, 185 36 Piraeus, Greece (as **"Lender").**

BACKGROUND

The Lender has agreed to make available to the Borrowers, on a joint and several basis, a loan facility up to US$130,000,000 for the purpose of providing liquidity to the Borrowers and their parent company Dryships Inc., for their general corporate purposes.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Definitions. Subject to Clause 1.5, in this Agreement:

~~**"Accounts"** means:~~ **"Accounts"** means, together, the Earnings Accounts, any Sale Proceeds Account and the Deposit Account and, in the singular, means any of them;

~~(a)in the case of "LACERTA" an earnings account in the name of Annapolis with the Lender designated "Annapolis Shipping Company Limited Earnings Account" ;(b)in the case of "MENORGA", an earnings account in the name of Atlas with the Lender designated "Atlas Owning Company Limited Earnings Account";(c)in the case of ''FARAT'', an earnings account in the name of Farat with the Lender designated "Farat Shipping Company Limited Earnings Account"; and(d)in the case of "LANSAT" an earnings account in the name of Lansat with the Lender designated "Lansat Shipping Company Limited Earnings Account", or, in any case any other account (with that or another office of the Lender or with a bank or financial institution other than the Lender) which is designated by the Lender as the Account for the relevant Ship for the purposes of this Agreement;~~

"Account Pledge" means, in relation to each Account, the deed of pledge in respect of that Account to be executed by the Borrowers, the relevant Borrower or, as the case may be, Owner in favour of the Lender in such form as the Lender may approve or require and in the plural means all of them;

"Accounting Information" means the annual audited consolidated accounts to be provided by the Borrowers to the Lender in accordance with Clause 10.6(a) of this Agreement or the semi-annual unaudited accounts to be provided by the Borrowers to the Lender in accordance with Clause 10.6(b) of this Agreement;

"Additional Charter Assignment" means, in relation to any Approved Charter applicable to an Additional Ship, a second priority specific assignment of that Approved Charter

executed or to be executed by the Additional Owner owning that Additional Ship in favour of the Lender in such form as the Lender may approve or require and, in the plural, means both of them;

"Additional Finance Documents" means, together, the Deposit Account Pledge, the Additional Guarantees, the Additional Mortgages and the Additional Charter Assignments and, in the singular, means any of them;

"Additional Guarantee" means, in relation to each Additional Owner, the guarantee of the obligations of the Borrowers under this Agreement executed or to be executed by that Additional Owner in favour of the Lender in such form as the Lender may approve or require and, in the plural, means both of them;

"Additional Mortgage" means, in relation to each Additional Ship, the second priority Maltese statutory mortgage over that Additional Ship executed or to be executed by the Additional Owner owning that Additional Ship (as amended and supplemented by the Mortgage Addendum relative to that Additional Ship) in favour of the Lender in such form as the Lender may approve or require and, in the plural, means both of them;

"Additional Owner" means each of Boone and lokasti and, in the plural, means both them;

"Additional Ship" means each of "SAMATAN" and "PACHINO" and, in the plural, means both of them;

"Amending and Restating Agreement" means the amending and restating agreement dated January 2010 and made between the Borrowers and the Lender setting out the terms and conditions upon which this Agreement has been amended and restated;

"Annapolis" means Annapolis Shipping Company Limited, a company incorporated in Malta, whose registered office is at 5/2 Merchants Street, Valletta, Malta;

"Approved Charter" means, in relation to a Ship, any time charter party of that Ship to be entered by the relevant Borrower or, as the case may be, Owner and a charterer in all respects acceptable to the Lender, exceeding or which, by virtue of any optional extensions is capable of exceeding, 12 months in duration as the same may be amended or supplemented from time to time in favour and substance in all respects acceptable to the Lender;

"Approved Flag" means, in relation to a Collateral Ship, the Maltese flag or such flag as the Lender may, in sole and absolute discretion, approve as the flag on which that Ship shall be registered;

"Approved Flag State" means, in relation to a Collateral Ship, any country in which the Lender may in its sole and absolute discretion, approve that such Ship be registered;

"Approved Manager" means in relation to each Ship, Cardiff Marine Inc. a corporation incorporated under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia and maintaining a ship management office at Omega Building, 80 Kifissias Avenue, 151 25 Maroussi, Greece or any other company which the Lender may reasonably approve as the commercial, technical and/or operational manager of that Ship;

"Approved Manager's Undertaking" means, in relation to each Ship, a letter of undertaking executed or to be executed by the Approved Manager in favour of the Lender in such form as the Lender may approve or require agreeing certain matters in relation to the management of that Ship and subordinating the rights of the Approved Manager against the Ship and the relevant Borrower or, as the case may be, Owner thereof to the rights of the Lender under the Finance Documents and, in the plural, means any of them;

~~**"Atlas"** means Atlas Owning Company Limited a corporation incorporated under the laws of the Republic of Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960.~~
"Availability Period" means the period commencing on the date of this Agreement and ending on:

(a) 30 April 2008 (or such later date as the Lender may agree with the Borrowers); or

(b) if earlier, the final Drawdown Date or the date on which the Lender's obligation to make the Loan is cancelled or terminated;

"Balloon Instalment" has the meaning given to it in clause 7.1;

"Boone" means Boone Star Owners Inc., a corporation incorporated in the Marshall Islands, whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

"Borrower" means each of Annapolis, Atlas, Farat and Lansat and, in the plural, means all of them;

"Business Day" means a day on which banks are open in London, Athens and Piraeus and, in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

"Charter Assignment" means:

(a) in relation to a Ship (other an Additional Ship), a specific assignment of the rights of the relevant Borrower or, as the case may be, Owner under an Approved Charter relating to that Ship, pursuant to Clause 10.16 and any guarantee of such charter, to be executed by that Borrower or, as the case may be, Owner in favour of the Lender in such form as the Lender may approve or require and, in the plural, means all of them; and

(b) in relation to an Additional Ship, any Additional Charter Assignment relative to that Additional Ship.

and, in the plural, means all of them;

"Collateral Finance Documents" means, together, the Collateral Guarantee and the Collateral Mortgage and, in the singular, means either of them;

"Collateral Guarantee" means the guarantee to be given by the Collateral Owner in such form as the Lender may approve or require;

"Collateral Mortgage" means, in relation to each Collateral Ship, the first preferred or priority ship mortgage on that Ship and, if required pursuant to the laws of the applicable Approved Flag State, a deed of covenant collateral thereto in such form as the Lender may approve or require and, in the plural, means both of them;

"Collateral Owner" means, in respect of each Collateral Ship, a company or as the case may be, a corporation incorporated and existing under the laws of a jurisdiction acceptable to the Lender which is a direct or indirect wholly owned subsidiary of the Corporate Guarantor which will be the registered owner of that Collateral Ship and, in the plural, means all of them;

"Collateral Ship" means a Panamax bulk carrier of at least 70.000 metric tons deadweight constructed no earlier than 1 January 2000 and being in all other respects acceptable to the Lender and, in the plural, means both of them;

"Compliance Date" means 30 June and 31 December in each calendar year (or such other dates as of which the Corporate Guarantor prepares its consolidated financial statements which the Borrowers are required to deliver to the Lender pursuant to Clause 10.6);

"Commitment" means $130,000,000 as that amount may be reduced, cancelled or terminated in accordance with this Agreement;

"Confirmation" and **"Early Termination Date"** in relation to any continuing Transaction, have the meanings given in the Master Agreement;

"Contractual Currency" has the meaning given in Clause 20.4;

"Corporate Guarantee" means a guarantee executed or to be executed by the Corporate Guarantor in favour of the Lender in such form as the Lender may approve or require;

"Corporate Guarantor" means Dryships Inc., a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960;

"Deed of Covenant" means in relation to a Ship, a deed of covenant collateral to the relevant Mortgage in such form as the Lender may approve or require and, in the plural, means both of them;

"Delivery Date" means, in respect of each Ship (other than an Additional Ship), the date within the Substitution Period on which title to and possession of that Ship is transferred from:

(a) in the case of an Original Ship, its Owner to its buyer; and

(b) in the case of a Collateral Ship, the relevant Seller to the Collateral Owner which is the buyer thereof,

pursuant to the terms of the relevant MQA;

"DELRAY" means the 1994-built bulk carrier vessel of 71.860 metric tons deadweight having IMO Number 9071600 and registered in the ownership of the New Owner under the Maltese flag with the name "DELRAY";

"Deposit Account" means a deposit account either in the joint names of the Borrowers or in the name of the Corporate Guarantor with the Lender in Piraeus designated "[name of account holder] - Deposit Account" or any other account with another office of the Lender which is designated by the Lender as the Deposit Account for the purposes of this Agreement;

"Deposit Account Pledge" means the deed of pledge in respect of Deposit Account to be executed by the Borrowers or, as the case may be, the Corporate Guarantor in favour of the Lender in such form as the Lender may approve or require;

"Dollars" and **"$"** means the lawful currency for the time being of the United States of America;

"Drawdown Date" means the date requested by the Borrowers for the Loan to be advanced or (as the context requires) the date on which the Loan is actually advanced;

"Drawdown Notice" means a notice in the form set out in Schedule 1 (or in any other form which the Lender approves or reasonably requires);

"Earnings" means, in relation to each Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Borrower which is the owner of such Ship and which arise out of the use or operation of such Ship, including (but not limited to):

(a) all freight, hire and passage moneys, compensation payable to the relevant Borrower or, as the case may be, Owner in the event of requisition of its Ship for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of such Ship;

(b) all moneys which are at any time payable under Insurances in respect of loss of earnings; and

(c) if and whenever such Ship is employed on terms whereby any moneys falling within paragraphs (a) or (b) are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to such Ship;

"Earnings Account" means:

(a) in the case of "DELRAY", an earnings account in the name of the New Owner with the Lender in Piraeus designated "Lotis Traders Inc. - Earnings Account";

(b) in the case of "FARAT", an earnings account in the name of Farat with the Lender in Piraeus designated "Farat Shipping Company Limited - Earnings Account''; and

(c) in the case of "LANSAT", an earnings account in the name of Lansat with the Lender in Piraeus designated "Lansat Shipping Company Limited - Earnings Account"

(d) in the case of "PACHINO", an earnings account in the name of Lokasti with the Lender in Piraeus designated "lokasti Shipping Company Limited - Earnings Account;

(e) in the case of "SAMATAN", an earnings account in the name of Boone with the Lender in Piraeus designated "Boone Star Owners Inc. - Earnings Account; and

(f) in the case of each Collateral Ship, an earnings account in the name of the relevant Collateral Owner with the Lender in Piraeus designated "[name of Collateral Owner] - Earnings Account",

or, in any case, any other account (with that or another office of the Lender or with a bank or financial institution other than the Lender) which is designated by the Lender as the Earnings Account for the relevant Ship for the purposes of this Agreement and, in the plural, means all of them;

"Environmental Claim" means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and **"claim"** means a claim for damages, compensation, fines, penalties or any other payment of any kind, whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

"Environmental Incident" means:

(a) any release of Environmentally Sensitive Material from a Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between a Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or a Ship and/or a Borrower and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where a Borrower and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

"Environmental Law" means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

"Environmentally Sensitive Material" means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

"Event of Default" means any of the events or circumstances described in Clause 18.1;

"Farat" means Farat Shipping Company Limited, a company incorporated in Malta, whose registered office is at 5/2 Merchants Street, Valletta, Malta;

"Finance Documents" means:

(a) this Agreement;

(b) the Master Agreement;

(c) the Master Agreement Assignment;

(d) the Corporate Guarantee;

(e) the General Assignments;

(f) the Mortgages;

(g) the Deeds of Covenants;

(h) the ~~Accounts~~ Account Pledges;

(i) the Approved Manager's Undertaking;

(j) any Charter Assignment; and

(k) the New Guarantee;

(l) the Additional Finance Documents;

(m) the Collateral Finance Documents; and

(n) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrowers (or any of them) or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lender under this Agreement or any of the other documents referred to in this definition;

"Financial Indebtedness" means, in relation to a person (the **"debtor"),** a liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor;

(e) under any foreign exchange transaction, any interest or currency swap or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount; or

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within (a) to (e) if the references to the debtor referred to the other person;

"Fleet Vessels" means, together, all of the vessels (including, but not limited to, the Ships) owned from time to time by members of the Group;

"General Assignment" means, in relation to a Ship, a general assignment of the Earnings, the Insurances and the Requisition Compensation of such Ship to be executed by the relevant Borrower or, as the case may be, Owner in favour of the Lender in such form as the Lender may approve or require, and, in the plural means both of them;

"Group" means the Corporate Guarantor and its subsidiaries (whether direct or indirect and including, but not limited to, each Borrower) from time to time during the Security Period and **"member of the Group"** shall be construed accordingly;

"Insurances" means, in relation to each Ship:

(a) all policies and contracts of insurance, including entries of such Ship in any protection and indemnity or war risks association, which are effected in respect of such Ship, its Earnings or otherwise in relation to it; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium;

"Interest Period" means, in relation to the Loan, a period determined in accordance with Clause 5;

"Iokasti" means lokasti Owning Company Limited, a corporation incorporated under the laws of Republic of Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island Majuro, Marshall Islands MH96960;

"ISM Code" means, in relation to its application to the Borrowers, the Ships and their operation:

(a) The International Management Code for the Safe Operation of Ships and for Pollution Prevention, currently known or referred to as the "ISM Code", adopted by the Assembly of the International Maritime Organisation by Resolution A.741(18) on 4th November, 1993 and incorporated on 19th May, 1994 into chapter IX of the International Convention for the Safety of Life at Sea 1974 (SOLAS 1974); and

(b) all further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including without limitation, the Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations' produced by the International Maritime Organisation pursuant to Resolution A.788(19) adopted on 25th November, 1995,

as the same may be amended, supplemented or replaced from time to time;

"ISM Code Documentation" includes, in relation to a Ship:

(a) the document of compliance (DOC) and safety management certificate (SMC) issued pursuant to the ISM Code in relation to such Ship within the periods specified by the ISM Code;

(b) all other documents and data which are relevant to the ISM SMS and its implementation and verification which the Lender may require; and

(c) any other documents which are prepared or which are otherwise relevant to establish and maintain such Ship's compliance or the compliance by the Borrower owning such Ship with the ISM Code which the Lender may require;

"ISM SMS" means, in relation to a Ship, the safety management system for such Ship which is required to be developed, implemented and maintained under the ISM Code;

"ISPS Code" means the International Ship and Port Facility Security Code constituted pursuant to resolution A.924(22) of the International Maritime Organisation ("IMO") now set out in Chapter XI-2 of the Safety of Life at Sea Convention (SOLAS) 1974 (as amended) and the mandatory ISPS Code as adopted by a Diplomatic Conference of the IMO on Maritime Security in December 2002 and includes any amendments or extensions to it and any regulation issued pursuant to it but shall only apply insofar as it is applicable law in the relevant Ship's ~~flag' state~~ Approved Flag State and any jurisdiction on which such Ship is operated;

"ISPS Code Documentation" includes:

(a) the International Ship Security Certificate issued pursuant to the ISPS Code in relation to each Ship within the period specified in the ISPS Code; and

(b) all other documents and data which are relevant to the ISPS Code and its implementation and verification which the Agent may require;

~~**"LACERTA"** means the 1994-built bulk carrier vessel of 71.860 metric tons deadweight, having IMO Number 9071600 and registered in the ownership of Annapolis under the Maltese flag with the name "LACERTA";~~ **"Lansat"** means Lansat Shipping Company Limited, a company incorporated in Malta, whose registered office is at 5/2 Merchants Street, Valletta, Malta;

"Lender" means Piraeus Bank A.E., acting through its branch at 47-49 Akti Miaouli, 185 36 Piraeus;

"Leverage Ratio" means, any relevant time, the ratio (expressed as a percentage) of:

(a) the Total Liabilities; and

(b) the Market Value Adjusted Total Assets (including, without limitation, the Ships);

"LIBOR" means for an Interest Period:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant Interest Period which appears on Reuters BBA Page LIBOR 01 at or about 11.00 a.m. (London time) on the second Business Day prior to the commencement of that Interest Period (and, for the purposes of this Agreement, "Reuters BBA Page LIBOR 01" means the display designated as "Reuters BBA Page LIBOR 01" on the Reuters Money News Service or such other page as may replace BBA Page LIBOR 01 on that service for the purpose of displaying rates comparable to that rate or on such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for Dollars); or

(b) if no rate is quoted on Reuters BBA Page LIBOR 01, the rate per annum determined by the Lender to be the rate per annum which leading banks in the London Interbank Market offer for deposits in Dollars in the London Interbank Market at or about 11.00 a.m. (London time) on the second Business Day prior to the commencement of that Interest Period for a period equal to that Interest Period and for delivery on the first Business Day of it;

"Loan" means the principal amount for the time being outstanding under this Agreement;

"Major Casualty" means any casualty to a Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds $500,000 or the equivalent in any other currency;

"Margin" means ~~subject to Clause 4.12 at all times when the Leverage Ratio is:~~;

~~(a) equal to or higher than 50 per cent. 1.20 per cent, per annum; and~~

~~(b)lower than 50 per cent., 1.10~~ (a) during the period I April 2009 to 31 March 2011 (inclusive), 2 per cent. per annum;

~~**"Margin Calculation Date**~~(b) during the period 1 April 2011 to 31 March 2012 (inclusive), 1.75 per cent, per annum: and~~" has the meaning given to it in Clause 4.12;~~

(b) at all times thereafter and subject to the terms of Clause 4.10. 1.5 per cent per annum;

"Market Value" means, in relation to each Ship and each Fleet Vessel, the market value of that Ship or Fleet Vessel determined in accordance with Clause 14.3;

"Market Value Adjusted Total Assets" means, at any time, Total Assets adjusted to reflect the Market Value of all Fleet Vessels;

"Master Agreement" means the master agreement (on the 1992 ISDA (Multicurrency-Crossborder) form) made or to be between the Borrowers and the Lender and includes all Transactions from time to time entered into and Confirmations from time to time exchanged under the master agreement;

"Master Agreement Assignment" means the assignment of the Master Agreement executed or to be executed by the Borrowers in favour of the Lender in such form as the Lender may approve or require;

~~**"MENORCA"** means the 1997-built bulk carrier vessel of 71,662 metric tons deadweight~~ **"MOA"** means, in relation to: ~~having IMO Number 9122851 and registered in the ownership of Atlas under the Maltese flag with the name "MENORCA";~~

(a) an Original Ship, the memorandum of agreement entered or, as the case may be, to be entered into between its Owner as seller and its buyer; and

(b) a Collateral Ship, the memorandum of agreement entered or, as the case may be, to be entered into between the relevant Collateral Owner as buyer and the relevant Seller as seller,

as each may be amended and supplemented from time to time and, in the plural, means both of them;

"Mortgage" means, in relation to each Original Ship, the first priority Maltese statutory mortgage on that Ship (as amended and supplemented by each Mortgage Addendum relative to that Original Ship), in such form as the Lender may approve or require and in the plural means all of them;

"Mortgage Addendum" means:

(a) in relation to each Original Ship, each of the first addendum and the second addendum to the Mortgage on that Original Ship, executed or to be executed by:

(i) in the case of "TORO", Farat: and

(ii) in the case of "DELRAY", the New Owner: and

(b) in relation to each Additional Ship, the first addendum to the Additional Mortgage on that Ship, executed or to be executed by the relevant Additional Owner.

in favour of the Lender in such form as the Lender may approve or require and, in the plural, means all of them:

"Negotiation Period" has the meaning given in Clause ~~4.6~~4.7;

"Net Income" means, in relation to each financial year of the Corporate Guarantor, the aggregate income of the Group appearing in the Accounting Information for that financial year less the aggregate of:

(a) the amounts incurred by the Group during that financial year as expenses of its business;

(b) depreciation, amortisation and all interest in respect of all Financial Indebtedness of the Group paid by all members of the Group during that financial year;

(c) Net Interest Expenses;

(d) taxes; and

(e) other items charged to the Corporate Guarantor's consolidated profit and loss account for the relevant financial year;

"Net Interest Expenses" means, as of any date of determination, the aggregate of all interest, commitment and other fees, commissions, discounts and other costs, charges or expenses accruing due from all the members the Group during that accounting period less interest income received, determined on a consolidated basis in accordance with generally accepted accounting principles and as shown in the consolidated statements of income for the Group in the applicable Accounting Information;

"New Guarantee" means the guarantee of the obligations of the Borrowers under this Agreement executed or to be executed by the New Owner in favour of the Lender in such form as the Lender may approve or require:

"New Owner" means Lotis Traders Inc., a corporation organised and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH96960, Marshall Islands;

"Option" has the meaning given to it in Clause 7.7;

"Original Shin" means each of "DELRAY" and "TORO" and, in the plural, means both of them;

"Owners" means, together, the Additional Owners, the Collateral Owners and the New Owner and, in the singular, means any of them;

"PACHINO" means the 2002-built bulk carrier vessel of 30,928 gross registered tons and 16.341 net registered tons having IMO Number ~~**"PARAGON"** means the 1991 built bulk carrier of 71.259 metric tons deadweight~~ 9257060 ~~, having IMO number 9086978~~ and registered in the ownership of ~~Lansat~~ lokasti under ~~the~~ Maltese flag with the name ~~"PARAGON";~~"PACHINO";

"Payment Currency has the meaning given in Clause 20.4;

"Permitted Security Interests" means:

(a) Security Interests created by the Finance Documents;

(b) liens for unpaid master's and crew's wages in accordance with usual maritime practice;

(c) liens for salvage;

(d) liens arising by operation of law for not more than 2 months' prepaid hire under any charter in relation to a Ship not prohibited by this Agreement;

(e) liens for master's disbursements incurred in the ordinary course of trading and any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of a Ship, provided such liens do not secure amounts more than 30 days overdue (unless the overdue amount is being contested by the Borrower or, as the case may be, Owner owning such Ship in good faith by appropriate steps) and subject, in the case of liens for repair or maintenance, to Clause 13.12(g);

(f) any Security Interest created in favour of a plaintiff or defendant in any proceedings or arbitration as security for costs and expenses where a Borrower is actively prosecuting or defending such proceedings or arbitration in good faith; and

(g) Security Interests arising by operation of law in respect of taxes which are not overdue for payment or in respect of taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;

"Pertinent Document" means:

(a) any Finance Document;

(b) any policy or contract of insurance contemplated by or referred to in Clause 12 or any other provision of this Agreement or another Finance Document;

(c) any other document contemplated by or referred to in any Finance Document; and

(d) any document which has been or is at any time sent by or to the Lender in contemplation of or in connection with any Finance Document or any policy, contract or document falling within paragraphs (b) or (c);

"Pertinent Jurisdiction", in relation to a company, means:

(a) England and Wales;

(b) the country under the laws of which the company is incorporated or formed;

(c) a country in which the company's central management and control is or has recently been exercised;

(d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;

(e) a country in which assets (including, without limitation, the Ships) of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and

(f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c);

"Pertinent Matter" means:

(a) any transaction or matter contemplated by, arising out of, or in connection with a Pertinent Document; or

(b) any statement relating to a Pertinent Document or to a transaction or matter falling within paragraph (a),

and covers any such transaction, matter or statement, whether entered into, arising or made at any time before the signing of this Agreement or on or at any time after that signing;

"Potential Event of Default" means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Lender and/or the satisfaction of any other condition, would constitute an Event of Default;

"Quotation Date" means, in relation to any Interest Period (or any other period for which an interest rate is to be determined under any provision of a Finance Document), the day on which quotations would ordinarily be given by leading banks in the London Interbank Market for deposits in the currency in relation to which such rate is to be determined for delivery on the first day of that Interest Period;

"Relevant Charter" has the meaning given to it in Clause 14.3;

"Repayment Date" means a date on which a repayment is required to be made under Clause 7;

"Requisition Compensation" includes, in relation to a Ship, all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "Total Loss";

"Sale Amount" means, in relation to an Original Ship which has been sold during the Substitution Period an amount equal to the whole of the sale proceeds of that Original Ship;

"Sale Proceeds Account" means, in respect of each Original Ship, an account in the joint names of the Borrowers and the New Owner with the Lender Piraeus designated "Annapolis Shipping Company Limited et al – Sale Proceeds Account", or any other account (with that or another office of the Lender) which is designated by the Lender as a Sale Proceeds Account for the purposes of this Agreement and, in the plural, means both of them;

"SAMATAN" means the 2001-built bulk carrier vessel of 40,437 gross registered tons and 25.855 net registered tons, having IMO Number 9236171 registered in the ownership of Boone under Maltese flag with the name "SAMATAN";

"Secured Liabilities" means all liabilities which the Borrowers, the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or in connection with any Finance Document or any judgment relating to any Finance Document; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

"Security Interest" means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the security rights of a plaintiff under an action *in rem;* and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A; but this paragraph (c) does not apply to a right of set off or combination of accounts conferred by the standard terms of business of a bank or financial institution;

"Security Party" means the Corporate Guarantor, the Owners, the Approved Manager and any other person (except the Lender) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the last paragraph of the definition of "Finance Documents";

"Security Period" means the period commencing on the date of this Agreement and ending on the date on which the Lender notifies the Borrowers and the Security Parties that:

(a) all amounts which have become due for payment by each of the Borrowers or any Security Party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document;

(c) no Borrower nor any Security Party has any future or contingent liability under Clause 19, 20 or 21 or any other provision of this Agreement or another Finance Document; and

(d) the Lender does not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of any of the Borrowers or a Security Party or in any present or possible future proceeding relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

~~**"Ship"** means each of "LACERTA" "MENORCA" "TORO" and "PARAGON" and in the plural means all of them;~~**"Seller"** means, in relation to each Original Ship, the seller of that Ship in accordance with the relevant MOA and, in the plural, means both of them;

"Ships" means, together, the Original Ships, the Additional Ships and the Collateral Ships and in the singular, means any of them:

"Substitution Period" means the period commencing on the earlier of (i) the Delivery Date of the first of the Original Ships to be sold and (ii) 31 March 2010 and ending on the date falling 6 months thereafter:

"Swap Exposure" means, as at any relevant date, the amount certified by the Lender to be the aggregate net amount in Dollars which would be payable by the Borrowers to the Lender under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Transactions entered into between the Borrowers and the Lender;

"TORO" means the 1995-built bulk carrier of 73,034 metric tons deadweight, having IMO number 9075735 and registered in the ownership of Farat under the Maltese flag with the name "TORO";

"Total Assets" means, the total assets of the Group as stated in the most recent Accounting Information;

"Total Liabilities" means, as at the date of calculation, the aggregate Financial Indebtedness of the Group;

"Total Loss" means, in relation to a Ship:

(a) actual, constructive, compromised, agreed or arranged total loss of such Ship;

(b) any expropriation, confiscation, requisition or acquisition of such Ship, whether for full consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority (excluding a requisition for hire for a fixed period not exceeding 1 year without any right to an extension) unless it is within 1 month redelivered to the full control of the owner owning such Ship;

(c) any arrest, capture, seizure or detention of such Ship (including any hijacking or theft) unless it is within 1 month redelivered to the full control of the owner owning such Ship;

"Total Loss Date" means, in relation to a Ship:

(a) in the case of an actual loss of such Ship, the date on which it occurred or, if that is unknown, the date when such Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of such Ship, the earliest of:

  (i) the date on which a notice of abandonment is given to the insurers; and

  (ii) the date of any compromise, arrangement or agreement made by or on behalf of the Borrower or, as the case may be, Owner owning such Ship-, with such Ship's insurers in which the insurers agree to treat such Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which the relevant underwriters consider that the event constituting the total loss occurred; ~~and~~

"Transaction" has the meaning given in the Master Agreement-: and

"Waiver Period" means the period 31 December 2008 until (and including) 31 March 2011.

1.2 Construction of certain terms. In this Agreement:

"approved" means, for the purposes of Clause 12, approved in writing by the Lender;

"asset" includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

"company" includes any partnership, joint venture and unincorporated association;

"consent" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

"contingent liability" means a liability which is not certain to arise and/or the amount of which remains unascertained;

"document" includes a deed; also a letter, fax or telex;

"excess risks" means, in relation to a Ship the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of that Ship in consequence of its insured value being less than the value at which the Ship is assessed for the purpose of such claims;

"expense" means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

"law" includes any order or decree, any form of delegated legislation, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

"legal or administrative action" means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

"liability" includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

"months" shall be construed in accordance with Clause 1.3;

"obligatory insurances" means, in relation to a Ship, all insurances effected, or which the Borrower or, as the case may be, Owner owning the Ship-, is obliged to effect, under Clause 12 or any other provision of this Agreement or another Finance Document;

"parent company" has the meaning given in Clause 1.4;

"person" includes any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

"policy", in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

"protection and indemnity risks" means the usual risks covered by a protection and indemnity association managed in London, including pollution risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 1 of the Institute Time Clauses (Hulls) (1/10/83) or clause 8 of the Institute Time Clauses (Hulls) (1/11/1995) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;

"regulation" includes any regulation, rule, official directive, request or guideline whether or not having the force of law of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

"subsidiary" has the meaning given in Clause 1.4;

"tax" includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

"war risks" includes the risk of mines and all risks excluded by clause 23 of the Institute Time Clauses (Hulls) (1/10/83) or clause 24 of the Institute Time Clauses (Hulls) (1/11/1995).

1.3 Meaning of "month". A period of one or more **"months"** ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started **("the numerically corresponding day"),** but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day;

and **"month"** and **"monthly"** shall be construed accordingly.

1.4 Meaning of "subsidiary". A company (S) is a subsidiary of another company (P) if:

(a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or

(b) P has direct or indirect control over a majority of the voting rights attaching to the issued shares of S; or

(c) P has the direct or indirect power to appoint or remove a majority of the directors of S; or

(d) P otherwise has the direct or indirect power to ensure that the affairs of S are conducted in accordance with the wishes of P;

and any company of which S is a subsidiary is a parent company of S.

1.5 General Interpretation. In this Agreement:

(a) references in Clause 1.1 to a Finance Document or any other document being in the form of a particular appendix include references to that form with any modifications to that form which the Lender approves or reasonably requires;

(b) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(c) references to, or to a provision of, any law include any amendment, extension, re- enactment or replacement, whether made before the date of this Agreement or otherwise;

(d) words denoting the singular number shall include the plural and vice versa; and

(e) Clauses 1.1 to 1.5 apply unless the contrary intention appears.

1.6 Headings. In interpreting a Finance Document or any provision of a Finance Document, all clause, sub-clause and other headings in that and any other Finance Document shall be entirely disregarded.

2 FACILITY

2.1 Amount of facility. Subject to the other provisions of this Agreement, the Lender shall make available to the Borrowers a loan facility not exceeding $130,000,000 to be drawn in a single advance.

2.2 Purpose of the Loan. Each Borrower undertakes with the Lender to use the Loan only for the purpose stated in the preamble to this Agreement.

3 DRAWDOWN

3.1 Request for the Loan. Subject to the following conditions, the Borrowers may request the Loan to be made by ensuring that the Lender receives a completed Drawdown Notice not later than 11.00 a.m. (Athens time) 2 Business Days prior to the intended Drawdown Date.

3.2 Availability. The conditions referred to in Clause 3.1 are that:

(a) the Drawdown Date has to be a Business Day during the Availability Period;

(b) the Loan shall be made available in a single advance and any amount undrawn shall be cancelled and may not be borrowed by the Borrowers at a later date; and

(c) the Loan shall not exceed the Commitment.

3.3 Drawdown Notice irrevocable. A Drawdown Notice must be signed by a director, officer or a duly authorised signatory of each Borrower; and once served, a Drawdown Notice cannot be revoked without the prior consent of the Lender.

3.4 Disbursement of Loan. Subject to the provisions of this Agreement, the Lender shall on the Drawdown Date advance the Loan to the Borrowers; and payment to the Borrowers shall be made to the account which the Borrowers specify in the Drawdown Notice.

3.5 Disbursement of Loan to third party. The payment by the Lender under Clause 3.4 shall constitute the making of the Loan and the Borrowers shall at that time become indebted, as principal and direct obligor, to the Lender in an amount equal to the Loan.

4 INTEREST

4.1 Payment of normal interest. Subject to the provisions of this Agreement, interest on the Loan in respect of each Interest Period shall be paid by the Borrowers on the last day of that Interest Period.

4.2 Normal rate of interest. Subject to the provisions of this Agreement, the rate of interest applicable to the Loan (or any part thereof) in respect of an Interest Period shall be the aggregate of the applicable Margin and LIBOR for that Interest Period.

4.3 **Payment of accrued interest.** In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

4.4 **Notification of market disruption.** The Lender shall promptly notify the Borrowers if:

(a) no rate is quoted on Reuters BBA Page LIBOR 01; or

~~**4.4** LIBOR01 or if~~(b) for any reason the Lender is unable to obtain Dollars in the London Interbank Market in order to fund or continue to fund the Loan (or any part ~~of it~~ thereof) during any Interest Period~~, stating the circumstances which have caused such notice to be given~~; or

(c) LIBOR for that Interest Period does not adequately reflect the Lender's cost of funding for that Interest Period.

4.5 **Suspension of drawdown.** If the Lender's notice under Clause 4.4 is served before the Loan is made, the Lender's obligation to make the Loan shall be suspended while the circumstances referred to in the Lender's notice continue.

4.6 ~~**Negotiation**~~ **Application of alternative rate of interest.** Following the service of a notice by the Lender pursuant to Clause 4.4. but before the commencement of the Interest Period to which that notice relates, the Lender shall have the right to:

(a) reduce (in its sole discretion) the duration of the Interest. Period selected by the Borrowers, unless a shorter period is not available in which case the Lender shall have the right to amend (in its sole discretion) the duration of the Interest Period selected by the Borrowers; and/or

(b) determine (in its sole discretion) the relevant rate of interest which shall apply to the Loan during that Interest Period and which shall be the aggregate of (i) the applicable Margin and (ii) either:

(i) the arithmetic mean of the rates per annum offered, on the relevant Quotation Date, for deposits in Dollars for a period equal to. or as near as possible to, the relevant Interest Period which appear on the electronic pages (together, the **"Applicable Screen Rates"**) of (aa) KLIEMM (Carl Kliem GmbH), (bb) USDDEPO=ICAP (lcap Plc) and (cc) USDDEPQ=TTLK (Tullet Prebon Plc) on the Reuters Money News Services or

(ii) if:

(A) for any reason, there are no Applicable Screen Rates available on the relevant Quotation Date; or

(B) the Applicable Screen Rates (or any of them) do not reflect the rates given in the interbank market on that Quotation Date.

the rate per annum, expressed as a percentage which reflects the cost to the Lender of funding the Loan (or any part thereof) during that Interest Period from whichever alternative sources are available to the Lender (and as it may select in its sole discretion) in Dollars or in any available currency,

(the **"Alternative Rate").**

The Lender shall promptly notify the Borrowers in writing of any Alternative Rate and any change to the Interest Period selected initially by the Borrower arising through the operation of this Clause 4.6.

4.6 If the Lender's notice under Clause 4.4 is served after the Loan is drawndown, the Borrowers and the Lender shall use reasonable endeavours to agree within the 15**4.7 Negotiation of alternative basis for funding.** If the Borrowers do not agree with the Alternative Rate they shall notify the Lender in writing not later than 2 days after the date on which the Lender serves its notice under pursuant to Clause 4.6. The Borrowers and the Lender shall use reasonable to agree, within, 4.4 l0 days after the date on which the Borrowers serve their notice of objection to the Alternative Rate (the **"Negotiation Period"),** an alternative interest rate or basis (as the case may be) including, but not limited to, an alternative basis interest period, funding in an alternative currency or currencies and an alternative margin which, for the avoidance of doubt, shall reflect the Lender's cost of funding) for the Lender to fund or continue to fund the Loan during the Interest Period concerned.

4.7 **4.8 Application of agreed alternative rate of interest.** Any alternative interest rate Alternative Rate or an alternative basis which is agreed during the Negotiation Period for the Lender to continue to fund the Loan shall take effect in accordance with the terms agreed. notified by the Lender pursuant to Clause 4.6 or. as the case may be, upon the terms agreed pursuant to Clause 4.7. The **4.8 Alternative rate of interest in absence of agreement.** If an alternative interest rate or alternative basis is not agreed within the Negotiation Period and the relevant circumstances are continuing at the end of the Negotiation Period, then the Lender shall set an interest period and interest rate representing the cost of funding of the Lender continue to apply in Dollars or in any available currency of the Loan plus the applicable Margin; and the procedure provided for by this Clause 4.8 shall be repeated if the relevant circumstances are continuing at the end of the applicable Interest Period (in the case of the Alternative Rate) or interest period so set by the Lender (in each other case) and for so long as the Lender and the Borrowers are in agreement as to the alternative basis for funding.

4.9 **4.10 Notice of prepayment Prepayment.** If the Borrowers do not agree with an interest rate set by the Lender under Clause 4.8. the Borrowers may give the Lender not less than 15 Business Days' notice of their intention to prepay the Loan or any part thereof at the end of the interest period set by the Lender.the Interest Period, and/or Alternative Rate set by the Lender pursuant to Clause 4.6 and an alternative basis for funding the Loan (or any part thereof) is not agreed pursuant to Clause 4.7 within the Negotiation Period**Prepayment.** A notice under Clause 4.9 shall be irrevocable; and on the last Business Day of the interest period set by the Lender, the Borrowers shall prepay (without premium or penalty) the Loan or any part thereof upon demand by the Lender together with all accrued interest thereon at the applicable rate plus the applicable Margin.

4.10 **4.11 Application of prepayment.** The provisions of Clause 7 shall apply in relation to the prepayment.**Reduction of Margin.** The Margin shall be reduced on 1 April 2012 to 1.5 per cent, per annum and shall at all times thereafter remain at such rate subject to:

4.12 **Calculation of Leverage Ratio.** The Lender shall calculate the Leverage Ratio on the Drawdown Date and on each Compliance Date thereafter (each a "**Margin Calculation Date**") based on the recent Accounting Information for the purposes of calculating the applicable Margin and shall advise the Borrowers in writing within 10 Business Days of each applicable Margin Calculation Date, of the applicable Margin which will apply for The 6 month period commencing on the relevant applicable Margin Calculation Date **Provided that** in respect of each applicable Margin Caculation Date other than the first applicable Margin Calculation Date, the Lender shall only be obliged to advise the Borrowers of the applicable Margin which will apply for the Interest Period commencing on the relevant applicable Margin Calculation Date if that applicable Margin will be

~~different to the applicable Margin which applies immediately prior to the relevant applicable Margin Calculation Date.~~(a) no Event of Default or Potential Event of Default having occurred and continuing at the relevant time: and

~~For the purposes of calculating the Leverage Ratio pursuant to this Clause 4.12, the Market Value of the Ships shall be determined no more than 30 days prior to the relevant applicable Margin Calculation Date.~~(b) the Borrowers not being obliged at any relevant time to provide additional security or prepay part of the Loan under Clause 14.1 if the ratio set out in Clause 14.1 were applied at that time.

5 INTEREST PERIODS

5.1 Commencement of Interest Periods. The first Interest Period applicable to the Loan shall commence on the Drawdown Date and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

5.2 Duration of normal Interest Periods. Subject to Clauses 5.3 and 5.4, each Interest Period shall be:

(a) ~~1,~~ 3, 6 or 9 months as notified by the Borrowers to the Lender not later than 11.00 a.m. (Athens time) 2 Business Days before the commencement of the Interest Period; or

(b) 3 months, if the Borrowers fail to notify the Lender by the time specified in paragraph (a); or

(c) such other period as the Lender may agree with the Borrowers.

5.3 Duration of Interest Periods for repayment instalments. In respect of an amount due to be repaid under Clause 7 on a particular Repayment Date, an Interest Period shall end on that Repayment Date.

5.4 Non-availability of matching deposits for Interest Period selected. If, after the Borrowers have selected and the Lender has agreed an Interest Period longer than 6 months, the Lender notifies the Borrowers by 11,00 a.m. (Athens time) on the third Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of 6 months.

6 DEFAULT INTEREST

6.1 Payment of default interest on overdue amounts. The Borrowers shall pay interest in accordance with the following provisions of this Clause 6 on any amount payable by the Borrowers under any Finance Document which the Lender does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 18.4, the date on which it became immediately due and payable.

6.2 **Default rate of interest.** Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Lender to be 2 per cent. above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at Clauses 6.3(a) and (b); or

(b) in the case of any other overdue amount, the rate set out at Clause 6.3(b).

6.3 **Calculation of default rate of interest.** The rates referred to in Clause 6.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period);

(b) the applicable Margin plus, in respect of successive periods of any duration (including at call) up to 3 months which the Lender may select from time to time:

(i) LIBOR; or

(ii) if the Lender determines that Dollar deposits for any such period are not being made available to it by leading banks in the London Interbank Market in the ordinary course of business, a rate from time to time determined by the Lender by reference to the cost of funds to it from such other sources as the Lender may from time to time determine.

6.4 **Notification of interest periods and default rates.** The Lender shall promptly notify the Borrowers of each interest rate determined by it under Clause 6.3 and of each period selected by it for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that the Borrowers are liable to pay such interest only with effect from the date of the Lender's notification.

6.5 **Payment of accrued default interest.** Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined.

6.6 **Compounding of default interest.** Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

6.7 **Application to Master Agreement.** For the avoidance of doubt, this Clause 6 does not apply to any amount payable under the Master Agreement in respect of any continuing Transaction as to which section 2(e) (Default Interest; Other Amounts) of the Master Agreement shall apply.

7 REPAYMENT AND PREPAYMENT

7.1 **Repayment instalments.** The Borrowers shall repay the Loan by 28 consecutive three- monthly instalments of (i) in the case of the first to fourth instalments (inclusive), in the amount of $5,250,000 each, (ii) in the case of the fifth to the twenty eighth instalments (inclusive), in the amount of $2,750,000 each and (iii) a balloon payment of $43,000,000 (the **"Balloon Instalment") Provided that** if the Loan is drawdown in less than the maximum available amount thereof, each repayment instalment (including the Balloon Instalment) shall be reduced pro rata by an amount in aggregate equal to such undrawn amount.

7.2 **Repayment Dates.** The first repayment instalment for the Loan shall be repaid on the date falling 3 months after the Drawdown Date, each subsequent repayment instalment shall be repaid at 3-monthly intervals thereafter and the last instalment shall be repaid, together with the Balloon Instalment, on the date falling on the seventh anniversary of the Drawdown Date.

7.3 **Final Repayment Date.** On the final Repayment Date, the Borrowers shall additionally pay to the Lender all other sums then accrued or owing under any Finance Document.

7.4 **Voluntary prepayment.** Subject to the following conditions, the Borrowers may prepay the whole or any part of the Loan on the last day of an Interest Period.

7.5 **Conditions for voluntary prepayment.** The conditions referred to in Clause 7.4 are that:

(a) a partial prepayment shall be $500,000 or a multiple of $500,000;

(b) the Lender has received from the Borrowers at least 10 Business Days' prior written notice specifying the amount to be prepaid and the date on which the prepayment is to be made; and

(c) the Borrowers have provided evidence satisfactory to the Lender that any consent required by the Borrowers or any Security Party in connection with the prepayment has been obtained and remains in force, and that any regulation relevant to this Agreement which affect the Borrowers or any Security Party has been complied with.

7.6 **Effect of notice of prepayment.** A prepayment notice may not be withdrawn or amended without the consent of the Lender and the amount specified in the prepayment notice shall become due and payable by the Borrowers on the date for prepayment specified in the prepayment notice.

7.7 **Mandatory prepayment.** The Borrowers shall be obliged to prepay (1) the Relevant ~~Fraction of the Loan if a~~ Amount if an Original Ship or a Collateral Ship is sold or becomes a Total Loss during the Waiver Period or (2) the Relevant Fraction of the loan if an Original Ship or a Collateral Ship is sold or becomes a Total Loss at any other time:

~~(a)~~(a) if ~~a~~ an Original Ship or a Collateral Ship is sold, on or before the date on which the sale is completed by delivery of such Ship to the buyer; or

~~(b)if~~ ~~a~~ (b) if an Original Ship or a Collateral Ship becomes a ~~total loss~~Total Loss, on the earlier of the date falling 180 days after the Total Loss Date and the date of receipt by the Lender of the proceeds of insurance relating to such Total Loss,

~~and in~~ **Provided that** if an .Original Ship is sold at any time during the Substitution Period, the Borrowers will have the option (in respect of such Ship, the **"Option")** exercisable by no later than the date on which the sale of that Ship is completed by delivery thereof to its buyers to deposit the Relevant Amount applicable to that Ship in the relevant Sale Proceeds Account (by satisfying the applicable conditions set out in Clause 11.4(b)) instead of applying such amount in prepayment of the Loan in accordance with this Clause 7.7.

In this Clause 7.7:

"Relevant Amount" means, in relation to an Original Ship or a Collateral Ship which has been sold or become a Total Loss during the Waiver Period, an amount equal to the whole of the sale or insurance proceeds relating to the Total Loss of that Original Ship or Collateral Ship: and.

"Relevant Fraction" is a fraction whose:

~~(i)~~(i) numerator is the Market Value of the Original Ship or Collateral Ship being sold or which has become a Total Loss on the date on which such sale is completed or (as the case may be) the date on which the Total Loss occurred; and

~~(iii)~~(ii) denominator is the aggregate Market Value of all the Original Ships and all the Collateral Ships on the date on which the relevant Original Ship or Collateral Ship which is subject to a Mortgage is sold or becomes a Total Loss~~.~~;

7.1 ~~**7.8**~~ **Amounts payable on prepayment.** A prepayment shall be made together with accrued interest (and any other amount payable under Clause 20 or otherwise) in respect of the amount prepaid and, if the prepayment is not made on the last day of an Interest Period, together with any sums payable under Clauses 20.1(b) and 20.2 but without premium or penalty.

7.2 ~~**7.9**~~ **Application of partial prepayment.** Each partial prepayment made pursuant to Clauses 7.4 or 7.7 shall be applied pro rata against the repayment instalments specified in Clause 7.1 outstanding at the time of the partial prepayment (including, without limitation, the Balloon Instalment).

7.3 ~~**7.10**~~ **No reborrowing.** No amount prepaid may be reborrowed.

8 CONDITIONS PRECEDENT

8.1 Documents, fees and no default. The Lender's obligation to make the Loan is subject to the following conditions precedent:

(a) that, on or before the service of the Drawdown Notice, the Lender receives the documents described in Part A of Schedule 2 in form and substance satisfactory to it and its lawyers;

(b) that, on or before the Drawdown Date, the Lender receives the documents described in Part B of Schedule 2 in form and substance satisfactory to it and its lawyers;

(c) that both at the date of the Drawdown Notice and at the Drawdown Date:

(i) no Event of Default or Potential Event of Default has occurred and is continuing or would result from the borrowing of the Loan;

(ii) the representations and warranties in Clause 9 and those of the Borrowers or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on each of those dates with reference to the circumstances then existing;

(iii) none of the circumstances contemplated by Clause 4.4 has occurred and is continuing; and

(iv) there has been no material adverse change in the financial position, state of affairs or prospects of the Borrowers, the Corporate Guarantor, the Group any other Security Party in the light of which the Lender considers that there is a significant risk that the Borrowers, the Corporate Guarantor, the Group or any other Security Party will later become unable to discharge its liabilities under the Finance Documents to which it is a party as they fall due;

(i) ~~(d)~~ that, if the ratio set out in Clause 14.1 were applied immediately following the making of the Loan, the Borrowers would not be obliged to provide additional security or prepay part of the Loan under that Clause; and

(ii) ~~(c)~~that the Lender has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Lender may reasonably request by notice to the Borrowers prior to the Drawdown Date.

8.2 Waivers of conditions precedent. If the Lender, at its discretion, permits the Loan to be borrowed before certain of the conditions referred to in Clause 8.1 are satisfied, the Borrowers shall ensure that those conditions are satisfied within 10 Business Days after the Drawdown Date (or such longer period as the Lender may specify).

9 REPRESENTATIONS AND WARRANTIES

9.1 General. Each Borrower represents and warrants to the Lender as follows.

9.2 Status. Each of ~~Annapolis, Farat and Lansat~~ the Borrowers is duly incorporated and validly existing and in good standing under the laws of Malta~~ and Atlas is duly incorporated. validly existing and in Goodstanding under the laws of the Marshall Islands~~.

9.3 Share capital and ownership. ~~Atlas.~~ Each of the Borrowers has an authorised share capital of ~~$10,000 divided into 500 shares of $20 each, each of Annapolis. Farat and Lansat have authorised,~~ share capital of ~~LM 500~~ €1,164.69 divided into 500 ordinary shares of ~~LM 1~~ €2.329373 each and the legal title and beneficial ownership of all the Borrowers' shares is held, free of any Security Interest or other claim, by the Corporate Guarantor.

9.4 Corporate power. Each Borrower has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to own its Ship and register it in its name under the ~~Maltese flag~~applicable Approved Flag;

(b) to execute the Finance Documents and any Approved Charter to which it is a party; and

(c) to borrow under this Agreement, to enter into Transactions under the Master Agreement and to make all the payments contemplated by, and to comply with, those Finance Documents including, without limitation, the Master Agreement.

9.5 Consents in force. All the consents referred to in Clause 9.4 remain in force and nothing has occurred which makes any of them liable to revocation.

9.6 Legal validity; effective Security Interests. The Finance Documents to which each Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute the legal, valid and binding obligations of that Borrower enforceable against the Borrower in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate;

subject to any relevant insolvency laws affecting creditors' rights generally.

9.7 No third party Security Interests. Without limiting the generality of Clause 9.6, at the time of the execution and delivery of each Finance Document:

(a) each Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

9.8 No conflicts. The execution by each Borrower of each Finance Document to which it is a party, and the borrowing by the Borrowers of the Loan, and their compliance with each Finance Document will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of the Borrowers; or

(c) any contractual or other obligation or restriction which is binding on the Borrowers or any of their assets.

9.9 No withholding taxes. All payments which the Borrowers are liable to make under the Finance Documents may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

9.10 No default. No Event of Default or Potential Event of Default has occurred and is continuing.

9.11 Information. All information which has been provided in writing by or on behalf of the Borrowers or any Security Party to the Lender in connection with any Finance Document satisfied the requirements of Clause 10.5; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 10.7; and there has been no material adverse change in the financial position or state of affairs of any of the Borrowers from that disclosed in the latest of those accounts.

9.12 No litigation. No legal or administrative action involving any Borrower (including action relating to any alleged or actual breach of the ISM Code or the ISPS Code) has been commenced or taken or, to any Borrower's knowledge, is likely to be commenced or taken which, in either case, would be likely to have a material adverse effect on any Borrower's financial position or profitability.

9.13 Compliance with certain undertakings. At the date of this Agreement, each of the Borrowers is in compliance with Clauses 10.2, 10.4, 10.9 and 10.13.

9.14 Taxes paid. Each Borrower has paid all taxes applicable to, or imposed on or in relation to that Borrower, its business or the Ship owned by it.

9.15 ISM Code and ISPS Code compliance. All requirements of the ISM Code and the ISPS Code as they relate to the Borrowers, the Approved Manager and the Ships have been complied with.

9.16 No money laundering. Without prejudice to the generality of Clause 2.2, in relation to the borrowing by the Borrowers of the Loan, the performance and discharge of its obligations and liabilities under the Finance Documents, and the transactions and other arrangements effected or contemplated by the Finance Documents, each Borrower confirms that it is acting for its own account and that the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities).

9.17 ISO 9002. Each Borrower will, once it is required to do so by law, obtain ISO 9002 certification.

10 GENERAL UNDERTAKINGS

10.1 General. Each Borrower undertakes with the Lender to comply with the following provisions of this Clause 10 at all times during the Security Period, except as the Lender may otherwise permit.

10.2 Title; negative pledge. Each Borrower will:

(a) hold the legal title to, and own the entire beneficial interest in its Ship, her Insurances and her Earnings, free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents (and the effect of assignments contained in the Finance Documents) and except for Permitted Security Interests; and

(b) not create or permit to arise any Security Interest (except for Permitted Security Interests) over any other asset, present or future.

10.3 No disposal of assets. No Borrower will transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets, whether by one transaction or a number of transactions, whether related or not; or

(b) any debt payable to it or any other right (present, future or contingent right) to receive a payment, including any right to damages or compensation.

10.4 No other liabilities or obligations to be incurred. No Borrower will incur any Financial Indebtedness except that incurred under the Finance Documents and that reasonably incurred in the ordinary course of operating and chartering its Ship.

10.5 Information provided to be accurate. All financial and other information which is provided in writing by or on behalf of the Borrowers under or in connection with any Finance Document will be true and not misleading and will not omit any material fact or consideration.

10.6 Provision of financial statements. The Borrowers will send or procure there are sent to the Lender:

(a) as soon as possible, but in no event later than 180 days after the end of each financial year of the Borrowers and the Corporate Guarantor (commencing with the financial year ending on 31 December 2007), the audited consolidated financial statements of each of the Borrowers and the Corporate Guarantor for that financial year; and

(b) as soon as possible, but in no event later than 60 days after the end of each 6-month period in each financial year of the Borrowers and the Corporate Guarantor ending on 30 June and 31 December (commencing with the 6-month period ending on 31 December 2007), the interim unaudited consolidated financial statements of the Borrowers and the Corporate Guarantor for that 6-month period.

10.7 Form of financial statements. All accounts (audited and unaudited) delivered under Clause 10.6 will:

(a) be prepared in accordance with all applicable laws and generally accepted accounting principles consistently applied;

(b) give a true and fair view of the state of affairs of each Borrower or, as the case may be, the Corporate Guarantor at the date of those accounts and of profit for the period to which those accounts relate; and

(c) fully disclose or provide for all significant liabilities of each Borrower or, as the case may be, the Corporate Guarantor.

10.8 Shareholders and creditor notices. Each Borrower will send the Lender, at the same time as they are despatched, copies of all communications which are despatched to that Borrower's shareholders or creditors or any class of them.

10.9 Consents. Each Borrower will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Lender of, all consents required:

(a) for each Borrower to perform its obligations under any Finance Document;

(b) for the validity or enforceability of any Finance Document; and

(c) for each Borrower to continue to own and operate its Ship,

and the Borrowers will comply with the terms of all such consents.

10.10 Maintenance of Security Interests. Each Borrower will:

(a) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a) above, authorise and hereby authorises the Lender at the cost of the Borrowers to promptly register, file, record or enrol any Finance Document with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Finance Document, give any notice or take any other step which may be or become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

10.11 Notification of litigation. Each Borrower will provide the Lender with details of any legal or administrative action involving any Borrower, any Security Party, the Approved Manager, any Ship, the Earnings or the Insurances as soon as such action is instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

10.12 Principal place of business. Each Borrower will maintain its place of business, and keep its corporate documents and records, at the address stated in Clause 27.2(a) and no Borrower will establish, or do anything as a result of which it would be deemed to have, a place of business in the United Kingdom or the United States of America.

10.13 Confirmation of no default. Each Borrower will, within 2 Business Days after service by the Lender of a written request, serve on the Lender a notice which is signed by a director of each Borrower and which:

(a) states that no Event of Default or Potential Event of Default has occurred; or

(b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given.

10.14 Notification of default. Each Borrower will notify the Lender as soon as any Borrower becomes aware of:

(a) the occurrence of an Event of Default or a Potential Event of Default; or

(b) any matter which indicates that an Event of Default or a Potential Event of Default may have occurred,

and will keep the Lender fully up-to-date with all developments.

10.15 Provision of further information. Each Borrower will, as soon as practicable after receiving the request, provide the Lender with:

(a) any additional financial or other information relating to such Borrower, its Ship, the Earnings, the Insurances, the Approved Manager, the Group or the Corporate Guarantor; or

(b) any additional financial or other information relating to any other matter relevant to, or to any provision of, a Finance Document,

which may be requested by the Lender at any time.

10.16 Time Charter Assignment. If any Borrower or, as the case may be, an Owner enters into any bareboat charter or any Approved Charter in respect of its Ship, such Borrower shall or, as the case may be shall procure that the Owner shall, at the request of the Lender, execute in favour of the Lender a ~~Charterparty~~ Charter Assignment in respect of such bareboat charter or Approved Charter and deliver to the Lender any documents in relation thereto which the Lender may require.

10.17 Information on Relevant Charter, The Borrowers shall, and shall procure that each Owner shall, immediately inform the Lender if the charterer which has entered into a Relevant Charter with that Borrower or, as the case may be, Owner is in breach of its obligations under that Relevant Charter.

10.18 No amendment to Relevant Charter or MOA etc. None of the Borrower will or shall procure that each Owner will not, agree to any amendment or supplement to. or waive or fail to enforce the Relevant Charter or, as the case may be, MOA to which it is or will become a party or any of its provisions.

11 CORPORATE UNDERTAKINGS

11.1 General. Each Borrower also undertakes with the Lender to comply with the following provisions of this Clause 11 at all times during the Security Period except as the Lender may otherwise permit.

11.2 Maintenance of status. Each ~~of Annapolis, Farat and Lansat will maintain their separate corporate existence and remain in good standing under the laws of Malta and Atlas~~ Borrower will maintain its separate corporate existence and remain in good standing under the laws of ~~the Marshall Islands~~ Malta.

11.3 Negative undertakings. No Borrower will:

(a) carry on any business other than the ownership, chartering and operation of the Ship owned by it; or

(b) provide any form of credit or financial assistance to:

(i) a person who is directly or indirectly interested in such Borrower's share or loan capital; or

(ii) any company in or with which such a person is directly or indirectly interested or connected,

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to such Borrower than those which it could obtain in a bargain made at arms' length;

(c) open or maintain any account with any bank or financial institution except accounts with the Lender for the purposes of the Finance Documents;

(d) issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital;

(e) acquire any shares or other securities other than US or UK Treasury bills and certificates of deposit issued by major North American or European banks, or enter into any transaction in a derivative (other than a Transaction under the Master Agreement)~~.~~; or

(f) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation~~.~~; or

(g) during the period 31 December 2008 to 31 December 2009, pay any dividends or make any other form of distribution (other than any dividends which are distributed in the form of shares).

11.4 Additional Security. The exercise by the Borrowers of an Option is subject to the following conditions:

(a) they shall deliver to the Lender:

(i) on or prior to the date on which they exercise that Option the originals of any mandates or other documents required in connection with the opening or operation of the relevant Sale Proceeds Account and a duly executed original of the Account Pledge in respect thereof together with documents equivalent to those referred to in paragraphs 3,4 and 5 of Schedule 2. Part A in connection with the execution of that Account Pledge by the Borrowers and the New Owner; and

(ii) on or prior to the Delivery Date for the relevant Collateral Ship documents equivalent to those referred to in paragraphs 2, 3(b), 4, 5 and 6 and of Schedule 2, Part B in connection with the delivery of that Collateral Ship to the relevant Collateral Owner; and

(b) procure that the relevant Collateral Owner and the Approved Manager execute or as the case may be, register in favour of the Lender on or prior to the Delivery Date of the relevant Collateral Ship as security for the obligations of the Borrowers under this Agreement and the other Finance Documents, the Collateral Finance Documents, the General Assignment, an Approved Manager's Undertaking and (if applicable) a Charter Assignment, each in respect of that Ship.

11.5 Sale Proceeds Account. If the Borrowers exercise an Option pursuant to Clause 7.7, the Sale Amount in respect of the Original Ship which has been sold shall remain on the relevant Sale Proceeds Account until the earlier of:

(a) the date on which a Collateral Mortgage is registered over a Collateral Ship which will be acquired in substitution of that Original Ship in which case the relevant Sale Amount shall be applied on that date towards the acquisition cost of that Collateral Ship payable pursuant to the MOA relative thereto Provided that if the Sale Amount exceeds the

acquisition cost of the Collateral Ship, the amount by which the Sale Amount exceeds such, acquisition cost (the "Excess Amount") shall either (i) remain standing to the credit of the Sale Proceeds Account if the Substitution Period has not ended and only one Collateral Ship has been acquired at the relevant time (and such Excess Amount may be applied towards the acquisition cost of any other Collateral Ship during the Substitution Period or, if it has not been so applied by the end of the Substitution Period, it shall be applied in prepayment of the Loan on the first Business Day after the end of the Substitution Period) or (ii) if the relevant Collateral Ship which is being acquired is the second Collateral Ship, then such Excess Amount shall on the Delivery Date of the second Collateral Ship be applied in prepayment of the Loan; and

(b) the last day of the Substitution Period in which case the Sale Amount (or the applicable unutilised balance thereof) shall be applied on the first Business Day after the end of the Substitution Period in prepayment of the Loan.

If both Original Ships are sold during the Substitution Period and no Collateral Ships are acquired during that period, the Borrowers shall on the first Business Day after the end of the Substitution Period prepay the whole of the Loan and all other amounts then outstanding under this Agreement (and all amounts then outstanding under the Master Agreement).

The Borrowers shall ensure that if both Original Ships are sold the aggregate of the two Sale Amounts shall not be less than $35,000,000.

12 INSURANCE

12.1 General. Each Borrower also undertakes with the Lender to comply with the following provisions of this Clause 12 at all times during the Security Period except as the Lender may otherwise permit.

12.2 Maintenance of obligatory insurances. Each Borrower shall keep the Ship owned by it insured at the expense of such Borrower against:

(a) fire and usual marine risks (including hull and machinery and excess risks);

(b) war risks;

(c) protection and indemnity risks; and

(d) any other risks against which the Lender considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Lender be reasonable for such Borrower to insure and which are specified by the Lender by notice to such Borrower.

12.3 Terms of obligatory insurances. Each Borrower shall effect such insurances:

(a) in Dollars;

(b) in the case of fire and usual marine risks and war risks, in an amount on an agreed value basis at least the greater of (i) an amount, which when aggregated with the insured value of any other Ship at the relevant time subject to a Mortgage, is equal to 125 per cent. of the amount of the Loan and (ii) the Market Value of such Ship; and

(c) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market;

(d) in relation to protection and indemnity risks, in respect of the relevant Ship's full tonnage;

(e) on approved terms; and

(f) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations.

12.4 Further protections for the Lender. In addition to the terms set out in Clause 12.3, each Borrower shall procure that the obligatory insurances shall:

(a) whenever the Lender requires, name (or be amended to name) the Lender as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Lender, but without the Lender thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

(b) name the Lender as loss payee with such directions for payment as the Lender may specify;

(c) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Lender shall be made without set-off, counterclaim or deductions or condition whatsoever;

(d) provide that the insurers shall waive, to the fullest extent permitted by English law, their entitlement (if any) (whether by statute, common law, equity, or otherwise) to be subrogated to the rights and remedies of the Lender in respect of any rights or interests (secured or not) held by or available to the Lender in respect of the Secured Liabilities, until the Secured Liabilities shall have been fully repaid and discharged, except that the insurers shall not be restricted by the terms of this paragraph (d) from making personal claims against persons (other than the relevant Borrower or the Lender) in circumstances where the insurers have fully discharged their liabilities and obligations under the relevant obligatory insurances;

(e) provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Lender;

(f) provide that the Lender may make proof of loss if the relevant Borrower fails to do so; and

(g) provide that if any obligatory insurance is cancelled, or if any substantial change is made in the coverage which adversely affects the interest of the Lender, or if any obligatory insurance is allowed to lapse for non-payment of premium, such cancellation, charge or lapse shall not be effective with respect to the Lender for 30 days (or 7 days in the case of war risks) after receipt by the Lender of prior written notice from the insurers of such cancellation, change or lapse.

12.5 Renewal of obligatory insurances. Each Borrower shall:

(a) at least 14 days before the expiry of any obligatory insurance:

(i) notify the Lender of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom such Borrower proposes to renew that obligatory insurance and of the proposed terms of renewal; and

(ii) obtain the Lender's approval to the matters referred to in paragraph (i) above;

(b) at least 14 days before the expiry of any obligatory insurance, renew that obligatory insurance in accordance with the Lender's approval pursuant to paragraph (a) above; and

(c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Lender in writing of the terms and conditions of the renewal.

12.6 Copies of policies; letters of undertaking. Each Borrower shall ensure that all approved brokers provide the Lender with pro forma copies of all policies relating to the obligatory insurances which they are to effect or renew and of a letter or letters or undertaking in a form required by the Lender and including undertakings by the approved brokers that:

(a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 12.4;

(b) they will hold such policies, and the benefit of such insurances, to the order of the Lender in accordance with the said loss payable clause;

(c) they will advise the Lender immediately of any material change to the terms of the obligatory insurances;

(d) they will notify the Lender, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from the relevant Borrower or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Lender of the terms of the instructions; and

(e) they will not set off against any sum recoverable in respect of a claim relating to the relevant Ship under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of the relevant Ship or otherwise, they waive any lien on the policies (including, without limitation, any fleet lien), or any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of the relevant Ship forthwith upon being so requested by the Lender.

12.7 Copies of certificates of entry. Each Borrower shall ensure that any protection and indemnity and/or war risks associations in which the Ship owned by it is entered provides the Lender with:

(a) a certified copy of the certificate of entry for such Ship;

(b) a letter or letters of undertaking in such form as may be required by the Lender;

(c) where required to be issued under the terms of insurance/indemnity provided by the Borrower's protection and indemnity association, a certified copy of each United States of America voyage quarterly declaration (or other similar document or documents) made by that Owner in accordance with the requirements of such protection and indemnity association; and

(d) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to such Ship.

12.8 Deposit of original policies. Each Borrower shall ensure that all policies relating to obligatory insurances are deposited with the approved brokers through which the insurances are effected or renewed.

12.9 Payment of premiums. Each Borrower shall punctually pay all premiums or other sums payable in respect of the obligatory insurances and produce all relevant receipts when so required by the Lender.

12.10 Guarantees. Each Borrower shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

12.11 Restrictions on employment. No Borrower shall employ the Ship owned by it, nor permit her to be employed, outside the cover provided by any obligatory insurances.

12.12 Compliance with terms of insurances. Each Borrower shall neither do nor omit to do (nor permit to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable under an obligatory insurance repayable in whole or in part; and, in particular:

(a) each Borrower shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 12.7(c)) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Lender has not given its prior approval;

(b) no Borrower shall make any changes relating to the classification or classification society or manager or operator of the Ship owned by it unless approved by the underwriters of the obligatory insurances;

(c) each Borrower shall make (and promptly supply copies to the Lender of) all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading (if permitted by the Lender) to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and

(d) no Borrower shall employ its Ship, nor allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

12.13 Alteration to terms of insurances. No Borrower shall make or agree to any alteration to the terms of any obligatory insurance nor waive any right relating to any obligatory insurance.

12.14 Settlement of claims. No Borrower shall settle, compromise or abandon any claim under any obligatory insurance for Total Loss or for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Lender to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

12.15 Provision of copies of communications. Each Borrower shall provide the Lender, at the time of each such communication, copies of all written communications between the relevant Borrower and:

(a) the approved brokers; and

(b) the approved protection and indemnity and/or war risks associations; and

(c) the approved insurance companies and/or underwriters, which relate directly or indirectly to:

(i) that Borrower's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

(ii) any credit arrangements made between that Borrower and any of the persons referred to in paragraphs (a) or (b) above relating wholly or partly to the effecting or maintenance of the obligatory insurances.

12.16 Provision of information. In addition, each Borrower shall promptly provide the Lender (or any persons which it may designate) with any information which the Lender (or any such designated person) requests for the purpose of:

(a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or

(b) effecting, maintaining or renewing any such insurances as are referred to in Clause 12.17 below or dealing with or considering any matters relating to any such insurances,

and each Borrower shall, forthwith upon written demand, indemnify the Lender in respect of all fees and other expenses incurred by or for the account of the Lender in connection with any such report as is referred to in paragraph (a) above.

12.17 Mortgagee's interest and additional perils insurances. The Lender shall be entitled from time to time to effect, maintain and renew a mortgagee's interest additional perils insurance and a mortgagee's interest marine insurance on such terms, in such amounts, through such insurers and generally in such manner as the Lender may from time to time consider appropriate and the Borrowers shall upon demand fully indemnify the Lender in respect of all premiums and other expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

12.18 Review of insurance requirements. The Lender shall be entitled to review the requirements of this Clause 12 from time to time in order to take account of any changes in circumstances after the date of this Agreement which are, in the opinion of the Lender, significant and capable of affecting the Borrowers or the Ships and their insurance (including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which the Borrowers may be subject), and may appoint insurance consultants in relation to this review at the cost of the Borrowers.

12.19 Modification of insurance requirements. The Lender shall notify the Borrowers of any proposed modification under Clause 12.18 to the requirements of this Clause 12 which the Lender considers appropriate in the circumstances, and such modification shall take effect on and from the date it is notified in writing to the Borrowers as an amendment to this Clause 12 and shall bind the Borrowers accordingly.

12.20 Compliance with mortgagee's instructions. The Lender shall be entitled (without prejudice to or limitation of any other rights which it may have or acquire under any Finance Document) to require any Ship to remain at any safe port or to proceed to and remain at any safe port designated by the Lender until the Borrower which is the owner of that Ship implements any amendments to the terms of the obligatory insurances and any operational changes required as a result of a notice served under Clause 12.19.

13 SHIP COVENANTS

13.1 General. Each Borrower also undertakes with the Lender to comply with the following provisions of this Clause 13 at all times during the Security Period except as the Lender may otherwise permit.

13.2 Ship's name and registration. Each Borrower shall keep the Ship owned by it registered in its ownership ~~as a Maltese ship at the port of Valletta~~under an Approved Flag; shall not do or allow to be done anything as a result of which such registration might be cancelled or imperilled; and shall not change the name or port of registry of a Ship.

13.3 Repair and classification. Each Borrower shall keep the Ship owned by it in a good and safe condition and state of repair:

(a) consistent with first-class ship ownership and management practice;

(b) so as to maintain the highest classification available for vessels of the same age, type and specification as such Ship with an approved classification society which is a member of IACS (or such other first class classification society as may be approved by the Lender), free of overdue recommendations and requirements affecting such Ship's class; and

(c) so as to comply with all laws and regulations applicable to vessels registered at ports ~~in Malta~~ of the relevant Approved Flag or to vessels trading to any jurisdiction to which such Ship may trade from time to time, including but not limited to the ISM Code, the ISM Code Documentation and the ISPS Code Documentation.

13.4 Modification. No Borrower shall make any modification or repairs to, or replacement of, the Ship owned by it or equipment installed on such Ship which would or might materially alter the structure, type or performance characteristics of such Ship or materially reduce its value.

13.5 Removal of parts. No Borrower shall remove any material part of the Ship owned by it, or any item of equipment installed on such Ship, unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Lender and becomes on installation on such Ship the property of the relevant Borrower and subject to the security constituted by the Mortgage and if applicable, the Deed of Covenant relative to that Ship Provided that a Borrower may install equipment owned by a third party if the equipment can be removed without any risk of damage to its Ship.

13.6 Surveys. Each Borrower shall submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Lender, provide the Lender at the expense of the Borrowers, with copies of all survey reports.

13.7 Inspection. Each Borrower shall permit the Lender (by surveyors or other persons appointed by it for that purpose) to board the Ship owned by it at all reasonable times to inspect its condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections.

13.8 Prevention of and release from arrest. Each Borrower shall promptly discharge:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, her Earnings or her Insurances;

(b) all taxes, dues and other amounts charged in respect of the Ship owned by it, her Earnings or her Insurances; and

(c) all other outgoings whatsoever in respect of the Ship owned by it, the Earnings or the Insurances,

and, forthwith upon receiving notice of the arrest of the Ship owned by it, or of its detention in exercise or purported exercise of any lien or claim, the relevant Borrower shall procure its release by providing bail or otherwise as the circumstances may require.

13.9 Compliance with laws etc. Each of the Borrowers shall:

(a) comply, or procure compliance with the ISM Code, the ISPS Code, all Environmental Laws and all other laws or regulations relating to the Ship owned by it, its ownership, operation and management or to the business of the relevant Borrowers;

(b) not employ the Ship owned by it, nor allow its employment in any manner contrary to any law or regulation in any relevant jurisdiction including but not limited to the ISM Code and the ISPS Code; and

(c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit it to enter or trade to any zone which is declared a war zone by any government or by such Ship's war risks insurers unless the prior written consent of the Lender has been given and the relevant Borrower has (at its expense) effected any special, additional or modified insurance cover which the Lender may require.

13.10 Provision of information. Each Borrower shall promptly provide the Lender with any information which it requests regarding:

(a) the Ship owned by it, its employment, position and engagements;

(b) the Earnings and payments and amounts due to such Ship's master and crew;

(c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of such Ship and any payments made in respect of such Ship;

(d) any towages and salvages; and

(e) the relevant Borrower's, the Approved Manager's or such Ship's compliance with the ISM Code and the ISPS Code,

and, upon the Lender's request, provide copies of any current charter and any charter guarantee in relation thereto relating to such Ship, of any current charter guarantee and of the ISM Code Documentation and ISPS Code Documentation.

13.11 Notification of certain events. Each Borrower shall immediately notify the Lender by fax, confirmed forthwith by letter, of:

(a) any casualty which is or is likely to be or to become a Major Casualty;

(b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority which is not immediately complied with;

(d) any arrest or detention of the Ship owned by it, any exercise or purported exercise of any lien on such Ship or its Earnings or any requisition of such Ship for hire;

(e) any intended dry docking of the Ship owned by it;

(f) any Environmental Claim made against the relevant Borrower or in connection with the Ship owned by it, or any Environmental Incident;

(g) any claim for breach of the ISM Code or the ISPS Code being made against the relevant Borrower, the Approved Manager or otherwise in connection with the Ship owned by it; or

(h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with,

and each Borrower shall keep the Lender advised in writing on a regular basis and in such detail as the Lender shall require of each Borrower's, the Approved Manager's or any other person's response to any of those events or matters.

13.12 Restrictions on chartering, appointment of managers etc. No Borrower shall:

(a) let the Ship owned by it on demise charter for any period;

(b) enter into any time or consecutive voyage charter in respect of the Ship owned by it for a term which exceeds, or which by virtue of any optional extensions may exceed, 12 months;

(c) enter into any charter in relation to the Ship owned by it under which more than 2 months' hire (or the equivalent) is payable in advance;

(d) charter the Ship owned by it otherwise than on bona fide arm's length terms at the time when such Ship is fixed;

(e) appoint a manager of the Ship owned by it other than the Approved Manager or agree to any alteration to the terms of the Approved Manager's appointment;

(f) de-activate or lay up the Ship owned by it; or

(g) put the Ship owned by it into the possession of any person for the purpose of work being done upon her in an amount exceeding or likely to exceed $500,000 (or the equivalent in any other currency) unless that person has first given to the Lender and in terms satisfactory to it a written undertaking not to exercise any lien on such Ship or her Earnings for the cost of such work or for any other reason.

13.13 Notice of Mortgage. Each Borrower shall keep the Mortgage registered against the Ship owned by it as a valid first priority mortgage, carry on board such Ship a certified copy of the Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of such Ship a framed printed notice stating that such Ship is mortgaged by the relevant Borrower to the Lender.

13.14 Sharing of Earnings. No Borrower shall enter into any agreement or arrangement for the sharing of any Earnings.

14 SECURITY COVER

14.1 Minimum required security cover. Clause 14.2 applies if the Lender notifies the Borrowers at any time (other than during the Waiver Period) that:

(a) the aggregate Market Value of the Ships; plus

(b) the net realisable value of any additional security previously provided under this Clause 14,

is below 125 per cent. of the amount of the Loan and the Swap Exposure.

14.2 Provision of additional security; prepayment. If the Lender serves a notice on the Borrowers under Clause 14.1, the Borrowers shall, within 1 month after the date on which the Lender's notice is served, either;

(a) provide, or ensure that a third party provides, additional security which, in the opinion of the Lender, has a net realisable value at least equal to the shortfall and is documented in such terms as the Lender may approve or require; or

(b) prepay such part (at least) of the Loan as will eliminate the shortfall.

14.3 Valuation of Ships. The Market Value of a Ship at any date is that shown by ~~the average of two valuations~~ a valuation prepared:

(a) as at a date not more than 14 days previously;

(b) by ~~2~~ an independent sale and purchase ~~shipbrokers~~ shipbroker which the Lender has appointed ~~or~~ and the Borrowers have approved (such approval not to be unreasonably withheld) for the purpose;

(c) with or without physical inspection of the relevant Ship (as the Lender may require);

(d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer;

(e) free of any existing charter or other contract of employment ~~(~~other than:

(i) in the case of ~~a Ship,~~ any ~~Approved~~ Relevant Charter to which that Ship may be subject and which has an unexpired duration of at least 11 months; and

(ii) in the case of a Fleet Vessel, any charterparty to which that Fleet Vessel may be subject, which is made, between the owner of that Fleet Vessel and a charterer acceptable to the Lender and has an unexpired duration of at least 11 months,

~~(c)12 months. in which such Approved Charter~~ in which case such Relevant Charter or, as the case may be, charterparty, shall be taken into account in determining the Market Value of the relevant Ship~~)~~ or, as the case may be, Fleet Vessel Provided that in the case of a Relevant Charter, the Lender is satisfied that the parties to such Relevant Charter are in full compliance with the terms thereof; and

(f) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale~~:~~.

~~**Provided that** if one such valuation is more than 115 per cent. of the other valuation.then the Lender shall select a third independent sale and. purchase broker to provide a valuation of the relevant Ship in accordance with this Clause 14.3 and the Market Value of that Ship shall be the arithmetic average of all three such valuations.~~ In this Clause 14.3 **"Relevant Charter"** means, in relation to a Ship, any time charter party in respect of that Ship entered into by the relevant Borrower or, as the case may be, Owner and a charterer in all respects acceptable to the Lender, exceeding or which, by virtue of any optional extensions is capable of exceeding. 11 months in duration (as the same may be amended or supplemented from time to time) on terms and substance in all respects acceptable to the Lender.

14.4 Value of additional vessel security. The net realisable value of any additional security which is provided under Clause 14.2 and which consists of a Security Interest over a vessel shall be that shown either by way of a valuation complying with the requirements of Clause 14.3 or by a valuation from an independent sale and purchase shipbroker appointed by the Borrowers and approved by the Lender (and on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and willing buyer, free of charter or other contract of employment).

14.5 Valuations binding. Any valuation under Clause 14.2, 14.3 or 14.4 shall be binding and conclusive as regards the Borrowers, as shall be any valuation which the Lender makes of any additional security which does not consist of or include a Security Interest.

14.6 Frequency of valuation. The Borrowers acknowledge and agree that the Lender may commission ~~valuations of each Ship to be furnished together with the delivery of the audited financial statements and the semi-annual unaudited financial statements respectively not more than twice during each 12 month period of the Security Period,~~ a valuation of each Ship:

(a) at the end of each 3-month period ending on 31 March. 30 June. 30 September and 31 December in each year;

(b) if the Lender provides its consent pursuant to Clause 10.18 in respect of any amendment and/or variation of a Relevant Charter, immediately after such amendment and/or variation has been effected, and

(c) at any other time as the Lender may determine (including., but not limited to. at any time when, in the opinion of the Lender, any charterer in respect of a Relevant Charter is not in compliance with the terms of that Relevant Charter) in its absolute discretion.

14.7 Provision of information. Each Borrower shall promptly provide the Lender and any ship broker or expert acting under Clause 14.3 with any information which the Lender or any independent ship broker or expert may request for the purposes of the valuation; and, if a Borrower fails to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which that ship broker or the Lender (or the expert appointed by it) considers prudent.

14.8 Payment of valuation expenses. Without prejudice to the generality of the Borrowers' obligations under Clauses 19.2, 19.3 and 20.3, each Borrower shall, on demand, pay the Lender the amount of the fees and expenses of any shipbroker or expert instructed by the Lender under this Clause and all legal and other expenses incurred by the Lender in connection with any matter arising out of this Clause.

14.9 Application of prepayment. Clause 7 shall apply in relation to any prepayment pursuant to Clause 14.2(b).

15 PAYMENTS AND CALCULATIONS

15.1 Currency and method of payments. All payments to be made by the Borrowers to the Lender under a Finance Document shall be made to the Lender:

(a) by not later than 11.00 a.m. (Athens time) on the due date;

(b) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Lender shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement); and

(c) to the account of the Lender at Bank of New York of New York, USA for credit to the account of the Lender (Account No. 8033138548), or to such other account with such other bank as the Lender may from time to time notify to the Borrowers.

15.2 Payment on non-Business Day. If any payment by the Borrowers under a Finance Document would otherwise fail due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day,

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

15.3 Basis for calculation of periodic payments. All interest and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

15.4 Lender accounts. The Lender shall maintain an account showing the amounts advanced by the Lender and all other sums owing to the Lender from the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

15.5 Accounts prima facie evidence. If the account maintained under Clause 15.4 shows an amount to be owing by the Borrowers or a Security Party to the Lender, that account shall be prima facie evidence, save in the case of manifest error, that amount is owing to the Lender.

16 APPLICATION OF RECEIPTS

16.1 Normal order of application. Except as any Finance Document may otherwise provide, any sums which are received or recovered by the Lender under or by virtue of any Finance Document shall be applied:

(a) FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents (other than under the Master Agreement) in the following order and proportions:

(i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Lender under the Finance Documents and the Master Agreement other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by the Borrowers under Clauses 19, 20 and 21 of this Agreement or by the Borrowers or any Security Party under any corresponding or similar provision in any other Finance Document or in the Master Agreement;

(ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Lender under the Finance Documents and the Master Agreement (and, for this purpose, the expression "interest" shall include any net amount which the Borrowers shall have become liable to pay or deliver under section 2(e) (Obligations) of the Master Agreement but shall have failed to pay or deliver to the Lender at the time of application or distribution under this Clause 16); and

(iii) thirdly, in or towards satisfaction pro rata of the Loan and the Swap Exposure calculated as at the actual Early Termination Date applying to each particular Transaction, or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder);

SECONDLY: in retention of an amount equal to any amount not then due and payable under any Finance Document or the Master Agreement but which the Lender, by notice to the Borrowers and the Security Parties states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause;

THIRDLY: any surplus shall be paid to the Borrowers or to any other person appearing to be entitled to it.

16.2 Variation of order of application. The Lender may, by notice to the Borrowers and the Security Parties, provide for a different manner of application from that set out in Clause 16.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

16.3 Notice of variation of order of application. The Lender may give notices under Clause 16.2 from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Business Day before the date on which the notice is served.

16.4 Appropriation rights overridden. This Clause 16 and any notice which the Lender gives under Clause 16.3 shall override any right of appropriation possessed, and any appropriation made, by the Borrowers or any other Security Party.

17 APPLICATION OF EARNINGS

17.1 Payment of Earnings. Each Borrower undertakes with the Lender to ensure that, throughout the Security Period (and subject only to the provisions of the General Assignments), all the Earnings in relation to each Ship are paid to the Earnings Account in respect of that Ship.

17.2 Application of Earnings. Until an Event of Default or a Potential Event of Default occurs, the Lender shall on each Repayment Date and on each due date for the payment of interest under this Agreement apply (and the Borrowers hereby irrevocably authorise the Lender to apply) so much of the balance on the Earnings Accounts as equals:

(a) the repayment instalment due on that Repayment Date; or

(b) the amount of interest payable on that interest payment date,

in each case in discharge of the Borrowers' liability for that repayment instalment or that interest.

17.3 Interest accrued on Accounts. Any credit balance on:

(a) ~~**17.3**~~the Accounts (other than a Sale Proceeds Account) shall bear interest at the rate from time to time offered by the Lender to its customers for Dollar deposits of similar amounts and for periods similar to those for which such balances appear to the Lender likely to remain on that Account~~.~~; and

(b) a Sale Proceeds Account shall (if such balance is fixed on a time deposit basis) bear interest at a rate 0.5 per cent below the interest rate applicable at the relevant time to the Loan pursuant to this Agreement.

17.4 Release of accrued interest. Interest accruing under Clause 17.3 shall be freely available to the Borrowers.

17.5 Location of accounts. Each Borrower shall promptly:

(a) comply with any requirement of the Lender as to the location or re-location of the Accounts or ~~either~~ -any -of them;

(b) execute any documents which the Lender specifies to create or maintain in favour of the Lender a Security Interest over (and/or rights of set-off, consolidation or other rights in relation to) the Accounts.

17.6 Debits for expenses etc. The Lender shall be entitled (but not obliged) from time to time to debit the Accounts (or either of them) with prior notice in order to discharge any amount due and payable (which remains unpaid) to it under Clauses 19 or 20 or payment of which it has become entitled to demand under Clauses 19 or 20.

17.7 Borrowers' obligations unaffected. The provisions of this Clause 17 (as distinct from a distribution effected under Clause 17.2) do not affect:

(a) the liability of the Borrowers to make payments of principal and interest on the due dates; or

(b) any other liability or obligation of the Borrowers or any Security Party under any Finance Document.

18 EVENTS OF DEFAULT

18.1 Events of Default. An Event of Default occurs if:

(a) any Borrower-, any Owner or the Corporate Guarantor fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document; or

(b) any breach occurs of Clauses 8.2, 10.2, 10.3, 10.16, 11.2, 11.3, 14.2 or 17.1; or

(c) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraph (a) or (a) above) if, in the opinion of the Lender, such default is capable of remedy and such default continues unremedied 14 days after written notice from the Lender requesting action to remedy the same; or

(d) (subject to any applicable grace period specified in any Finance Document) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraph (a), (b) or (c) above); or

(e) any representation, warranty or statement made by, or by an officer of, any Borrower or a Security Party in a Finance Document or in the Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made; or

(f) any of the following occurs in relation to any Financial Indebtedness of a Relevant Person exceeding (in the case of the Corporate Guarantor) $1,000,000 (or the equivalent in any other currency) in aggregate:

(i) any Financial Indebtedness of a Relevant Person is not paid when due or, if so payable, on demand; or

(ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

(iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is terminated by the lessor or owner or becomes capable of being terminated as a consequence of any termination event; or

(iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or

(v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

(g) any of the following occurs in relation to a Relevant Person:

(i) a Relevant Person becomes, in the opinion of the Lender, unable to pay its debts as they fall due; or

(ii) any assets of a Relevant Person are subject to any form of execution, attachment, arrest, sequestration or distress in respect of a sum of, or sums aggregating, $500,000 or more or the equivalent in another currency; or

(iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(iv) a Relevant Person makes any formal declaration of bankruptcy or any formal statement to the effect that it is insolvent or likely to become insolvent, or a winding up or administration order is made in relation to a Security Party, or the members or directors of any Borrower or the Corporate Guarantor pass a resolution to the effect that it should be wound up, placed in administration or cease to carry on business, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than the Borrowers or the Corporate Guarantor which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Lender and effected not later than 3 months after the commencement of the winding up; or

(v) a petition is presented in any Pertinent Jurisdiction for the winding up or administration, or the appointment of a provisional liquidator, of a Relevant Person unless the petition is being contested in good faith and on substantial grounds and is dismissed or withdrawn within 60 days of the presentation of the petition; or

(vi) a Relevant Person petitions a court, or presents any proposal for, any form of judicial or non judicial suspension or deferral of payments, reorganisation of its debt (or substantial part of its debt) or arrangement with all or a substantial proportion (by number or value) of its creditors or of any class of them (save for, in the case of the Corporate Guarantor, non judicial suspension or deferral of payments, reorganisation of its debt (or substantial part of its debt) or arrangement which occurs in its ordinary course of its business and not as a result of the Corporate Guarantor's inability to meet its obligations and/or liabilities) or any such suspension or deferral of payments, reorganisation or arrangement is effected by court order, contract or otherwise; or

(vii) any meeting of the members or directors of a Relevant Person is summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iii), (iv), (v) or (vi) above; or

(viii) in a Pertinent Jurisdiction other than England, any event occurs or any procedure is commenced which, in the opinion of the Lender, is similar to any of the foregoing; or

(h) any Borrower ceases or suspends carrying on its business or a part of its business which, in the opinion of the Lender, is material in the context of this Agreement; or

(i) it becomes unlawful in any Pertinent Jurisdiction or impossible:

(i) for any Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Lender considers material under a Finance Document; or

(ii) for the Lender to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

(j) any consent necessary to enable any Borrower to own, operate or charter the Ship owned by it or to enable any Borrower or any Security Party to comply with any provision which the Lender considers material of a Finance Document is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled; or

(k) it appears to the Lender that, without its prior consent, a change has occurred after the date of this Agreement in the legal ownership of any of the shares in, any Borrower or Owners or in the ultimate control of the voting rights attaching to any of those shares; or

(1) any provision which the Lender considers material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or

(m) the security constituted by a Finance Document is in any way imperilled or in jeopardy; or

(n) an Event of Default (as defined in section 14 of the Master Agreement) occurs; or

(o) the Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Lender; or

(p) any other event occurs or any other circumstances arise or develop including, without limitation:

(i) a change in the financial position, state of affairs or prospects of any Borrower, the Group, the Corporate Guarantor or any other Security Party; or

(ii) any accident or other event involving either of the Ships or another vessel, owned, chartered or operated by a Relevant Person,

in the light of which the Lender considers that there is a significant risk that any Borrower or any Security Party is, or will later become, unable to discharge its liabilities under the Finance Documents as they fall due.

18.2 Actions following an Event of Default. On, or at any time after, the occurrence of an Event of Default the Lender may:

(a) serve on the Borrowers a notice stating that all obligations of the Lender to the Borrowers under this Agreement are terminated; and/or

(b) serve on the Borrowers a notice stating that the Loan, all accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand; and/or

(c) take any other action which, as a result of the Event of Default or any notice served under paragraph (a) or (b) above, the Lender is entitled to take under any Finance Document or any applicable law.

18.3 Termination of Commitment. On the service of a notice under Clause 18.2(a) the Commitment, and, all other obligations of the Lender to the Borrowers under this Agreement shall terminate.

18.4 Acceleration of Loan. On the service of a notice under Clause 18.2(b), the Loan, all accrued interest and all other amounts accrued or owing from the Borrowers (or either of them) or any Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

18.5 Multiple notices; action without notice. The Lender may serve notices under Clauses 18.2(a) and (b) simultaneously or on different dates and it may take any action referred to in Clause 18.2 if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

18.6 Exclusion of Lender liability. Neither the Lender nor any receiver or manager appointed by the Lender, shall have any liability to the Borrowers (or any of them) or any other Security Party:

(a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

(b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt the Lender or a receiver or manager from liability for losses shown to have been caused directly and mainly by the dishonesty, the gross negligence or the willful misconduct of the Lender's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

18.7 Relevant Persons. In this Clause 18 a "**Relevant Person**" means each Borrower, the Corporate Guarantor, any other Security Party and any other member of the Group; but excluding any company which is dormant and the value of whose gross assets is $50,000 or less.

18.8 Interpretation. In Clause 18.1(f) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 18.1(g) "**petition**" includes an application,

19 FEES AND EXPENSES

19.1 Arrangement ~~and management fees~~fee. The Borrowers shall pay to the Lender on a non-refundable arrangement fee of $450,000 on the earlier of (i) the Drawdown Date and (ii) the last day of the Availability Period~~.~~.

19.2 Costs of negotiation, preparation etc. The Borrowers shall pay to the Lender on its demand the amount of all reasonable expenses incurred by the Lender in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document.

19.3 Costs of variation, amendments, enforcement etc. The Borrowers shall pay to the Lender, within 5 Business Days of the Lender's demand, the amount of all reasonable expenses incurred by the Lender in connection with:

(a) any amendment or supplement to a Finance Document, or any proposal for such an amendment to be made;

(b) any consent or waiver by the Lender concerned under or in connection with a Finance Document, or any request for such a consent or waiver;

(c) the valuation of any security provided or offered under Clause 14 or any other matter relating to such security; or

(d) any step taken by the Lender with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose.

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

19.4 Documentary taxes. The Borrowers shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Lender's demand, fully indemnify the Lender against any claims, expenses, liabilities and losses resulting from any failure or delay by the Borrowers (or either of them) to pay such a tax.

19.5 Certification of amounts. A notice which is signed by 2 officers of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 19 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence, save in the case of manifest error, that the amount, or aggregate amount, is due.

20 INDEMNITIES

20.1 Indemnities regarding borrowing and repayment of Loan. The Borrowers shall fully indemnify the Lender on its demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by the Lender, or which the Lender reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

(a) the Loan not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender;

(b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;

(c) any failure (for whatever reason) by the Borrowers (or any of them) to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrowers on the amount concerned under Clause 6);

(d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 18,

and in respect of any tax (other than tax on its overall net income) for which the Lender is liable in connection with any amount paid or payable to the Lender (whether for its own account or otherwise) under any Finance Document.

20.2 Breakage costs. Without limiting its generality, Clause 20.1 covers any claim, expense, liability or loss, including a loss of a prospective profit, incurred by the Lender:

(a) in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of the Loan and/or any overdue amount (or an aggregate amount which includes the Loan or any overdue amount); and

(b) in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender) to hedge any exposure arising under this Agreement or a number of transactions of which this Agreement is one.

20.3 Miscellaneous indemnities. The Borrowers shall fully indemnify the Lender on its demand in respect of all claims, expenses, liabilities and losses which may be made or brought against or incurred by the Lender, in any country, as a result of or in connection with:

(a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Lender or by any receiver appointed under a Finance Document;

(b) any other Pertinent Matter,

other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the dishonesty or wilful misconduct of the officers or employees of the Lender.

Without prejudice to its generality, this Clause 20.3 covers any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code or any Environmental Law.

20.4 Currency indemnity. If any sum due from the Borrowers or any Security Party to the Lender under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be paid (the "**Contractual Currency**") into another currency (the "**Payment Currency**") for the purpose of:

(a) making or lodging any claim or proof against the Borrowers (or either of them) or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

(b) obtaining an order or judgment from any court or other tribunal; or

(c) enforcing any such order or judgment,

the Borrowers shall indemnify the Lender against the loss arising when the amount of the payment actually received by the Lender is converted at the available rate of exchange into the Contractual Currency.

In this Clause 20.4, the "**available rate of exchange**" means the rate at which the Lender is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 20.4 creates a separate liability of the Borrowers which is distinct from their other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

20.5 Application to Master Agreement. For the avoidance of doubt, Clause 20.4 does not apply in respect of sums due from the Borrowers to the Lender under or in connection with the Master Agreement as to which sums the provisions of section 8 (Contractual Currency) of the Master Agreement shall apply.

20.6 Certification of amounts. A notice which is signed by 2 officers of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 20 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence, save in the case of manifest error, that the amount, or aggregate amount, is due.

21 NO SET-OFF OR TAX DEDUCTION

21.1 No deductions. All amounts due from the Borrowers under a Finance Document shall be paid:

(a) without any form of set-off, cross-claim or condition; and

(b) free and clear of any tax deduction except a tax deduction which the Borrowers are required by law to make.

21.2 Grossing-up for taxes. If the Borrowers are required by law to make a tax deduction from any payment:

(a) the Borrowers shall notify the Lender as soon as it becomes aware of the requirement;

(b) the Borrowers shall pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises;

(c) the amount due in respect of the payment shall be increased by the amount necessary to ensure that the Lender receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would otherwise have received.

21.3 Evidence of payment of taxes. Within one month after making any tax deduction, the Borrowers shall deliver to the Lender documentary evidence satisfactory to the Lender that the tax had been paid to the appropriate taxation authority.

21.4 Exclusion of tax on overall net income. In this Clause 21 "**tax deduction**" means any deduction or withholding for or on account of any present or future tax except tax on the Lender's overall net income.

21.5 Application to Master Agreement. For the avoidance of doubt, Clause 21 does not apply in respect of sums due from the Borrowers under or in connection with the Master Agreement as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of the Master Agreement shall apply.

22 ILLEGALITY, ETC

22.1 Illegality. This Clause 22 applies if the Lender notifies the Borrowers that it has become, or will with effect from a specified date, become:

(a) unlawful or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or

(b) contrary to, or inconsistent with, any regulation,

for the Lender to maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement.

22.2 Notification and effect of illegality. On the Lender notifying the Borrowers under Clause 22.1, the Commitment shall terminate; and thereupon or, if later, on the date specified in the Lender's notice under Clause 22.1 as the date on which the notified event would become effective the Borrowers shall prepay the Loan in full in accordance with Clause 7.

22.3 Mitigation. If circumstances arise which would result in a notification under Clause 22.1 then, without in any way limiting the rights of the Lender under Clause 22.2 the Lender shall use reasonable endeavours to transfer its obligations, liabilities and rights under this Agreement and the Finance Documents to another office or financial institution not affected by the circumstances but the Lender shall not be under any obligation to take any such action if, in its opinion, to do would or might:

(a) have an adverse effect on its business, operations or financial condition; or

(b) involve it in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent with, any regulation; or

(c) involve it in any expense (unless indemnified to its satisfaction) or tax disadvantage.

23 INCREASED COSTS

23.1 Increased costs. This Clause 23 applies if the Lender notifies the Borrowers that it considers that as a result of:

(a) the introduction or alteration after the date of this Agreement of a law, or an alteration after the date of this Agreement in the manner in which a law is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on the Lender's overall net income); or

(b) complying with any regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Lender allocates capital resources to its obligations under this Agreement) (including, without limitation, any laws or regulations which shall replace, amend and/or supplement those set out in the statement of the Basle Committee on Banking Regulations and Supervisory Practices dated July 1988 and entitled "International Convergence of Capital Management and Capital Structures")) which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement,

the Lender (or a parent company of it) has incurred or will incur an "**increased cost**".

23.2 Meaning of "increased costs". In this Clause 23, "**increased costs**" means:

(a) an additional or increased cost incurred as a result of, or in connection with, the Lender having entered into, or being a party to, this Agreement or having taken an assignment of rights under this Agreement, of funding or maintaining the Commitment or performing its obligations under this Agreement, or of having outstanding all or any part of the Loan or other unpaid sums; or

(b) a reduction in the amount of any payment to the Lender under this Agreement or in the effective return which such a payment represents to the Lender or on its capital;

(c) an additional or increased cost of funding all or maintaining all or any of the advances comprised in a class of advances formed by or including the Loan or (as the case may require) the proportion of that cost attributable to the Loan; or

(d) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Lender under this Agreement;

but not an item attributable to a change in the rate of tax on the overall net income of the Lender (or a parent company of it) or an item covered by the indemnity for tax in Clause 20.1 or by Clause 21.

For the purposes of this Clause 23.2 the Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class of its assets and liabilities) on such basis as it considers appropriate.

23.3 Payment of increased costs. The Borrowers shall pay to the Lender, on its demand, the amounts which the Lender from time to time notifies the Borrowers that it has specified to be necessary to compensate it for the increased cost.

23.4 Notice of prepayment. If the Borrowers are not willing to continue to compensate the Lender for the increased cost under Clause 23.3, the Borrowers may give the Lender not less than 14 days' notice of their intention to prepay the Loan at the end of an Interest Period.

23.5 Prepayment. A notice under Clause 23.4 shall be irrevocable; and on the date specified in its notice of intended prepayment, the Commitment shall terminate and the Borrowers shall prepay (without premium or penalty) the Loan, together with accrued interest thereon at the applicable rate plus the applicable Margin.

23.6 Application of prepayment. Clause 7 shall apply in relation to the prepayment.

24 SET-OFF

24.1 Application of credit balances. The Lender may without prior notice:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Borrowers (or either of them) at any office in any country of the Lender in or towards satisfaction of any sum then due from the Borrowers (or any of them) to the Lender under any of the Finance Documents; and

(b) for that purpose:

(i) break, or alter the maturity of, all or any part of a deposit of the Borrowers (or either of them);

(ii) convert or translate all or any part of a deposit or other credit balance into Dollars;

(iii) enter into any other transaction or make any entry with regard to the credit balance which the Lender considers appropriate.

24.2 Existing rights unaffected. The Lender shall not be obliged to exercise any of its rights under Clause 24.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts, charge, lien or other right or remedy to which the Lender is entitled (whether under the general law or any document),

24.3 No Security Interest. This Clause 24 gives the Lender a contractual right of set-off only, and does not create any equitable charge or other Security Interest over any credit balance of the Borrowers (or any of them).

25 TRANSFERS AND CHANGES IN LENDING OFFICE

25.1 Transfer by Borrowers. No Borrower may, without the consent of the Lender, transfer, novate or assign any of its rights, liabilities or obligations under any Finance Document.

25.2 Assignment by Lender. The Lender may assign or transfer all or any of the rights and interests which it has under or by virtue of the Finance Documents without the consent of, but with notice to, the Borrowers.

25.3 Rights of assignee. In respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document, or any misrepresentation made in or in connection with a Finance Document, a direct or indirect assignee or transferee of any of the Lender's rights or interests under or by virtue of the Finance Documents shall be entitled to recover damages by reference to the loss incurred by that assignee or transferee as a result of the breach or misrepresentation irrespective of whether the Lender would have incurred a loss of that kind or amount.

25.4 Sub-participation; subrogation assignment. The Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents without the consent of, or any notice to, the Borrowers; and the Lender may assign, in any manner and terms agreed by it, all or any part of those rights to an insurer or surety who has become subrogated to them.

25.5 Disclosure of information. The Lender may disclose to a potential assignee or transferee or sub-participant any information which the Lender has received in relation to the Borrowers, any Security Party or their affairs under or in connection with any Finance Document, unless the information is clearly of a confidential nature.

25.6 Change of lending office. The Lender may change its lending office by giving notice to the Borrowers and the change shall become effective on the later of:

(a) the date on which the Borrowers receive the notice; and

(b) the date, if any, specified in the notice as the date on which the change will come into effect.

26 VARIATIONS AND WAIVERS

26.1 Variations, waivers etc. by Lender. A document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or the Lender's rights or remedies under such a provision or the general law, only if the document is signed, or specifically agreed to by fax by the Borrowers and the Lender and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

26.2 Exclusion of other or implied variations. Except for a document which satisfies the requirements of Clause 26.1, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Lender (or any person acting on its behalf) shall result in the Lender (or any person acting on its behalf) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

(a) a provision of this Agreement or another Finance Document; or

(b) an Event of Default; or

(c) a breach by the Borrowers (or either of them) or any other Security Party of an obligation under a Finance Document or the general law; or

(d) any right or remedy conferred by any Finance Document or by the general law,

and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

27 NOTICES

27.1 General. Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

27.2 Addresses for communications. A notice shall be sent:

(a) to the Borrowers:

Omega Building
80 Kifissias Avenue
151 25 Maroussi
Greece

Fax No: (+30) 210 8090 275
Attn: Mr. Aristidis Ioannidis

(b) to the Lender:

Piraeus Bank A.E.
47-49 Akti Miaouli
Piraeus 185 36
Greece

Fax No: +30 210 429 2601
Attn: Account Officer

or to such other address as the relevant party may notify the other.

27.3 Effective date of notices. Subject to Clauses 27.4 and 27.5:

(a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and

(b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

27.4 **Service outside business hours.** However, if under Clause 27.3 a notice would be deemed to be served:

(a) on a day which is not a Business Day in the place of receipt; or

(b) on such a Business Day, but after 5 p.m. local time,

the notice shall (subject to Clause 27.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

27.5 **Illegible notices.** Clauses 27.3 and 27.4 do not apply if the recipient of a notice notifies the sender within 1 hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

27.6 **Valid notices.** A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

(a) the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or

(b) in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

27.7 **Meaning of "notice".** In this Clause 27 "**notice**" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

28 JOINT AND SEVERAL LIABILITY

28.1 **General.** All liabilities and obligations of the Borrowers under this Agreement shall, whether expressed to be so or not, be several and, if and to the extent consistent with Clause 28.2, joint.

28.2 **No impairment of Borrower's obligations.** The liabilities and obligations of each Borrower shall not be impaired by:

(a) this Agreement being or later becoming void, unenforceable or illegal as regards any other Borrower;

(b) the Lender entering into any rescheduling, refinancing or other arrangement of any kind with any other Borrower;

(c) the Lender releasing any other Borrower or any Security Interest created by a Finance Document; or

(d) any combination of the foregoing.

28.3 **Principal debtors.** Each Borrower declares that it is and will, throughout the Security Period, remain a principal debtor for all amounts owing under this Agreement and the Finance Documents and no Borrower shall in any circumstances be construed to be a surety for the obligations of any other Borrower under this Agreement.

28.4 **Subordination.** Subject to Clause 28.5, during the Security Period, no Borrower shall:

(a) claim any amount which may be due to it from any other Borrower whether in respect of a payment made, or matter arising out of, this Agreement or any Finance Document, or any matter unconnected with this Agreement or any Finance Document; or

(b) take or enforce any form of security from any other Borrower for such an amount, or in any other way seek to have recourse in respect of such an amount against any asset of any other Borrower; or

(c) set off such an amount against any sum due from it to any other Borrower; or

(d) prove or claim for such an amount in any liquidation, administration, arrangement or similar procedure involving any other Borrower or other Security Party; or

(e) exercise or assert any combination of the foregoing.

28.5 Borrower's required action. If during the Security Period, the Lender, by notice to a Borrower, requires it to take any action referred to in paragraphs ((a)) to ((d)) of Clause 28.4, in relation to any other Borrower, that Borrower shall take that action as soon as practicable after receiving the Lender's notice.

29 SUPPLEMENTAL

29.1 Rights cumulative, non-exclusive. The rights and remedies which the Finance Documents give to the Lender are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

29.2 Severability of provisions. If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

29.3 Counterparts. A Finance Document may be executed in any number of counterparts.

29.4 Third party rights. A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

30 LAW AND JURISDICTION

30.1 English law. This Agreement shall be governed by, and construed in accordance with, English law.

30.2 Exclusive English jurisdiction. Subject to Clause 30.3, the courts of England shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Agreement.

30.3 Choice of forum for the exclusive benefit of the Lender. Clause 30.2 is for the exclusive benefit of the Lender, which reserves the rights:

(a) to commence proceedings in relation to any matter which arises out of or in connection with this Agreement in the courts of any country other than England and which have or claim jurisdiction to that matter; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

No Borrower shall commence any proceedings in any country other than England in relation to a matter which arises out of or in connection with this Agreement.

30.4 Process agent. Each Borrower irrevocably appoints Ince Process Agents Ltd. for the time being presently of 5th Floor, International House, 1 St. Katharine's Way, London El W 1AY, England, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with this Agreement.

30.5 Lender's rights unaffected. Nothing in this Clause 30 shall exclude or limit any right which the Lender may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

30.6 Meaning of "proceedings". In this Clause 30, "**proceedings**" means proceedings of any kind, including an application for a provisional or protective measure.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

DRAWDOWN NOTICE

To: Piraeus Bank A.E.
47/49 Akti Miaouli
Piraeus 185 35
Greece

Attention: Loans Administration

2008

DRAWDOWN NOTICE

1 We refer to the loan agreement (the "**Loan Agreement**") dated 2008 and made between us, as Borrowers, and you, as Lender, in connection with a facility of up to US$130,000,000. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow the Loan as follows:

(a) Amount: US$130,000,000;

(b) Drawdown Date: 2008;

(c) Duration of the first Interest Period shall be [ ] months;

(d) Payment instructions: [ ]

3 We represent and warrant that:

(a) the representations and warranties in Clause 9 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing;

(b) no Event of Default or Potential Event of Default has occurred or will result from the borrowing of the Loan.

4 This notice cannot be revoked without the prior consent of the Lender.

5 [We authorise you to deduct the second instalment of the arrangement fee referred to in Clause 19.1 from the amount of the Loan.]

for and on behalf of
ANNAPOLIS SHIPPING COMPANY LIMITED
~~**ATLAS OWNING COMPANY LIMITED**~~
FARAT SHIPPING COMPANY LIMITED
LANSAT SHIPPING COMPANY LIMITED

SCHEDULE 2

CONDITION PRECEDENT DOCUMENTS

PART A

The following are the documents referred to in Clause 8.1(a).

1 A duly executed original of each Finance Document (and of each document required to be delivered under each of them), other than those referred to in Part B.

2 Copies of the certificate of incorporation and constitutional documents of each Borrower and each Security Party.

3 Copies of resolutions of the shareholders and directors of each Borrower and each Security Party authorising the execution of each of the Finance Documents to which that Borrower or that Security Party is a party and, in the case of each Borrower, authorising named officers to execute the Drawdown Notices and any other notices under this Agreement.

4 The original of any power of attorney under which any Finance Document is executed on behalf of any Borrower or a Security Party.

5 Copies of all consents which each Borrower or any Security Party requires to enter into, or make any payment under, any Finance Document to which it is or is to be a party.

6 Copies of any Approved Charter.

7 The originals of any mandates or other documents required in connection with the opening or operation of the Earnings Accounts.

8 Evidence satisfactory to the Lender that each Borrower is a direct or indirect wholly- owned subsidiary of the Corporate Guarantor.

9 Documentary evidence that the agent for service of process named in Clause 30.4 has accepted its appointment.

10 Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the Marshall Islands, Malta and such other relevant jurisdictions as the Lender may require.

11 If the Lender so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Lender.

PART B

The following are the documents referred to in Clause 8.l(b).

1 A duly executed original of the Mortgage, the Deed of Covenant, the General Assignment, and any Charterparty Assignment (and of each document to be delivered under each of them) in respect of each Ship.

2 Documentary evidence that:

(a) each Ship is in the absolute and unencumbered ownership of the relevant Borrower save as contemplated by the Finance Documents;

(b) each Ship maintains the highest available class with such first-class classification society which is a member of IACS as the Agent may approve free of all recommendations and conditions of such classification society;

(c) the Mortgage relative to each Ship has been duly registered against that Ship as a valid first priority ship mortgage in accordance with the laws of Malta; and

(d) each Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.

3 Documents establishing that each Ship will, as from the Drawdown Date, be managed by the Approved Manager on terms acceptable to the Lender, together with:

(a) the Approved Manager's Undertaking in respect of each Ship; and

(b) copies of the document of compliance (DOC), the safety management certificate (SMC) and the ISSC referred to in paragraph (a) of the definition of the ISM Code Documentation in respect of each Ship certified as true and in effect by the relevant Borrower or (as the case may be) the Approved Manager or, if the SMC or ISSC cannot be issued by the Delivery Date, evidence that this document has been applied for.

4 A valuation of each Ship prepared by 2 independent sale and purchase ship brokers, which the Lender has appointed or approved, stated to be for the purposes of this Agreement and prepared in accordance with Clause 14.3 which shows the value of an aggregate Market Value of all the Ships in an amount acceptable to the Lender.

5 A favourable opinion (at the cost of the Borrowers) from an independent insurance consultant acceptable to the Lender on such matters relating to the insurances of each Ship as the Lender may require.

6 Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the Republic of Malta and such other relevant jurisdictions as the Lender may require.

Every copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the relevant Borrower or the lawyers of the Borrowers.

EXECUTION PAGE

BORROWERS

SIGNED by)
)
for and on behalf of)
ANNAPOLIS SHIPPING COMPANY LIMITED)
in the presence of:)

SIGNED by)
)
for and on behalf of)
~~**ATLAS OWNING COMPANY LIMITED**~~)
~~in the presence of~~)

~~**SIGNED** by~~)
)
~~for and on behalf of~~)
FARAT SHIPPING COMPANY LIMITED)
in the presence of:)

SIGNED by)
)
for and on behalf of)
LANSAT SHIPPING COMPANY LIMITED)
in the presence of:)

LENDER

SIGNED by)
)
for and on behalf of)
PIRAEUS BANK A.E.)
in the presence of:)

Exhibit 4.51

Date 13 March 2008 as amended and restated
on 25 January 2010 and as further amended
and restated on 25 August 2010

ANNAPOLIS SHIPPING COMPANY LIMITED
FARAT SHIPPING COMPANY LIMITED and
LANSAT SHIPPING COMPANY LIMITED
as Borrowers

- and -

PIRAEUS BANK A.E.
as Lender

LOAN AGREEMENT

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relating to a loan facility of (originally) up to
US$130,000,000

WATSON, FARLEY & WILLIAMS
Piraeus

INDEX

THIS AGREEMENT is made on 13 March 2008 as amended and restated by the First Amending and Restating Agreement and as further amended and restated by the Second Amending and Restating Agreement (each as defined below)

BETWEEN

(1) **ANNAPOLIS SHIPPING COMPANY LIMITED, FARAT SHIPPING COMPANY LIMITED** and **LANSAT SHIPPING COMPANY LIMITED,** each a company incorporated in Malta whose registered office is at 5/2, Merchants Street, Valletta, Malta (together the "**Borrowers**" and each a "**Borrower**"); and

(2) **PIRAEUS BANK A.E.,** acting through its branch at 47-49 Akti Miaouli, 185 36 Piraeus, Greece (as "**Lender**").

BACKGROUND

The Lender has made available to the Borrowers, on a joint and several basis, a loan facility of (originally) US$130,000,000 for the purpose of providing liquidity to the Borrowers and their parent company Dryships Inc., for their general corporate purposes.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Definitions. Subject to Clause 1.5, in this Agreement:

"**Accounts**" means, together, the Earnings Accounts, the Sale Proceeds Account and the Deposit Account and, in the singular, means any of them;

"**Account Pledge**" means, in relation to each Account, the deed of pledge in respect of that Account to be executed by the Borrowers, the relevant Borrower or, as the case may be, Owner in favour of the Lender in such form as the Lender may approve or require and in the plural means all of them;

"**Accounting Information**" means the annual audited consolidated accounts to be provided by the Borrowers to the Lender in accordance with Clause 9.6(a) of this Agreement or the semi-annual unaudited accounts to be provided by the Borrowers to the Lender in accordance with Clause 9.6(b) of this Agreement;

"**Additional Charter Assignment**" means, in relation to any Approved Charter applicable to an Additional Ship, a second priority specific assignment of that Approved Charter executed or to be executed by the Additional Owner owning that Additional Ship in favour of the Lender in such form as the Lender may approve or require and, in the plural, means both of them;

"**Additional Finance Documents**" means, together, the Deposit Account Pledge, the Additional Guarantees, the Additional Mortgages and the Additional Charter Assignments and, in the singular, means any of them;

"**Additional Guarantee**" means, in relation to each Additional Owner, the guarantee of the obligations of the Borrowers under this Agreement executed or to be executed by that Additional Owner in favour of the Lender in such form as the Lender may approve or require and, in the plural, means both of them;

"**Additional Mortgage**" means, in relation to each Additional Ship, the second priority Maltese statutory mortgage over that Additional Ship executed or to be executed by the Additional Owner owning that Additional Ship (as amended and supplemented by the Mortgage Addendum relative to that Additional Ship) in favour of the Lender in such form as the Lender may approve or require and, in the plural, means both of them;

"**Additional Owner**" means each of Boone and lokasti and, in the plural, means both them;

"**Additional Owners Loan**" means the principal amount for the time being outstanding under the Additional Owners Loan Agreement;

"**Additional Owners Loan Agreement**" means the loan agreement dated 5 October 2007 as amended and supplemented from time to time entered into between (i) the Additional Owners as joint and several borrowers and (ii) the Lender as lender pursuant to which the Lender made available to the Additional Owners a loan facility of (originally) $90,000,000;

"**Additional Ship**" means each of "SAMATAN" and "PACHINO" and, in the plural, means both of them;

"**Annapolis**" means Annapolis Shipping Company Limited, a company incorporated in Malta, whose registered office is at 5/2 Merchants Street, Valletta, Malta;

"**Approved Charter**" means:

(a) in relation to the Collateral Ship:

  (i) during the Charter Period, the Charter; and

  (ii) at all times therafter, any other time charter party of that Ship to be entered by the Collateral Owner and a charterer in all respects acceptable to the Lender, exceeding or which, by virtue of any optional extensions is capable of exceeding, 12 months in duration as the same may be amended or supplemented from time to time in favour and substance in all respects acceptable to the Lender; and

(b) in relation to any other Ship, any time charter party in respect of that Ship to be entered by Farat or, as the case may be, any other Owner and a charterer in all respects acceptable to the Lender, exceeding or which, by virtue of any optional extensions is capable of exceeding, 12 months in duration as the same may be amended or supplemented from time to time in favour and substance in all respects acceptable to the Lender,

and, in the plural, means all of them;

"**Approved Flag**" means, in relation to the Collateral Ship, the Maltese flag or such flag as the Lender may, in sole and absolute discretion, approve as the flag on which that Ship shall be registered;

"**Approved Flag State**" means, in relation to the Collateral Ship, any country in which the Lender may in its sole and absolute discretion, approve that such Ship be registered;

"**Approved Manager**" means in relation to each Ship, Cardiff Marine Inc. a corporation incorporated under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia and maintaining a ship management office at Omega Building, 80 Kifissias Avenue, 151 25 Maroussi, Greece or any other company which the Lender may reasonably approve as the commercial, technical and/or operational manager of that Ship;

"**Approved Manager's Undertaking**" means, in relation to each Ship, a letter of undertaking executed or to be executed by the Approved Manager in favour of the Lender in such form as the Lender may approve or require agreeing certain matters in relation to the management of that Ship and subordinating the rights of the Approved Manager against the Ship and the relevant Borrower or, as the case may be, Owner thereof to the rights of the Lender under the Finance Documents and, in the plural, means any of them;

"**Balloon Instalment**" has the meaning given to it in clause 6.1;

"**Boone**" means Boone Star Owners Inc., a corporation incorporated in the Marshall Islands, whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

"**Borrower**" means each of Annapolis, Farat and Lansat and, in the plural, means all of them;

"**Business Day**" means a day on which banks are open in London, Athens and Piraeus and, in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

"**Charter**" means, in respect of the Collateral Ship, the time charter dated 6 March 2008 entered into between Arleta Navigation Company Limited, a member of the Group, as owner of m.v. "XANADU, a Fleet Vessel which shall be substituted by the Collateral Ship on the Delivery Date pursuant to clause 106 thereof, and SK Shipping Co., Ltd. of Seoul, Korea as charterer (as amended and supplemented by addenda nos. 1, 2 and 3 dated 31 July 2008, 29 July 2008 and 27 April 2009 respectively);

"**Charter Assignment**" means:

(a) in relation to a Ship (other an Additional Ship), a specific assignment of the rights of the relevant Borrower or, as the case may be, Owner under an Approved Charter relating to that Ship, pursuant to Clause 9.16 and any guarantee of such charter, to be executed by that Borrower or, as the case may be, Owner in favour of the Lender in such form as the Lender may approve or require and, in the plural, means all of them; and

(b) in relation to an Additional Ship, any Additional Charter Assignment relative to that Additional Ship,

and, in the plural, means all of them;

"**Charter Period**" means the period during which the Collateral Ship shall be subject to the Charter;

"**Collateral Finance Documents**" means, together, the Collateral Guarantee and the Collateral Mortgage and, in the singular, means either of them;

"**Collateral Guarantee**" means the guarantee to be given by the Collateral Owner in such form as the Lender may approve or require;

"**Collateral Mortgage**" means, the first preferred or priority ship mortgage on the Collateral Ship and, if required pursuant to the laws of the applicable Approved Flag State, a deed of covenant collateral thereto in such form as the Lender may approve or require;

"**Collateral Owner**" means Ialysos Owning Company Limited, a corporation incorporated in the Marshall Islands, whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

"**Collateral Ship**" means the 2009-built Panamax bulk carrier of 75,206 metric tons deadweight currently registered in the ownership of the Seller under the Greek flag with the name "GEMINI S" and to be acquired by the Collateral Owner on the Delivery Date and registered in its ownership under an Approved Flag with the name "AMALFI";

"**Compliance Date**" means 30 June and 31 December in each calendar year (or such other dates as of which the Corporate Guarantor prepares its consolidated financial statements which the Borrowers are required to deliver to the Lender pursuant to Clause 9.6);

"**Commitment**" means $130,000,000 as that amount may be reduced, cancelled or terminated in accordance with this Agreement;

"**Confirmation**" and "**Early Termination Date**" in relation to any continuing Transaction, have the meanings given in the Master Agreement;

"**Contractual Currency**" has the meaning given in Clause 19.4;

"**Contract Price**" means $43,000,000, being the purchase price for the Collateral Ship payable by the Collateral Owner to the Seller pursuant to the MOA;

"**Corporate Guarantee**" means a guarantee executed or to be executed by the Corporate Guarantor in favour of the Lender in such form as the Lender may approve or require;

"**Corporate Guarantor**" means Dryships Inc., a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960;

"**Current Market Value**" means, in respect of "TORO" and the Collateral Ship, the Market Value of each such Ship calculated in accordance with paragraph 12 of Schedule 1;

"**Deed of Covenant**" means in relation to a Ship, a deed of covenant collateral to the relevant Mortgage in such form as the Lender may approve or require and, in the plural, means both of them;

"**Delivery Date**" means the date within the Substitution Period on which title to and possession of the Collateral Ship is transferred from the Seller to the Collateral Owner which is the buyer thereof, pursuant to the terms of the MOA;

"**DELRAY**" means the 1994-built bulk carrier vessel of 71,860 metric tons deadweight, having IMO Number 9071600 and previously registered in the ownership of the New Owner under the Maltese flag with the name "DELRAY" and sold on 5 February 2010 to Vasilios Maritime Limited of Liberia;

"**Deposit Account**" means a deposit account either in the joint names of the Borrowers or in the name of the Corporate Guarantor with the Lender in Piraeus designated "[name of account holder] - Deposit Account" or any other account with another office of the Lender which is designated by the Lender as the Deposit Account for the purposes of this Agreement;

"**Deposit Account Pledge**" means the deed of pledge in respect of Deposit Account to be executed by the Borrowers or, as the case may be, the Corporate Guarantor in favour of the Lender in such form as the Lender may approve or require;

"**Dollars**" and "**$**" means the lawful currency for the time being of the United States of America;

"**Drawdown Date**" means 14 March 2008, being the date on which the Loan was actually advanced to the Borrowers;

"**Drawdown Notice**" means a notice in the form set out in Schedule 1 (or in any other form which the Lender approves or reasonably requires);

"**Earnings**" means, in relation to each Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Borrower which is the owner of such Ship and which arise out of the use or operation of such Ship, including (but not limited to):

(a) all freight, hire and passage moneys, compensation payable to the relevant Borrower or, as the case may be, Owner in the event of requisition of its Ship for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of such Ship;

(b) all moneys which are at any time payable under Insurances in respect of loss of earnings; and

(c) if and whenever such Ship is employed on terms whereby any moneys falling within paragraphs (a) or (b) are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to such Ship;

"**Earnings Account**" means:

(a) in the case of "TORO", an earnings account in the name of Farat with the Lender in Piraeus designated "Farat Shipping Company Limited - Earnings Account

(b) in the case of "PACHINO", an earnings account in the name of lokasti with the Lender in Piraeus designated "lokasti Shipping Company Limited - Earnings Account;

(c) in the case of "SAMATAN", an earnings account in the name of Boone with the Lender in Piraeus designated "Boone Star Owners Inc. - Earnings Account; and

(d) in the case of the Collateral Ship, an earnings account in the name of the Collateral Owner with the Lender in Piraeus designated "Ialysos Owning Company Limited - Earnings Account",

or, in any case, any other account (with that or another office of the Lender or with a bank or financial institution other than the Lender) which is designated by the Lender as the Earnings Account for the relevant Ship for the purposes of this Agreement and, in the plural, means all of them;

"**Environmental Claim**" means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and "**claim**" means a claim for damages, compensation, fines, penalties or any other payment of any kind, whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

"**Environmental Incident**" means:

(a) any release of Environmentally Sensitive Material from a Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between a Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or a Ship and/or a Borrower and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where a Borrower and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

"**Environmental Law**" means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

"**Environmentally Sensitive Material**" means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

"**Event of Default**" means any of the events or circumstances described in Clause 17.1;

"**Farat**" means Farat Shipping Company Limited, a company incorporated in Malta, whose registered office is at 5/2 Merchants Street, Valletta, Malta;

"**Finance Documents**" means:

(a) this Agreement;

(b) the First Amending and Restating Agreement;

(c) the Second Amending and Restating Agreement;

(d) the Master Agreement;

(e) the Master Agreement Assignment;

(f) the Corporate Guarantee;

(g) the General Assignments;

(h) the Mortgages;

(i) the Deeds of Covenants;

(j) the Account Pledges;

(k) the Approved Manager's Undertaking;

(l) any Charter Assignment;

(m) the New Guarantee;

(n) the Additional Finance Documents;

(o) the Collateral Finance Documents; and

(p) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrowers (or any of them) or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lender under this Agreement or any of the other documents referred to in this definition;

"**Financial Indebtedness**" means, in relation to a person (the "**debtor**"), a liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor;

(e) under any foreign exchange transaction, any interest or currency swap or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount; or

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within (a) to (e) if the references to the debtor referred to the other person;

"**First Amending and Restating Agreement**" means the amending and restating agreement dated 25 January 2010 and made between (inter alia) the Borrowers and the Lender setting out the terms and conditions upon which this Agreement was amended and restated;

"**Fleet Vessels**" means, together, all of the vessels (including, but not limited to, the Ships) owned from time to time by members of the Group;

"**General Assignment**" means, in relation to a Ship, a general assignment of the Earnings, the Insurances and the Requisition Compensation of such Ship to be executed by the relevant Borrower or, as the case may be, Owner in favour of the Lender in such form as the Lender may approve or require, and, in the plural means both of them;

"**Group**" means the Corporate Guarantor and its subsidiaries (whether direct or indirect and including, but not limited to, each Borrower, each Additional Owner and the Collateral Owner) from time to time during the Security Period and "**member of the Group**" shall be construed accordingly;

"**Insurances**" means, in relation to each Ship:

(a) all policies and contracts of insurance, including entries of such Ship in any protection and indemnity or war risks association, which are effected in respect of such Ship, its Earnings or otherwise in relation to it; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium;

"**Interest Period**" means, in relation to the Loan, a period determined in accordance with Clause 5;

"**Iokasti**" means Iokasti Owning Company Limited, a corporation incorporated under the laws of Republic of Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

"**ISM Code**" means, in relation to its application to Farat, the Owners, the Ships and their operation:

(a) The International Management Code for the Safe Operation of Ships and for Pollution Prevention, currently known or referred to as the "ISM Code", adopted by the Assembly of the International Maritime Organisation by Resolution A.741(18) on 4th November, 1993 and incorporated on 19th May, 1994 into chapter IX of the International Convention for the Safety of Life at Sea 1974 (SOLAS 1974); and

(b) all further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including without limitation, the 'Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations' produced by the International Maritime Organisation pursuant to Resolution A.788(19) adopted on 25th November, 1995,

as the same may be amended, supplemented or replaced from time to time;

"**ISM Code Documentation**" includes, in relation to a Ship:

(a) the document of compliance (DOC) and safety management certificate (SMC) issued pursuant to the ISM Code in relation to such Ship within the periods specified by the ISM Code;

(b) all other documents and data which are relevant to the ISM SMS and its implementation and verification which the Lender may require; and

(c) any other documents which are prepared or which are otherwise relevant to establish and maintain such Ship's compliance or the compliance by the Borrower owning such Ship with the ISM Code which the Lender may require;

"**ISM SMS**" means, in relation to a Ship, the safety management system for such Ship which is required to be developed, implemented and maintained under the ISM Code;

"**ISPS Code**" means the International Ship and Port Facility Security Code constituted pursuant to resolution A.924(22) of the International Maritime Organisation ("IMO") now set out in Chapter XI-2 of the Safety of Life at Sea Convention (SOLAS) 1974 (as amended) and the mandatory ISPS Code as adopted by a Diplomatic Conference of the IMO on Maritime Security in December 2002 and includes any amendments or

extensions to it and any regulation issued pursuant to it but shall only apply insofar as it is applicable law in the relevant Ship's Approved Flag State and any jurisdiction on which such Ship is operated;

"**ISPS Code Documentation**" includes:

(a) the International Ship Security Certificate issued pursuant to the ISPS Code in relation to each Ship within the period specified in the ISPS Code; and

(b) all other documents and data which are relevant to the ISPS Code and its implementation and verification which the Agent may require;

"**Lansat**" means Lansat Shipping Company Limited, a company incorporated in Malta, whose registered office is at 5/2 Merchants Street, Valletta, Malta;

"**Lender**" means Piraeus Bank A.E., acting through its branch at 47-49 Akti Miaouli, 185 36 Piraeus;

"**Leverage Ratio**" means, any relevant time, the ratio (expressed as a percentage) of:

(a) the Total Liabilities; and

(b) the Market Value Adjusted Total Assets (including, without limitation, the Ships);

"**LIBOR**" means for an Interest Period:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant Interest Period which appears on Reuters BBA Page LIBOR 01 at or about 11.00 a.m. (London time) on the second Business Day prior to the commencement of that Interest Period (and, for the purposes of this Agreement, "Reuters BBA Page LIBOR 01" means the display designated as "Reuters BBA Page LIBOR 01" on the Reuters Money News Service or such other page as may replace BBA Page LIBOR 01 on that service for the purpose of displaying rates comparable to that rate or on such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for Dollars); or

(b) if no rate is quoted on Reuters BBA Page LIBOR 01, the rate per annum determined by the Lender to be the rate per annum which leading banks in the London Interbank Market offer for deposits in Dollars in the London Interbank Market at or about 11.00 a.m. (London time) on the second Business Day prior to the commencement of that Interest Period for a period equal to that Interest Period and for delivery on the first Business Day of it;

"**Loan**" means the principal amount for the time being outstanding under this Agreement;

"**Major Casualty**" means any casualty to a Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds $500,000 or the equivalent in any other currency;

"**Margin**" means:

(a) during the period 10 August 2010 to 31 March 2012 (inclusive), 2.60 per cent. per annum; and

(b) at all times thereafter and subject to the terms of Clause 3.10, 1.75 per cent per annum;

"**Market Value**" means, in relation to "TORO", the Collateral Ship and each Fleet Vessel, the market value of that Ship or Fleet Vessel determined in accordance with Clause 13.3;

"**Market Value Adjusted Total Assets**" means, at any time, Total Assets adjusted to reflect the Market Value of all Fleet Vessels;

"**Master Agreement**" means the master agreement (on the 1992 ISDA (Multicurrency-Crossborder) form) made or to be between the Borrowers and the Lender and includes all Transactions from time to time entered into and Confirmations from time to time exchanged under the master agreement;

"**Master Agreement Assignment**" means the assignment of the Master Agreement executed or to be executed by the Borrowers in favour of the Lender in such form as the Lender may approve or require;

"**MOA**" means the memorandum of agreement dated 3 May 2010 entered into between the Seller as seller and the Collateral Owner as buyer in respect of the sale and purchase of the Collateral Ship;

"**Mortgage**" means:

(a) in the case of "TORO", the first priority Maltese mortgage over that Ship executed by Farat in favour of the Lender (as amended and supplemented by the relevant Mortgage Addenda)

(b) in the case of each Additional Ship, the relevant Additional Mortgage (as amended and supplemented by the relevant Mortgage Addenda); and

(c) in relation to the Collateral Ship, the Collateral Mortgage,

each in such form as the Lender may approve or require and in the plural means all of them;

"**Mortgage Addendum**" means:

(a) in relation to "TORO", each of the first, second and third addendum to the Mortgage on that Ship, executed or, as the context may require, to be executed by Farat;

(b) in relation to each Additional Ship, each of the first addendum and the second addendum to the Mortgage on that Additional Ship, executed or, as the context may require, to be executed by the relevant Additional Owner,

in favour of the Lender in such form as the Lender may approve or require and, in the plural, means all of them;

"**Mortgaged Ship**" means any Ship which, at the relevant time, is subject to a Mortgage;

"**Negotiation Period**" has the meaning given in Clause 3.7;

"**Net Income**" means, in relation to each financial year of the Corporate Guarantor, the aggregate income of the Group appearing in the Accounting Information for that financial year less the aggregate of:

(a) the amounts incurred by the Group during that financial year as expenses of its business;

(b) depreciation, amortisation and all interest in respect of all Financial Indebtedness of the Group paid by all members of the Group during that financial year;

(c) Net Interest Expenses;

(d) taxes; and

(e) other items charged to the Corporate Guarantor's consolidated profit and loss account for the relevant financial year;

"**Net Interest Expenses**" means, as of any date of determination, the aggregate of all interest, commitment and other fees, commissions, discounts and other costs, charges or expenses accruing due from all the members the Group during that accounting period less interest income received, determined on a consolidated basis in accordance with generally accepted accounting principles and as shown in the consolidated statements of income for the Group in the applicable Accounting Information;

"**New Guarantee**" means the guarantee of the obligations of the Borrowers under this Agreement executed or to be executed by the New Owner in favour of the Lender in such form as the Lender may approve or require;

"**New Owner**" means Lotis Traders Inc., a corporation organised and existing under the laws of the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH96960, Marshall Islands;

"**Owners**" means, together, Farat, the Additional Owners and the Collateral Owner, in the singular, means any of them;

"**PACHINO**" means the 2002-built bulk carrier vessel of 30,928 gross registered tons and 16,341 net registered tons having IMO Number 9257060 and registered in the ownership of Iokasti under Maltese flag with the name "PACHINO";

"**Payment Currency**" has the meaning given in Clause 19.4;

"**Permitted Security Interests**" means:

(a) Security Interests created by the Finance Documents;

(b) liens for unpaid master's and crew's wages in accordance with usual maritime practice;

(c) liens for salvage;

(d) liens arising by operation of law for not more than 2 months' prepaid hire under any charter in relation to a Ship not prohibited by this Agreement;

(e) liens for master's disbursements incurred in the ordinary course of trading and any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of a Ship, provided such liens do not secure amounts more than 30 days overdue (unless the overdue amount is being contested by the Owner owning such Ship in good faith by appropriate steps) and subject, in the case of liens for repair or maintenance, to Clause l2.12(g);

(f) any Security Interest created in favour of a plaintiff or defendant in any proceedings or arbitration as security for costs and expenses where a Borrower is actively prosecuting or defending such proceedings or arbitration in good faith; and

(g) Security Interests arising by operation of law in respect of taxes which are not overdue for payment or in respect of taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;

"**Pertinent Document**" means:

(a) any Finance Document;

(b) any policy or contract of insurance contemplated by or referred to in Clause 11 or any other provision of this Agreement or another Finance Document;

(c) any other document contemplated by or referred to in any Finance Document; and

(d) any document which has been or is at any time sent by or to the Lender in contemplation of or in connection with any Finance Document or any policy, contract or document falling within paragraphs (b) or (c);

"**Pertinent Jurisdiction**", in relation to a company, means:

(a) England and Wales;

(b) the country under the laws of which the company is incorporated or formed;

(c) a country in which the company's central management and control is or has recently been exercised;

(d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;

(e) a country in which assets (including, without limitation, the Ships) of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and

(f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c);

"**Pertinent Matter**" means:

(a) any transaction or matter contemplated by, arising out of, or in connection with a Pertinent Document; or

(b) any statement relating to a Pertinent Document or to a transaction or matter falling within paragraph (a),

and covers any such transaction, matter or statement, whether entered into, arising or made at any time before the signing of this Agreement or on or at any time after that signing;

"**Potential Event of Default**" means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Lender and/or the satisfaction of any other condition, would constitute an Event of Default;

"**Quotation Date**" means, in relation to any Interest Period (or any other period for which an interest rate is to be determined under any provision of a Finance Document), the day on which quotations would ordinarily be given by leading banks in the London Interbank Market for deposits in the currency in relation to which such rate is to be determined for delivery on the first day of that Interest Period;

"**Relevant Charter**" has the meaning given to it in Clause 13.3;

"**Relevant Ship**" has the meaning given to it in Clause 6.7;

"**Repayment Date**" means a date on which a repayment is required to be made under Clause 6;

"**Requisition Compensation**" includes, in relation to a Ship, all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "Total Loss";

"**Sale Amount**" means an amount equal to the whole of the sale proceeds of "DELRAY" which, as at the date of the Second Amending and Restating Agreement, is standing to the credit of the Sale Proceeds Account;

"**Sale Proceeds Account**" means an account in the joint names of the Borrowers and the New Owner with the Lender in Piraeus designated "Annapolis Shipping Company Limited et al – Sale Proceeds Account", or any other account (with that or another office of the Lender) which is designated by the Lender as the Sale Proceeds Account for the purposes of this Agreement;

"**Sale Proceeds Account Amount**" means the amount standing to the credit of the Sale Proceeds Account being the aggregate of (i) the Sale Amount and (ii) any other amount which the Borrowers may credit to such Account by exercising the option set out in Clause 6.7;

"**SAMATAN**" means the 2001-built bulk carrier vessel of 40,437 gross registered tons and 25,855 net registered tons, having IMO Number 9236171 registered in the ownership of Boone under Maltese flag with the name "SAMATAN";

"**Second Amending and Restating Agreement**" means the amending and restating agreement dated 25 August 2010 and made between (inter alia) the Borrowers and the Lender setting out the terms and conditions upon which this Agreement has been further amended and restated;

"**Secured Liabilities**" means all liabilities which the Borrowers, the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or in connection with any Finance Document or any judgment relating to any Finance Document; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

"**Security Interest**" means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the security rights of a plaintiff under an action *in rem*; and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A; but this paragraph (c) does not apply to a right of set off or combination of accounts conferred by the standard terms of business of a bank or financial institution;

"**Security Party**" means the Corporate Guarantor, the Owners, the Approved Manager and any other person (except the Lender) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the last paragraph of the definition of "Finance Documents";

"**Security Period**" means the period commencing on the date of this Agreement and ending on the date on which the Lender notifies the Borrowers and the Security Parties that:

(a) all amounts which have become due for payment by each of the Borrowers or any Security Party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document;

(c) no Borrower nor any Security Party has any future or contingent liability under Clause 18, 19 or 20 or any other provision of this Agreement or another Finance Document; and

(d) the Lender does not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of any of the Borrowers or a Security Party or in any present or possible future proceeding relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

"**Seller**" means Irika Management S.A. a company incorporated in the Republic of Panama whose registered address is at Proconsa II Building, Beatriz M. De Cabal Street, Panama 5, Republic of Panama;

"**Ships**" means, together, "TORO", the Additional Ships and the Collateral Ship and, in the singular, means any of them;

"**Substitution Period**" means the period 5 February 2010 to 30 September 2010 (inclusive);

"**Surplus Amount**" means the amount by which the aggregate of (i) the Sale Amount and (ii) the Current Market Value of Toro exceeds the Current Market Value of the Collateral Ship;

"**Swap Exposure**" means, as at any relevant date, the amount certified by the Lender to be the aggregate net amount in Dollars which would be payable by the Borrowers to the Lender under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Transactions entered into between the Borrowers and the Lender;

"**TORO**" means the 1995-built bulk carrier of 73,034 metric tons deadweight, having IMO number 9075735 and registered in the ownership of Farat under the Maltese flag with the name "TORO";

"**Total Assets**" means, the total assets of the Group as stated in the most recent Accounting Information;

"**Total Liabilities**" means, as at the date of calculation, the aggregate Financial Indebtedness of the Group;

"**Total Loss**" means, in relation to a Ship:

(a) actual, constructive, compromised, agreed or arranged total loss of such Ship;

(b) any expropriation, confiscation, requisition or acquisition of such Ship, whether for full consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority (excluding a requisition for hire for a fixed period not exceeding 1 year without any right to an extension) unless it is within 1 month redelivered to the full control of the owner owning such Ship;

(c) any arrest, capture, seizure or detention of such Ship (including any hijacking or theft) unless it is within 1 month redelivered to the full control of the owner owning such Ship;

"**Total Loss Date**" means, in relation to a Ship:

(a) in the case of an actual loss of such Ship, the date on which it occurred or, if that is unknown, the date when such Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of such Ship, the earliest of:

(i) the date on which a notice of abandonment is given to the insurers; and

(ii) the date of any compromise, arrangement or agreement made by or on behalf of the Borrower or, as the case may be, Owner owning such Ship, with such Ship's insurers in which the insurers agree to treat such Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which the relevant underwriters consider that the event constituting the total loss occurred;

"**Transaction**" has the meaning given in the Master Agreement; and

"**Waiver Period**" means the period 31 December 2008 until (and including) 31 March 2012.

1.2 Construction of certain terms. In this Agreement:

"**approved**" means, for the purposes of Clause 12, approved in writing by the Lender;

"**asset**" includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

"**company**" includes any partnership, joint venture and unincorporated association;

"**consent**" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

"**contingent liability**" means a liability which is not certain to arise and/or the amount of which remains unascertained;

"**document**" includes a deed; also a letter, fax or telex;

"**excess risks**" means, in relation to a Ship the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of that Ship in consequence of its insured value being less than the value at which the Ship is assessed for the purpose of such claims;

"**expense**" means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

"**law**" includes any order or decree, any form of delegated legislation, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

"**legal or administrative action**" means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

"**liability**" includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

"**months**" shall be construed in accordance with Clause 1.3;

"**obligatory insurances**" means, in relation to a Ship, all insurances effected, or which the Borrower or, as the case may be, Owner owning the Ship, is obliged to effect, under Clause 12 or any other provision of this Agreement or another Finance Document;

"**parent company**" has the meaning given in Clause 1.4;

"**person**" includes any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

"**policy**", in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

"**protection and indemnity risks**" means the usual risks covered by a protection and indemnity association managed in London, including pollution risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 1 of the Institute Time Clauses (Hulls) (1/10/83) or clause 8 of the Institute Time Clauses (Hulls) (1/11/1995) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;

"**regulation**" includes any regulation, rule, official directive, request or guideline whether or not having the force of law of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

"**subsidiary**" has the meaning given in Clause 1.4;

"**tax**" includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

"**war risks**" includes the risk of mines and all risks excluded by clause 23 of the Institute Time Clauses (Hulls) (1/10/83) or clause 24 of the Institute Time Clauses (Hulls) (1/11/1995).

1.3 **Meaning of** "**month**". A period of one or more "**months**" ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started ("**the numerically corresponding day**"), but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day;

and "**month**" and "**monthly**" shall be construed accordingly.

1.4 **Meaning of** "**subsidiary**". A company (S) is a subsidiary of another company (P) if:

(a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or

(b) P has direct or indirect control over a majority of the voting rights attaching to the issued shares of S; or

(c) P has the direct or indirect power to appoint or remove a majority of the directors of S; or

(d) P otherwise has the direct or indirect power to ensure that the affairs of S are conducted in accordance with the wishes of P;

and any company of which S is a subsidiary is a parent company of S.

1.5 **General Interpretation**. In this Agreement:

(a) references in Clause 1.1 to a Finance Document or any other document being in the form of a particular appendix include references to that form with any modifications to that form which the Lender approves or reasonably requires;

(b) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(c) references to, or to a provision of, any law include any amendment, extension, reenactment or replacement, whether made before the date of this Agreement or otherwise;

(d) words denoting the singular number shall include the plural and vice versa; and

(e) Clauses 1.1 to 1.5 apply unless the contrary intention appears.

1.6 **Headings**. In interpreting a Finance Document or any provision of a Finance Document, all clause, sub-clause and other headings in that and any other Finance Document shall be entirely disregarded.

2 FACILITY

2.1 **Amount of facility**. Subject to the other provisions of this Agreement, the Lender shall make available to the Borrowers a loan facility not exceeding $130,000,000 to be drawn in a single advance.

2.2 **Purpose of the Loan**. Each Borrower undertakes with the Lender to use the Loan only for the purpose stated in the preamble to this Agreement.

3 INTEREST

3.1 **Payment of normal interest**. Subject to the provisions of this Agreement, interest on the Loan in respect of each Interest Period shall be paid by the Borrowers on the last day of that Interest Period.

3.2 **Normal rate of interest**. Subject to the provisions of this Agreement, the rate of interest applicable to the Loan (or any part thereof) in respect of an Interest Period shall be the aggregate of the applicable Margin and LIBOR for that Interest Period.

3.3 **Payment of accrued interest**. In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

3.4 **Notification of market disruption**. The Lender shall promptly notify the Borrowers if:

(a) no rate is quoted on Reuters BBA Page LIBOR 01; or

(b) for any reason the Lender is unable to obtain Dollars in the London Interbank Market in order to find or continue to find the Loan (or any part thereof) during any Interest Period; or

(c) LIBOR for that Interest Period does not adequately reflect the Lender's cost of finding for that Interest Period.

3.5 **Suspension of drawdown**. If the Lender's notice under Clause 3.4 is served before the Loan is made, the Lender's obligation to make the Loan shall be suspended while the circumstances referred to in the Lender's notice continue.

3.6 **Application of alternative rate of interest**. Following the service of a notice by the Lender pursuant to Clause 3.4, but before the commencement of the Interest Period to which that notice relates, the Lender shall have the right to:

(a) reduce (in its sole discretion) the duration of the Interest Period selected by the Borrowers, unless a shorter period is not available in which case the Lender shall have the right to amend (in its sole discretion) the duration of the Interest Period selected by the Borrowers; and/or

(b) determine (in its sole discretion) the relevant rate of interest which shall apply to the Loan during that Interest Period and which shall be the aggregate of (i) the applicable Margin and (ii) either:

    (i) the arithmetic mean of the rates per annum offered, on the relevant Quotation Date, for deposits in Dollars for a period equal to, or as near as possible to, the relevant Interest Period which appear on the electronic pages (together, the "**Applicable Screen Rates**") of (aa) KLIEMM (Carl Kliem GmbH), (bb) USDDEPO=ICAP (lcap Plc) and (cc) USDDEPO=TTLK (Tullet Prebon Plc) on the Reuters Money News Services or

(ii) if:

(A) for any reason, there are no Applicable Screen Rates available on the relevant Quotation Date; or

(B) the Applicable Screen Rates (or any of them) do not reflect the rates given in the interbank market on that Quotation Date,

the rate per annum, expressed as a percentage, which reflects the cost to the Lender of funding the Loan (or any part thereof) during that Interest Period from whichever alternative sources are available to the Lender (and as it may select in its sole discretion) in Dollars or in any available currency,

(the "**Alternative Rate**").

The Lender shall promptly notify the Borrowers in writing of any Alternative Rate and any change to the Interest Period selected initially by the Borrower arising through the operation of this Clause 3.6.

3.7 **Negotiation of alternative basis for funding**. If the Borrowers do not agree with the Alternative Rate they shall notify the Lender in writing not later than 2 days after the date on which the Lender serves its notice pursuant to Clause 3.6. The Borrowers and the Lender shall use reasonable endeavours to agree, within 10 days after the date on which the Borrowers serve their notice of objection to the Alternative Rate (the "**Negotiation Period**"), an alternative basis (including, but not limited to, an alternative interest period, funding in an alternative currency or currencies and an alternative margin which, for the avoidance of doubt, shall reflect the Lender's cost of funding) for the Lender to continue to fund the Loan during the Interest Period concerned.

3.8 **Application of alternative rate of interest**. Any Alternative Rate or an alternative basis for the Lender to continue to fund the Loan shall take effect in accordance with the terms notified by the Lender pursuant to Clause 3.6 or, as the case may be, upon the terms agreed pursuant to Clause 3.7. The alternative basis shall continue to apply if the relevant circumstances are continuing at the end of the applicable Interest Period (in the case of the Alternative Rate) or interest period so set by the Lender (in each other case) and for so long as the Lender and the Borrowers are in agreement as to the alternative basis for funding.

3.9 **Prepayment**. If the Borrowers do not agree with the Interest Period and/or Alternative Rate set by the Lender pursuant to Clause 3.6 and an alternative basis for funding the Loan (or any part thereof) is not agreed pursuant to Clause 3.7 within the Negotiation Period, the Borrowers shall prepay the Loan upon demand by the Lender together with all accrued interest thereon at the applicable rate plus the applicable Margin.

3.10 **Reduction of Margin**. The Margin shall be reduced on 1 April 2012 to 1.75 per cent. per annum and shall at all times thereafter remain at such rate subject to:

(a) no Event of Default or Potential Event of Default having occurred and continuing at the relevant time; and

(b) the Borrowers not being obliged at any relevant time to provide additional security or prepay part of the Loan under Clause 13.1 if the ratio set out in Clause 13.1 were applied at that time.

4 INTEREST PERIODS

4.1 **Commencement of Interest Periods**. The first Interest Period applicable to the Loan shall commence on the Drawdown Date and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

4.2 **Duration of normal Interest Periods**. Subject to Clauses 4.3 and 4.4, each Interest Period shall be:

(a) 3, 6 or 9 months as notified by the Borrowers to the Lender not later than 11.00 a.m. (Athens time) 2 Business Days before the commencement of the Interest Period; or

(b) 3 months, if the Borrowers fail to notify the Lender by the time specified in paragraph (a); or

(c) such other period as the Lender may agree with the Borrowers.

4.3 **Duration of Interest Periods for repayment instalments**. In respect of an amount due to be repaid under Clause 6 on a particular Repayment Date, an Interest Period shall end on that Repayment Date.

4.4 **Non-availability of matching deposits for Interest Period selected**. If, after the Borrowers have selected and the Lender has agreed an Interest Period longer than 6 months, the Lender notifies the Borrowers by 11.00 a.m. (Athens time) on the third Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of 6 months.

5 DEFAULT INTEREST

5.1 **Payment of default interest on overdue amounts**. The Borrowers shall pay interest in accordance with the following provisions of this Clause 5 on any amount payable by the Borrowers under any Finance Document which the Lender does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 17.4, the date on which it became immediately due and payable.

5.2 **Default rate of interest**. Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Lender to be 2 per cent. above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at Clauses 5.3(a) and (b); or

(b) in the case of any other overdue amount, the rate set out at Clause 5.3(b).

5.3 **Calculation of default rate of interest**. The rates referred to in Clause 5.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period);

(b) the applicable Margin plus, in respect of successive periods of any duration (including at call) up to 3 months which the Lender may select from time to time:

(i) LIBOR; or

(ii) if the Lender determines that Dollar deposits for any such period are not being made available to it by leading banks in the London Interbank Market in the ordinary course of business, a rate from time to time determined by the Lender by reference to the cost of funds to it from such other sources as the Lender may from time to time determine.

5.4 **Notification of interest periods and default rates**. The Lender shall promptly notify the Borrowers of each interest rate determined by it under Clause 5.3 and of each period selected by it for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that the Borrowers are liable to pay such interest only with effect from the date of the Lender's notification.

5.5 **Payment of accrued default interest**. Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined.

5.6 **Compounding of default interest**. Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

5.7 **Application to Master Agreement**. For the avoidance of doubt, this Clause 5 does not apply to any amount payable under the Master Agreement in respect of any continuing Transaction as to which section 2(e) (Default Interest; Other Amounts) of the Master Agreement shall apply.

6 REPAYMENT AND PREPAYMENT

6.1 **Repayment instalments**. The Borrowers shall repay the Loan by 28 consecutive three- monthly instalments of (i) in the case of the first to fourth instalments (inclusive), in the amount of $5,250,000 each, (ii) in the case of the fifth to the twenty eighth instalments (inclusive), in the amount of $2,750,000 each and (iii) a balloon payment of $43,000,000 (the "**Balloon Instalment**") **Provided that** if the Loan is drawdown in less than the maximum available amount thereof, each repayment instalment (including the Balloon Instalment) shall be reduced pro rata by an amount in aggregate equal to such undrawn amount.

6.2 **Repayment Dates**. The first repayment instalment for the Loan shall be repaid on the date falling 3 months after the Drawdown Date, each subsequent repayment instalment shall be repaid at 3-monthly intervals thereafter and the last instalment shall be repaid, together with the Balloon Instalment, on the date falling on the seventh anniversary of the Drawdown Date.

6.3 **Final Repayment Date**. On the final Repayment Date, the Borrowers shall additionally pay to the Lender all other sums then accrued or owing under any Finance Document.

6.4 **Voluntary prepayment**. Subject to the following conditions, the Borrowers may prepay the whole or any part of the Loan on the last day of an Interest Period.

6.5 **Conditions for voluntary prepayment**. The conditions referred to in Clause 7.4 are that:

(a) a partial prepayment shall be $500,000 or a multiple of $500,000;

(b) the Lender has received from the Borrowers at least 10 Business Days' prior written notice specifying the amount to be prepaid and the date on which the prepayment is to be made; and

(c) the Borrowers have provided evidence satisfactory to the Lender that any consent required by the Borrowers or any Security Party in connection with the prepayment has been obtained and remains in force, and that any regulation relevant to this Agreement which affect the Borrowers or any Security Party has been complied with.

6.6 **Effect of notice of prepayment**. A prepayment notice may not be withdrawn or amended without the consent of the Lender and the amount specified in the prepayment notice shall become due and payable by the Borrowers on the date for prepayment specified in the prepayment notice.

6.7 **Mandatory prepayment**. The Borrowers shall be obliged to prepay the Relevant Amount if the Relevant Ship is sold or becomes a Total Loss:

(a) if that Ship is sold, on or before the date on which the sale is completed by delivery of such Ship to the buyer; or

(b) if that Ship becomes a Total Loss, on the earlier of the date falling 180 days after the Total Loss Date and the date of receipt by the Lender of the proceeds of insurance relating to such Total Loss.

In this Clause 6.7:

"**First Period**" means the period commencing on the date of the Second Amending and Restating Agreement and ending on the earlier of (i) the Delivery Date and (ii) the last day of the Substitution Period;

"**Relevant Amount**" means:

(a) in the case of "TORO":

(i) at any time during the First Period, an amount equal to the whole of the sale or insurance proceeds arising from the sale or Total Loss of that Ship **Provided that**:

(A) if the sale or Total Loss proceeds thereof, when aggregated with the Sale Amount, are equal to or exceed the Loan, the Borrowers will have the option exercisable, in the case of a sale, by no later than the date on which the sale of that Ship is completed by delivery thereof to its buyers or, in the case of a Total Loss, on the earlier of (aa) the date falling 180 days after the Total Loss Date and (bb) the date of receipt by the Lender of the proceeds of insurance relating to such Total Loss (but always within the Substitution Period) to deposit the Relevant Amount in the Sale Proceeds Account instead of applying such amount in prepayment of the Loan in accordance with this Clause 6.7; and

(B) if the sale or Total Loss proceeds thereof, when aggregated with the Sale Amount, are less than the Loan, the Borrowers will have the option exercisable, in the case of a sale, by no later than the date on which the sale of that Ship is completed by delivery thereof to its buyers or, in the case of a Total Loss, on the earlier

of (A) the date falling 180 days after the Total Loss Date and (B) the date of receipt by the Lender of the proceeds of insurance relating to such Total Loss (but always within the Substitution Period) to either:

(1) deposit the Relevant Amount in the Sale Proceeds Account together with an amount which, when aggregated with the Relevant Amount and the Sale Amount, is equal to or exceeds the Loan instead of applying such amount in prepayment of the Loan in accordance with this Clause 6.7; or

(2) deposit the Relevant Amount in the Sale Proceeds Account and prepay the Loan by an amount which when aggregated with the Relevant Amount and the Sale Amount is equal to or exceeds the Loan.; and

(ii) at any time during the Third Period, the Loan; and

(b) in the case of the Collateral Ship, the Loan;

"**Relevant Ship**" means:

(a) during the First and the Third Period, "TORO"; and

(b) during the Second Period, the Collateral Ship;

"**Second Period**" means the period commencing on the Delivery Date and ending on the last day of the Security Period; and

"**Third period**" means, if "TORO" has not been substituted by the Collateral Ship pursuant to Clause 7 within the Substitution Period, the period commencing on the last day of the Substitution Period and ending on the last day of the Security Period

6.8 Amounts payable on prepayment. A prepayment shall be made together with accrued interest (and any other amount payable under Clause 19 or otherwise) in respect of the amount prepaid and, if the prepayment is not made on the last day of an Interest Period, together with any sums payable under Clauses 19.1(b) and 19.2 but without premium or penalty.

6.9 Application of partial prepayment. Each partial prepayment made pursuant to Clauses 6.4 or 6.7 shall be applied pro rata against the repayment instalments specified in Clause 6.1 outstanding at the time of the partial prepayment (including, without limitation, the Balloon Instalment).

6.10 No reborrowing. No amount prepaid may be reborrowed.

6.11 Prepayment out of Excess Earnings. If on 31 March, 30 June, 30 September and 31 December in each calendar year during the Charter Period (each an "**Excess Cash Calculation Date**"), with the first such 3-month period being the period commencing on 30 September 2010, the Lender determines (on the basis of the quarterly management accounts of the Collateral Owner to be provided pursuant to Clause 9.6(d)) that the aggregate of the daily Earnings of the Collateral Ship for such 3-month period (each, a "**Relevant Period**" and, together, the "**Relevant Periods**") exceeds the aggregate of:

(a) the expenditure necessarily incurred during such Relevant Period by the Collateral Owner in operating, insuring, maintaining, repairing and generally trading the Collateral Ship (including, but not limited to, any expenses in respect of drydocking or maintenance of the Collateral Ship and management fees paid in respect of the Collateral Ship); and

(b) sums incurred by the Borrower in respect of the payment of principal on, and interest for, the Loan pursuant to this Agreement and any sums paid by the Borrower pursuant to the Master Agreement during such 3-month period,

then the Borrowers shall on the first Repayment Date to occur after the relevant Excess Cash Calculation Date pay to the Lender the amount equal to such excess (each an "**Excess Amount**" and, together, the "**Excess Amounts**") which shall be applied by the Lender pro rata against each repayment instalment (including the Balloon Instalment) which is due and payable between (and including) 31 July 2013 and the final Repayment Date (and the Borrowers hereby irrevocably authorise the Lender to make such application).

6.12 Adjustment of Excess Amount. If the Lender determines (in its sole and absolute discretion) upon review of the annual management accounts of the Collateral Owner and/or the annual audited consolidated financial statements of the Corporate Guarantor in respect of any financial year which will be delivered to the Lender pursuant to Clauses 9.6(a) and 9.6(c) respectively that the aggregate of the Excess Amounts for that financial year determined by reference to the unaudited quarterly individual financial statements of the Collateral Owner is less than the aggregate of the Excess Amounts for the whole of the financial year as determined by reference to the Collateral Owner's individual financial statements for that financial year (the "**Adjusted Excess Amount**") the Borrowers shall, following the Lender's determination as aforesaid, prepay on the date falling 10 days after the date on which the Lender notifies the Borrowers of such insufficiency the amount by which the Adjusted Excess Amount exceeds the aggregate of the Excess Amounts. If the aggregate Excess Amount for any financial year determined by the Lender by reference to the Collateral Owner's individual management financial statements for that financial year is less than the aggregate Excess Amount determined by reference to the annual management accounts of the Collateral Owner and/or the annual audited consolidated financial statements of the Corporate Guarantor for the same financial year, the difference between such two amounts shall be deducted from the amount determined by the Lender to be the Excess Amount for the first Relevant Period to occur after the Lender's determination.

7 CONDITIONS PRECEDENT

7.1 Documents, fees and no default. The substitution of "TORO" with the Collateral Ship and the release of (i) Farat from its obligations and liabilities under the Finance Documents to which it is a party and (ii) the security granted and or registered by Farat on or in connection with its Ship, are subject to the following conditions precedent:

(a) that, on or before the Delivery Date the Lender receives the documents described in Schedule 1 in form and substance satisfactory to it and its lawyers;

(b) that at the Delivery Date:

(i) no Event of Default or Potential Event of Default has occurred and is continuing or would result from the borrowing of the Loan;

(ii) the representations and warranties in Clause 8 and those of the Borrowers or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on the Delivery Date with reference to the circumstances then existing;

(iii) none of the circumstances contemplated by Clause 3.4 has occurred and is continuing; and

(iv) there has been no material adverse change in the financial position, state of affairs or prospects of the Borrowers, the Corporate Guarantor, the Group any other Security Party in the light of which the Lender considers that there is a significant risk that the Borrowers, the Corporate Guarantor, the Group or any other Security Party will later become unable to discharge its liabilities under the Finance Documents to which it is a party as they fall due; and

(v) that the Lender has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Lender may reasonably request by notice to the Borrowers prior to the Delivery Date.

7.2 **Waivers of conditions precedent**. If the Lender, at its discretion, permits the substitution of "TORO" with the Collateral Ship and the release of (i) Farat from its obligations and liabilities under the Finance Documents to which it is a party and (ii) the security granted and or registered by Farat on or in connection with its Ship before certain of the conditions referred to in Clause 7.1 are satisfied, the Borrowers shall ensure that those conditions are satisfied within 10 Business Days after the Delivery Date (or such longer period as the Lender may specify).

8 REPRESENTATIONS AND WARRANTIES

8.1 **General**. Each Borrower represents and warrants to the Lender as follows.

8.2 **Status**. Each of the Borrowers is duly incorporated and validly existing and in good standing under the laws of Malta.

8.3 **Share capital and ownership**. Each of the Borrowers has an authorised share capital of share capital of €1,164.69 divided into 500 ordinary shares of €2.329373 each and the legal title and beneficial ownership of the Borrowers' shares is held, free of any Security Interest or other claim, by the Corporate Guarantor.

8.4 **Corporate power**. Each Borrower has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to own, in the case of Farat, its Ship and maintain it in its ownership under the Maltese flag;

(b) to execute the Finance Documents and, in the case of Farat, any Approved Charter to which it is a party; and

(c) to borrow under this Agreement, to enter into Transactions under the Master Agreement and to make all the payments contemplated by, and to comply with, those Finance Documents including, without limitation, the Master Agreement.

8.5 **Consents in force**. All the consents referred to in Clause 8.4 remain in force and nothing has occurred which makes any of them liable to revocation.

8.6 **Legal validity; effective Security Interests**. The Finance Documents to which each Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute the legal, valid and binding obligations of that Borrower enforceable against the Borrower in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate;

subject to any relevant insolvency laws affecting creditors' rights generally.

8.7 **No third party Security Interests**. Without limiting the generality of Clause 8.6, at the time of the execution and delivery of each Finance Document:

(a) each Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

8.8 **No conflicts**. The execution by each Borrower of each Finance Document to which it is a party, and the borrowing by the Borrowers of the Loan, and their compliance with each Finance Document will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of the Borrowers; or

(c) any contractual or other obligation or restriction which is binding on the Borrowers or any of their assets.

8.9 **No withholding taxes**. All payments which the Borrowers are liable to make under the Finance Documents may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

8.10 **No default**. No Event of Default or Potential Event of Default has occurred and is continuing.

8.11 **Information**. All information which has been provided in writing by or on behalf of the Borrowers or any Security Party to the Lender in connection with any Finance Document satisfied the requirements of Clause 9.5; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 9.7; and there has been no material adverse change in the financial position or state of affairs of any of the Borrowers from that disclosed in the latest of those accounts.

8.12 **No litigation**. No legal or administrative action involving any Borrower (including any action relating to any alleged or actual breach of the ISM Code or the ISPS Code) has been commenced or taken or, to any Borrower's knowledge, is likely to be commenced or taken which, in either case, would be likely to have a material adverse effect on any Borrower's financial position or profitability.

8.13 **Compliance with certain undertakings**. At the date of this Agreement, each of the Borrowers is in compliance with Clauses 9.2, 9.4, 9.9 and 9.13.

8.14 **Taxes paid**. Each Borrower has paid all taxes applicable to, or imposed on or in relation to that Borrower, its business or, in the case of Farat, the Ship owned by it.

8.15 **ISM Code and ISPS Code compliance**. All requirements of the ISM Code and the ISPS Code as they relate to each Owner, the Approved Manager and the Ships have been complied with.

8.16 **No money laundering**. Without prejudice to the generality of Clause 2.2, in relation to the borrowing by the Borrowers of the Loan, the performance and discharge of its obligations and liabilities under the Finance Documents, and the transactions and other arrangements effected or contemplated by the Finance Documents, each Borrower confirms that it is acting for its own account and that the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities).

8.17 **ISO 9002**. Each Borrower will, once it is required to do so by law, obtain ISO 9002 certification.

9 GENERAL UNDERTAKINGS

9.1 **General**. Each Borrower undertakes with the Lender to comply with the following provisions of this Clause 9 at all times during the Security Period except as the Lender may otherwise permit.

9.2 **Title; negative pledge**. Each Borrower will:

(a) in the case of Farat, hold the legal title to, and own the entire beneficial interest in its Ship, her Insurances and her Earnings, free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents (and the effect of assignments contained in the Finance Documents) and except for Permitted Security Interests unless the Lender is satisfied that the conditions set out in Clause 7.1 have been fulfilled in which case the Lender shall release (i) Farat from its obligations and liabilities under the Finance Documents to which it is a party and (ii) the security granted and or registered by Farat on or in connection with its Ship on the date on which the Lender notifies the Borrowers in writing that all conditions set out in Clause 7.1 have been fulfilled to the Lender's satisfaction; and

(b) not create or permit to arise any Security Interest (except for Permitted Security Interests) over any other asset, present or future.

9.3 **No disposal of assets**. No Borrower will transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets, whether by one transaction or a number of transactions, whether related or not; or

(b) any debt payable to it or any other right (present, future or contingent right) to receive a payment, including any right to damages or compensation.

9.4 **No other liabilities or obligations to be incurred**. No Borrower will incur any Financial Indebtedness except that incurred under the Finance Documents and that reasonably incurred in the ordinary course of operating and, in the case of Farat, chartering its Ship.

9.5 **Information provided to be accurate**. All financial and other information which is provided in writing by or on behalf of the Borrowers under or in connection with any Finance Document will be true and not misleading and will not omit any material fact or consideration.

9.6 **Provision of financial statements**. The Borrowers will send or procure there are sent to the Lender:

(a) as soon as possible, but in no event later than 180 days after the end of each financial year of the Corporate Guarantor (commencing with the financial year ending on 31 December 2007), the audited consolidated financial statements of the Corporate Guarantor for that financial year;

(b) as soon as possible, but in no event later than 60 days after the end of each 6-month period in each financial year of the Corporate Guarantor ending on 30 June and 31 December (commencing with the 6-month period ending on 31 December 2007), the interim unaudited consolidated financial statements of the Borrowers of the Corporate Guarantor for that 6-month period;

(c) as soon as possible, but in no event later than 180 days after the end of each financial year of the Collateral Owner (commencing with the financial year ending on 31 December 2010), the management accounts (comprising of a balance sheet, a statement of profit and loss and a statement of cashflows) of the Collateral Owner for that financial year; and

(d) as soon as possible, but in no event later than 30 days after the end of each 3-month period in each financial year of the Collateral Owner ending on 31 March, 30 June, 30 September and 31 December (commencing with the 3-month period ending on 31 December 2010), the interim management accounts (comprising of a balance sheet, a statement of profit and loss and a statement of cashflows) of the Collateral Owner for that 3-month period.

9.7 Form of financial statements. All accounts (audited and unaudited) delivered under Clause 9.6 will:

(a) be prepared in accordance with all applicable laws and generally accepted accounting principles consistently applied;

(b) give a true and fair view of the state of affairs of the Collateral Owner, the Corporate Guarantor and the Group at the date of those accounts and of profit for the period to which those accounts relate; and

(c) fully disclose or provide for all significant liabilities of the Collateral Owner, the Corporate Guarantor and the Group.

9.8 Shareholders and creditor notices. Each Borrower will send the Lender, at the same time as they are despatched, copies of all communications which are despatched to that Borrower's shareholders or creditors or any class of them.

9.9 Consents. Each Borrower will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Lender of, all consents required:

(a) for each Borrower to perform its obligations under any Finance Document;

(b) for the validity or enforceability of any Finance Document; and

(c) for Farat to continue to own and operate its Ship,

and the Borrowers will comply with the terms of all such consents.

9.10 Maintenance of Security Interests. Each Borrower will:

(a) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a) above, authorise and hereby authorises the Lender at the cost of the Borrowers to promptly register, file, record or enrol any Finance Document with any court or authority in all Pertinent Jurisdictions, pay any

stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Finance Document, give any notice or take any other step which may be or become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

9.11 **Notification of litigation**. Each Borrower will provide the Lender with details of any legal or administrative action involving any Borrower, any Security Party, the Approved Manager, any Ship, the Earnings or the Insurances as soon as such action is instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

9.12 **Principal place of business**. Each Borrower will maintain its place of business, and keep its corporate documents and records, at the address stated in Clause 26.2(a) and no Borrower will establish, or do anything as a result of which it would be deemed to have, a place of business in the United Kingdom or the United States of America.

9.13 **Confirmation of no default**. Each Borrower will, within 2 Business Days after service by the Lender of a written request, serve on the Lender a notice which is signed by a director of each Borrower and which:

(a) states that no Event of Default or Potential Event of Default has occurred; or

(b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given.

9.14 **Notification of default**. Each Borrower will notify the Lender as soon as any Borrower becomes aware of:

(a) the occurrence of an Event of Default or a Potential Event of Default; or

(b) any matter which indicates that an Event of Default or a Potential Event of Default may have occurred,

and will keep the Lender fully up-to-date with all developments.

9.15 **Provision of further information**. Each Borrower will, as soon as practicable after receiving the request, provide the Lender with:

(a) any additional financial or other information relating to such Borrower, the Ships, the Earnings, the Insurances, the Approved Manager, the Security Parties, the Group or the Corporate Guarantor; or

(b) any additional financial or other information relating to any other matter relevant to, or to any provision of, a Finance Document,

which may be requested by the Lender at any time.

9.16 **Time Charter Assignment**. If an Owner enters into any bareboat charter or any Approved Charter (other than the Charter for as long as such charter is not assignable) in respect of its Ship, Farat shall or, as the case may be, the Borrowers shall, procure that such Owner shall, at the request of the Lender, execute in favour of the Lender a Charter Assignment in respect of such bareboat charter or Approved Charter and deliver to the Lender any documents in relation thereto which the Lender may require.

9.17 **Information on Relevant Charter**. Farat shall and the Borrowers shall procure that each Owner shall, immediately inform the Lender if the charterer which has entered into a Relevant Charter with Farat or, as the case may be, that Owner is in breach of its obligations under that Relevant Charter.

9.18 **No amendment to Relevant Charter etc**. Farat will not and the Borrowers shall procure that each Owner will not, agree to any amendment or supplement to, or waive or fail to enforce the Relevant Charter to which it is or will become a party or any of its provisions.

10 CORPORATE UNDERTAKINGS

10.1 **General**. Each Borrower also undertakes with the Lender to comply with the following provisions of this Clause 10 at all times during the Security Period except as the Lender may otherwise permit.

10.2 **Maintenance of status**. Each Borrower will maintain its separate corporate existence and remain in good standing under the laws of Malta.

10.3 **Negative undertakings**. No Borrower will:

(a) carry on any business other than the ownership, chartering and operation of the Ship owned by it; or

(b) provide any form of credit or financial assistance to:

(i) a person who is directly or indirectly interested in such Borrower's share or loan capital; or

(ii) any company in or with which such a person is directly or indirectly interested or connected,

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to such Borrower than those which it could obtain in a bargain made at arms' length;

(c) open or maintain any account with any bank or financial institution except accounts with the Lender for the purposes of the Finance Documents;

(d) issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital;

(e) acquire any shares or other securities other than US or UK Treasury bills and certificates of deposit issued by major North American or European banks, or enter into any transaction in a derivative (other than a Transaction under the Master Agreement);

(f) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation.

10.4 **Sale Proceeds Account**. The Sale Proceeds Account Amount shall remain on the Sale Proceeds Account until the earlier of:

(a) the date on which the Lender is satisfied that the conditions set out in Clause 7.1 have been fulfilled in which case the Sale Proceeds Account Amount shall be applied on that date towards satisfaction of the Contract Price and for this purpose if the Lender is satisfied the Collateral Ship is in all respects ready for delivery one (1) Business Day prior to the Delivery Date the Lender shall transfer, in a manner acceptable to the Lender and on the Borrowers written demand, the Sale Proceeds Account Amount to a suspense account held with Emporiki Bank S.A. and which Sale Proceeds Account Amount shall remain standing to that account to the order and control of the Lender and once:

(i) the Lender is satisfied that the conditions set out in Clause 7.1 have been fulfilled; and

(ii) the Borrowers provide evidence to the Lender, and the Lender is satisfied, that:

(A) all other terms of the MOA in connection with the delivery of the Collateral Ship from the Seller to the Collateral Owner have been complied with; and

(B) that the Collateral Owner is ready to pay to the Seller the balance of the Contract Price and to take delivery of the Collateral Ship, in each case pursuant to the terms of the MOA,

the Lender shall release, in a manner acceptable to the Lender in its sole discretion, the Sale Proceeds Account Amount to the Seller; and

(b) the last day of the Substitution Period in which case the Sale Proceeds Account Amount shall be applied on the first Business Day after the end of the Substitution Period in prepayment of the Loan;

10.5 Prepayment of Surplus Amount If the Lender determines, in its sole discretion and based on the Current Market Value of "TORO" which shall be delivered to the Lender pursuant to paragraph 12 of Schedule 1, on any date (the "**Calculation Date**") during the period commencing on the date of the Second Amending and Restating Agreement and ending on or prior to the Delivery Date that there is a Surplus Amount, the Lender shall apply, on the Calculation Date, an amount equal to such Surplus Amount standing to the credit of the Sale Account in prepayment of the Loan.

10.6 Novation. If the Borrowers elect to substitute of "TORO" with the Collateral Ship pursuant to the terms of this Agreement, the Borrowers shall:

(a) novate to the Collateral Owner, as borrower, their rights, title, interests, obligations and liabilities under this Agreement and the Master Agreement not later than the date falling 30 days after the Delivery Date; and

(b) execute, prepare and deliver all documents, each being in a form acceptable to the Lender, which the Lender may require for the purpose of effecting the novation set out in paragraph (a) of this Clause 10.6.

11 INSURANCE

11.1 General. Each Borrower undertakes to procure that each Owner of a Mortgaged Ship shall comply with the following provisions of this Clause 11 at all times during the Security Period except as the Lender may otherwise permit.

11.2 Maintenance of obligatory insurances. Each Borrower shall procure that each Owner of a Mortgaged Ship shall keep the Ship owned by it insured at its expense against:

(a) fire and usual marine risks (including hull and machinery and excess risks);

(b) war risks;

(c) protection and indemnity risks; and

(d) any other risks against which the Lender considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Lender be reasonable for such Owner to insure and which are specified by the Lender by notice to such Owner.

11.3 Terms of obligatory insurances. Each Borrower shall procure that each Owner of a Mortgaged Ship shall effect such insurances:

(a) in Dollars;

(b) in the case of fire and usual marine risks and war risks, in an amount on an agreed value basis at least the greater of (i) an amount equal to 125 per cent. of the aggregate of (A) the Loan and (B) any Swap Exposure and (ii) the Market Value of such Ship;

(c) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market;

(d) in relation to protection and indemnity risks, in respect of the relevant Ship's full tonnage;

(e) on approved terms; and

(f) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations.

11.4 Further protections for the Lender. In addition to the terms set out in Clause 11.3, each Borrower shall procure that the obligatory insurances shall:

(a) whenever the Lender requires, name (or be amended to name) the Lender as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Lender, but without the Lender thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

(b) name the Lender as loss payee with such directions for payment as the Lender may specify;

(c) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Lender shall be made without set-off, counterclaim or deductions or condition whatsoever;

(d) provide that the insurers shall waive, to the fullest extent permitted by English law, their entitlement (if any) (whether by statute, common law, equity, or otherwise) to be subrogated to the rights and remedies of the Lender in respect of any rights or interests (secured or not) held by or available to the Lender in respect of the Secured Liabilities, until the Secured Liabilities shall have been fully repaid and discharged, except that the insurers shall not be restricted by the terms of this paragraph (d) from making personal claims against persons (other than the relevant Owner or the Lender) in circumstances where the insurers have fully discharged their liabilities and obligations under the relevant obligatory insurances;

(e) provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Lender;

(f) provide that the Lender may make proof of loss if the relevant Owner fails to do so; and

(g) provide that if any obligatory insurance is cancelled, or if any substantial change is made in the coverage which adversely affects the interest of the Lender, or if any obligatory insurance is allowed to lapse for non-payment of premium, such cancellation, charge or lapse shall not be effective with respect to the Lender for 30 days (or 7 days in the case of war risks) after receipt by the Lender of prior written notice from the insurers of such cancellation, change or lapse.

11.5 Renewal of obligatory insurances. Each Borrower shall procure that each Owner of a Mortgaged Ship shall:

(a) at least 14 days before the expiry of any obligatory insurance:

(i) notify the Lender of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom the relevant Owner proposes to renew that obligatory insurance and of the proposed terms of renewal; and

(ii) obtain the Lender's approval to the matters referred to in paragraph (i) above;

(b) at least 14 days before the expiry of any obligatory insurance, renew that obligatory insurance in accordance with the Lender's approval pursuant to paragraph (a) above; and

(c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Lender in writing of the terms and conditions of the renewal.

11.6 Copies of policies; letters of undertaking. Each Borrower shall ensure that all approved brokers provide the Lender with pro forma copies of all policies relating to the obligatory insurances which they are to effect or renew and of a letter or letters or undertaking in a form required by the Lender and including undertakings by the approved brokers that:

(a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 11.4;

(b) they will hold such policies, and the benefit of such insurances, to the order of the Lender in accordance with the said loss payable clause;

(c) they will advise the Lender immediately of any material change to the terms of the obligatory insurances;

(d) they will notify the Lender, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from the relevant Owner or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Lender of the terms of the instructions; and

(e) they will not set off against any sum recoverable in respect of a claim relating to the relevant Ship under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of the relevant Ship or otherwise, they waive any lien on the policies (including, without limitation, any fleet lien), or any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of the relevant Ship forthwith upon being so requested by the Lender.

11.7 Copies of certificates of entry. Each Borrower shall procure that each Owner of a Mortgaged Ship shall ensure that any protection and indemnity and/or war risks associations in which that Ship is entered provides the Lender with:

(a) a certified copy of the certificate of entry for such Ship;

(b) a letter or letters of undertaking in such form as may be required by the Lender;

(c) where required to be issued under the terms of insurance/indemnity provided by the Owner's protection and indemnity association, a certified copy of each United States of America voyage quarterly declaration (or other similar document or documents) made by that Owner in accordance with the requirements of such protection and indemnity association; and

(d) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to such Ship.

11.8 Deposit of original policies. Each Borrower shall procure that each Owner of a Mortgaged Ship shall ensure that all policies relating to obligatory insurances are deposited with the approved brokers through which the insurances are effected or renewed.

11.9 Payment of premiums. Each Borrower shall procure that each Owner of a Mortgaged Ship shall punctually pay all premiums or other sums payable in respect of the obligatory insurances and produce all relevant receipts when so required by the Lender.

11.10 Guarantees. Each Borrower shall procure that each Owner of a Mortgaged Ship shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in fill force and effect.

11.11 Restrictions on employment. Each Borrower shall procure that no Owner of a Mortgaged Ship will employ its Ship, nor permit her to be employed, outside the cover provided by any obligatory insurances.

11.12 Compliance with terms of insurances. Each Borrower shall procure that each Owner of a Mortgaged Ship shall neither do nor omit to do (nor permit to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable under an obligatory insurance repayable in whole or in part; and, in particular:

(a) the relevant Owner shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 11.7(c)) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Lender has not given its prior approval;

(b) the relevant Owner shall not make any changes relating to the classification or classification society or manager or operator of the Ship owned by it unless approved by the underwriters of the obligatory insurances;

(c) the relevant Owner shall not make (and promptly supply copies to the Lender of) all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading (if permitted by the Lender) to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and

(d) the relevant Owner shall not employ its Ship, nor allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

11.13 Alteration to terms of insurances. Each Borrower shall procure that each Owner of a Mortgaged Ship shall not make or agree to any alteration to the terms of any obligatory insurance nor waive any right relating to any obligatory insurance.

11.14 Settlement of claims. Each Borrower shall procure that each Owner of a Mortgaged Ship shall not settle, compromise or abandon any claim under any obligatory insurance for Total Loss or for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Lender to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

11.15 Provision of copies of communications. Each Borrower shall procure that each Owner of a Mortgaged Ship shall provide the Lender, at the time of each such communication, copies of all written communications between the relevant Owner and:

(a) the approved brokers; and

(b) the approved protection and indemnity and/or war risks associations; and

(c) the approved insurance companies and/or underwriters, which relate directly or indirectly to:

(i) that Owner's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

(ii) any credit arrangements made between that Borrower and any of the persons referred to in paragraphs (a) or (b) above relating wholly or partly to the effecting or maintenance of the obligatory insurances.

11.16 Provision of information. In addition, each Borrower shall procure each Owner of a Mortgaged Ship shall promptly provide the Lender (or any persons which it may designate) with any information which the Lender (or any such designated person) requests for the purpose of:

(a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or

(b) effecting, maintaining or renewing any such insurances as are referred to in Clause 11.17 below or dealing with or considering any matters relating to any such insurances,

and the Borrowers shall, forthwith upon written demand, indemnify the Lender in respect of all fees and other expenses incurred by or for the account of the Lender in connection with any such report as is referred to in paragraph (a) above.

11.17 Mortgagee's interest and additional perils insurances. The Lender shall be entitled from time to time to effect, maintain and renew a mortgagee's interest additional perils insurance and a mortgagee's interest marine insurance in respect of a Mortgaged Ship on such terms, in such amounts, through such insurers and generally in such manner as the Lender may from time to time consider appropriate and the Borrowers shall upon demand filly indemnify the Lender in respect of all premiums and other expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

11.18 Review of insurance requirements. The Lender shall be entitled to review the requirements of this Clause 11 from time to time in order to take account of any changes in circumstances after the date of this Agreement which are, in the opinion of the Lender, significant and capable of affecting a Mortgaged Ship or its Owner and their insurance

(including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which the relevant Owner may be subject), and may appoint insurance consultants in relation to this review at the cost of the Borrowers.

11.19 Modification of insurance requirements. The Lender shall notify the Borrowers of any proposed modification under Clause 11.18 to the requirements of this Clause 11 which the Lender considers appropriate in the circumstances, and such modification shall take effect on and from the date it is notified in writing to the Borrowers as an amendment to this Clause 11 and shall bind the Borrowers accordingly.

11.20 Compliance with mortgagee's instructions. The Lender shall be entitled (without prejudice to or limitation of any other rights which it may have or acquire under any Finance Document) to require a Mortgaged Ship to remain at any safe port or to proceed to and remain at any safe port designated by the Lender until the Owner of that Ship implements any amendments to the terms of the obligatory insurances and any operational changes required as a result of a notice served under Clause 11.19.

12 SHIP COVENANTS

12.1 General. Each Borrower shall procure that each Owner of a Mortgaged Ship shall comply with the following provisions of this Clause 12 at all times during the Security Period except as the Lender may otherwise permit.

12.2 Ship's name and registration. Each Borrower shall procure that each Owner of a Mortgaged Ship shall keep the Ship owned by it registered in its ownership under an Approved Flag; shall not do or allow to be done anything as a result of which such registration might be cancelled or imperilled; and shall not change the name or port of registry of that Ship.

12.3 Repair and classification. Each Borrower shall procure that each Owner of a Mortgaged Ship shall keep the Ship owned by it in a good and safe condition and state of repair:

(a) consistent with first-class ship ownership and management practice;

(b) so as to maintain the highest classification available for vessels of the same age, type and specification as such Ship with an approved classification society which is a member of IACS (or such other first class classification society as may be approved by the Lender), free of overdue recommendations and requirements affecting such Ship's class; and

(c) so as to comply with all laws and regulations applicable to vessels registered at ports in Malta or to vessels trading to any jurisdiction to which such Ship may trade from time to time, including but not limited to the ISM Code, the ISM Code Documentation and the ISPS Code Documentation.

12.4 Modification. Each Borrower shall procure that each Owner of a Mortgaged Ship shall not make any modification or repairs to, or replacement of, the Ship owned by it or equipment installed on such Ship which would or might materially alter the structure, type or performance characteristics of such Ship or materially reduce its value.

12.5 Removal of parts. Each Borrower shall procure that each Owner of a Mortgaged Ship shall not, remove any material part of the Ship owned by it, or any item of equipment installed on such Ship, unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Lender and becomes on installation on such Ship the property of the relevant Borrower and subject to the security constituted by the Mortgage and if applicable, the

Deed of Covenant relative to that Ship **Provided that** the relevant Owner may install equipment owned by a third party if the equipment can be removed without any risk of damage to its Ship.

12.6 **Surveys**. Each Borrower shall procure that each Owner of a Mortgaged Ship shall, submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Lender, provide the Lender at the expense of the Borrowers, with copies of all survey reports.

12.7 **Inspection**. Each Borrower shall procure that each Owner of a Mortgaged Ship shall permit the Lender (by surveyors or other persons appointed by it for that purpose) to board the Ship owned by it at all reasonable times to inspect its condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections.

12.8 **Prevention of and release from arrest**. Each Borrower shall procure that each Owner of a Mortgaged Ship shall promptly discharge:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, her Earnings or her Insurances;

(b) all taxes, dues and other amounts charged in respect of that Ship, her Earnings or her Insurances; and

(c) all other outgoings whatsoever in respect of that Ship, the Earnings or the Insurances,

and, forthwith upon receiving notice of the arrest of that Ship, or of its detention in exercise or purported exercise of any lien or claim, the relevant Owner shall procure its release by providing bail or otherwise as the circumstances may require.

12.9 **Compliance with laws etc**. Each Borrower shall procure that each Owner of a Mortgaged Ship shall:

(a) comply, or procure compliance with the ISM Code, the ISPS Code, all Environmental Laws and all other laws or regulations relating to the Ship owned by it, its ownership, operation and management or to the business of the relevant Owner;

(b) not employ its Ship nor allow its employment in any manner contrary to any law or regulation in any relevant jurisdiction including but not limited to the ISM Code and the ISPS Code; and

(c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit it to enter or trade to any zone which is declared a war zone by any government or by such Ship's war risks insurers unless the prior written consent of the Lender has been given and the Ship owned by it has (at its expense) effected any special, additional or modified insurance cover which the Lender may require.

12.10 **Provision of information**. Each Borrower shall procure that each Owner of a Mortgaged Ship shall promptly provide the Lender with any information which it requests regarding:

(a) the Ship owned by it, its employment, position and engagements;

(b) the Earnings and payments and amounts due to such Ship's master and crew;

(c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of such Ship and any payments made in respect of such Ship;

(d) any towages and salvages; and

(e) the relevant Owner's, the Approved Manager's or such Ship's compliance with the ISM Code and the ISPS Code,

and, upon the Lender's request, provide copies of any current charter and any charter guarantee in relation thereto relating to such Ship, of any current charter guarantee and of the ISM Code Documentation and ISPS Code Documentation.

12.11 Notification of certain events. Each Borrower shall procure that each Owner of a Mortgaged Ship shall immediately notify the Lender by fax, confirmed forthwith by letter, of:

(a) any casualty which is or is likely to be or to become a Major Casualty;

(b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority which is not immediately complied with;

(d) any arrest or detention of that Ship, any exercise or purported exercise of any lien on that Ship or its Earnings or any requisition thereof for hire;

(e) any intended dry docking of that Ship;

(f) any Environmental Claim made against the relevant Owner of its Ship, or any Environmental Incident;

(g) any claim for breach of the ISM Code or the ISPS Code being made against the relevant Owner, the Approved Manager or otherwise in connection with the Ship owned by it; or

(h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with,

and each Borrower shall keep the Lender advised in writing on a regular basis and in such detail as the Lender shall require of the relevant Owner's, the Approved Manager's or any other person's response to any of those events or matters.

12.12 Restrictions on chartering, appointment of managers etc. Each Borrower shall procure that each Owner of a Mortgaged Ship will not:

(a) let its Ship on a demise charter for any period;

(b) enter into any time or consecutive voyage charter in respect of that Ship for a term which exceeds, or which by virtue of any optional extensions may exceed, 12 months;

(c) enter into any charter in relation to that Ship under which more than 2 months' hire (or the equivalent) is payable in advance;

(d) charter that Ship otherwise than on bona fide arm's length terms at the time when such Ship is fixed;

(e) appoint a manager of that Ship other than the Approved Manager or agree to any alteration to the terms of the Approved Manager's appointment;

(f) de-activate or lay up that Ship; or

(g) put that Ship into the possession of any person for the purpose of work being done upon her in an amount exceeding or likely to exceed $500,000 (or the equivalent in any other currency) unless that person has first given to the Lender and in terms satisfactory to it a written undertaking not to exercise any lien on such Ship or her Earnings for the cost of such work or for any other reason.

12.13 Notice of Mortgage. Each Borrower shall procure that each Owner of a Mortgaged Ship shall keep the Mortgage relative to its Ship registered against that Ship as a valid first or, in the case of the Additional Owners, second, priority mortgage, carry on board such Ship a certified copy of the Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of such Ship a framed printed notice stating that such Ship is mortgaged by the relevant Owner to the Lender.

12.14 Sharing of Earnings. Each Borrower shall procure that each Owner of a Mortgaged Ship shall not enter into any agreement or arrangement for the sharing of any Earnings of its Ship.

13 SECURITY COVER

13.1 Minimum required security cover. Clause 13.2 applies if the Lender notifies the Borrowers at any time (other than during the Waiver Period) that:

(a) the Market Value of the Relevant Ship; plus

(b) the net realisable value of any additional security previously provided under this Clause 14,

is below 125 per cent, of the aggregate of (i) Loan and (ii) the Swap Exposure.

13.2 Provision of additional security; prepayment. If the Lender serves a notice on the Borrowers under Clause 13.1, the Borrowers shall, within 1 month after the date on which the Lender's notice is served, either:

(a) provide, or ensure that a third party provides, additional security which, in the opinion of the Lender, has a net realisable value at least equal to the shortfall and is documented in such terms as the Lender may approve or require; or

(b) prepay such part (at least) of the Loan as will eliminate the shortfall.

13.3 Valuation of Ships. The Market Value of the Relevant Ship at any date is that shown by a valuation prepared:

(a) as at a date not more than 14 days previously;

(b) by an independent sale and purchase shipbroker which the Lender has appointed and the Borrowers have approved (such approval not to be unreasonably withheld) for the purpose;

(c) with or without physical inspection of the relevant Ship (as the Lender may require);

(d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer;

(e) free of any existing charter or other contract of employment other than:

(i) in the case of a Relevant Ship (other that the Current Market Value of "TORO" and the Collateral Ship), any Relevant Charter to which that Ship may be subject and which has an unexpired duration of at least 11 months; and

(ii) in the case of a Fleet Vessel, any charterparty to which that Fleet Vessel may be subject, which is made between the owner of that Fleet Vessel and a charterer acceptable to the Lender and has an unexpired duration of at least 11 months,

in which case such Relevant Charter or, as the case may be, charterparty, shall be taken into account in determining the Market Value of the relevant Ship or, as the case may be, Fleet Vessel **Provided that** in the case of a Relevant Charter, the Lender is satisfied that the parties to such Relevant Charter are in full compliance with the terms thereof; and

(f) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

In this Clause 13.3 "**Relevant Charter**" means, in relation to the Relevant Ship, any time charter party (including, but not limited to, any Approved Charter (other than the Charter for as long as such charter is not assigned in favour of the Lender)) in respect of that Ship entered into by the Owner of that Ship and a charterer in all respects acceptable to the Lender, exceeding or which, by virtue of any optional extensions is capable of exceeding, 11 months in duration (as the same may be amended or supplemented from time to time) on terms and substance in all respects acceptable to the Lender.

13.4 Value of additional vessel security. The net realisable value of any additional security which is provided under Clause 13.2 and which consists of a Security Interest over a vessel shall be that shown either by way of a valuation complying with the requirements of Clause 13.3 or by a valuation from an independent sale and purchase shipbroker appointed by the Borrowers and approved by the Lender (and on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and willing buyer, free of charter or other contract of employment).

13.5 Valuations binding. Any valuation under Clause 13.2, 13.3 or 13.4 shall be binding and conclusive as regards the Borrowers, as shall be any valuation which the Lender makes of any additional security which does not consist of or include a Security Interest.

13.6 Frequency of valuation. The Borrowers acknowledge and agree that the Lender may commission a valuation of the Relevant Ship:

(a) at the end of each 3-month period ending on 31 March, 30 June, 30 September and 31 December in each year;

(b) if the Lender provides its consent pursuant to Clause 9.18 in respect of any amendment and/or variation of a Relevant Charter, immediately after such amendment and/or variation has been effected, and

(c) at any other time as the Lender may determine (including, but not limited to, at any time when, in the opinion of the Lender, any charterer in respect of a Relevant Charter is not in compliance with the terms of that Relevant Charter) in its absolute discretion.

13.7 Provision of information. Each Borrower shall promptly provide the Lender and any ship broker or expert acting under Clause 13.3 with any information which the Lender or any independent ship broker or expert may request for the purposes of the valuation; and, if a Borrower fails to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which that ship broker or the Lender (or the expert appointed by it) considers prudent.

13.8 **Payment of valuation expenses**. Without prejudice to the generality of the Borrowers' obligations under Clauses 18.2, 18.3 and 19.3, each Borrower shall, on demand, pay the Lender the amount of the fees and expenses of any shipbroker or expert instructed by the Lender under this Clause and all legal and other expenses incurred by the Lender in connection with any matter arising out of this Clause.

13.9 **Application of prepayment**. Clause 6 shall apply in relation to any prepayment pursuant to Clause 13.2(b).

14 PAYMENTS AND CALCULATIONS

14.1 **Currency and method of payments**. All payments to be made by the Borrowers to the Lender under a Finance Document shall be made to the Lender:

(a) by not later than 11.00 a.m. (Athens time) on the due date;

(b) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Lender shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement); and

(c) to the account of the Lender at Bank of New York of New York, USA for credit to the account of the Lender (Account No. 8033138548), or to such other account with such other bank as the Lender may from time to time notify to the Borrowers.

14.2 **Payment on non-Business Day**. If any payment by the Borrowers under a Finance Document would otherwise fall due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day,

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

14.3 **Basis for calculation of periodic payments**. All interest and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

14.4 **Lender accounts**. The Lender shall maintain an account showing the amounts advanced by the Lender and all other sums owing to the Lender from the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

14.5 **Accounts prima facie evidence**. If the account maintained under Clause 14.4 shows an amount to be owing by the Borrowers or a Security Party to the Lender, that account shall be prima facie evidence, save in the case of manifest error, that amount is owing to the Lender.

15 APPLICATION OF RECEIPTS

15.1 Normal order of application. Except as any Finance Document may otherwise provide, any sums which are received or recovered by the Lender under or by virtue of any Finance Document shall be applied:

(a) FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents (other than under the Master Agreement) in the following order and proportions:

(i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Lender under the Finance Documents and the Master Agreement other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by the Borrowers under Clauses 18, 19 and 20 of this Agreement or by the Borrowers or any Security Party under any corresponding or similar provision in any other Finance Document or in the Master Agreement;

(ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Lender under the Finance Documents and the Master Agreement (and, for this purpose, the expression "interest" shall include any net amount which the Borrowers shall have become liable to pay or deliver under section 2(e) (Obligations) of the Master Agreement but shall have failed to pay or deliver to the Lender at the time of application or distribution under this Clause 16); and

(iii) thirdly, in or towards satisfaction pro rata of the Loan and the Swap Exposure calculated as at the actual Early Termination Date applying to each particular Transaction, or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder);

SECONDLY: in retention of an amount equal to any amount not then due and payable under any Finance Document or the Master Agreement but which the Lender, by notice to the Borrowers and the Security Parties states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause;

THIRDLY: any surplus shall be paid to the Borrowers or to any other person appearing to be entitled to it.

15.2 Variation of order of application. The Lender may, by notice to the Borrowers and the Security Parties, provide for a different manner of application from that set out in Clause 15.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

15.3 Notice of variation of order of application. The Lender may give notices under Clause 15.2 from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Business Day before the date on which the notice is served.

15.4 Appropriation rights overridden. This Clause 15 and any notice which the Lender gives under Clause 15.3 shall override any right of appropriation possessed, and any appropriation made, by the Borrowers or any other Security Party.

16 APPLICATION OF EARNINGS

16.1 Payment of Earnings. Each Borrower undertakes with the Lender to ensure that, throughout the Security Period (and subject only to the provisions of the General Assignments), all the Earnings in relation to each Ship are paid to the Earnings Account in respect of that Ship.

16.2 Application of Earnings. Until an Event of Default or a Potential Event of Default occurs, the Lender shall on each Repayment Date and on each due date for the payment of interest under this Agreement apply (and the Borrowers hereby irrevocably authorise the Lender to apply) so much of the balance on the Earnings Accounts as equals:

(a) the repayment instalment due on that Repayment Date; or

(b) the amount of interest payable on that interest payment date,

in each case in discharge of the Borrowers' liability for that repayment instalment or that interest.

16.3 Interest accrued on Accounts. Any credit balance on:

(a) the Accounts (other than the Sale Proceeds Account) shall bear interest at the rate from time to time offered by the Lender to its customers for Dollar deposits of similar amounts and for periods similar to those for which such balances appear to the Lender likely to remain on that Account; and

(b) the Sale Proceeds Account shall (if such balance is fixed on a time deposit basis) bear interest at a rate 0.5 per cent below the interest rate applicable at the relevant time to the Loan pursuant to this Agreement.

16.4 Release of accrued interest. Interest accruing under Clause 16.3 shall be freely available to the Borrowers.

16.5 Location of accounts. Each Borrower shall promptly:

(a) comply with any requirement of the Lender as to the location or re-location of the Accounts or any of them;

(b) execute any documents which the Lender specifies to create or maintain in favour of the Lender a Security Interest over (and/or rights of set-off, consolidation or other rights in relation to) the Accounts.

16.6 Debits for expenses etc. The Lender shall be entitled (but not obliged) from time to time to debit the Accounts (or either of them) with prior notice in order to discharge any amount due and payable (which remains unpaid) to it under Clauses 18 or 19 or payment of which it has become entitled to demand under Clauses 18 or 19.

16.7 Borrowers' obligations unaffected. The provisions of this Clause 16 (as distinct from a distribution effected under Clause 16.2) do not affect:

(a) the liability of the Borrowers to make payments of principal and interest on the due dates; or

(b) any other liability or obligation of the Borrowers or any Security Party under any Finance Document.

17 EVENTS OF DEFAULT

17.1 Events of Default. An Event of Default occurs if:

(a) any Borrower, any Owner or the Corporate Guarantor fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document; or

(b) any breach occurs of Clauses 7.2, 9.2, 9.3, 9.16, 10.2, 10.3, 10.4(b), 10.5, 13.2 or 16.1; or

(c) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraph (a) or (a) above) if, in the opinion of the Lender, such default is capable of remedy and such default continues unremedied 14 days after written notice from the Lender requesting action to remedy the same; or

(d) (subject to any applicable grace period specified in any Finance Document) any breach by any Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraph (a), (b) or (c) above); or

(e) any representation, warranty or statement made by, or by an officer of, any Borrower or a Security Party in a Finance Document or in the Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made; or

(f) any of the following occurs in relation to any Financial Indebtedness of a Relevant Person exceeding (in the case of the Corporate Guarantor) $1,000,000 (or the equivalent in any other currency) in aggregate:

(i) any Financial Indebtedness of a Relevant Person is not paid when due or, if so payable, on demand; or

(ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

(iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is terminated by the lessor or owner or becomes capable of being terminated as a consequence of any termination event; or

(iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or

(v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

(g) any of the following occurs in relation to a Relevant Person:

(i) a Relevant Person becomes, in the opinion of the Lender, unable to pay its debts as they fall due; or

(ii) any assets of a Relevant Person are subject to any form of execution, attachment, arrest, sequestration or distress in respect of a sum of, or sums aggregating, $500,000 or more or the equivalent in another currency; or

(iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(iv) a Relevant Person makes any formal declaration of bankruptcy or any formal statement to the effect that it is insolvent or likely to become insolvent, or a winding up or administration order is made in relation to a Security Party, or the members or directors of any Borrower or the Corporate Guarantor pass a resolution to the effect that it should be wound up, placed in administration or cease to carry on

business, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than the Borrowers or the Corporate Guarantor which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Lender and effected not later than 3 months after the commencement of the winding up; or

(v) a petition is presented in any Pertinent Jurisdiction for the winding up or administration, or the appointment of a provisional liquidator, of a Relevant Person unless the petition is being contested in good faith and on substantial grounds and is dismissed or withdrawn within 60 days of the presentation of the petition; or

(vi) a Relevant Person petitions a court, or presents any proposal for, any form of judicial or non judicial suspension or deferral of payments, reorganisation of its debt (or substantial part of its debt) or arrangement with all or a substantial proportion (by number or value) of its creditors or of any class of them (save for, in the case of the Corporate Guarantor, non judicial suspension or deferral of payments, reorganisation of its debt (or substantial part of its debt) or arrangement which occurs in its ordinary course of its business and not as a result of the Corporate Guarantor's inability to meet its obligations and/or liabilities) or any such suspension or deferral of payments, reorganisation or arrangement is effected by court order, contract or otherwise; or

(vii) any meeting of the members or directors of a Relevant Person is summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iii), (iv), (v) or (vi) above; or

(viii) in a Pertinent Jurisdiction other than England, any event occurs or any procedure is commenced which, in the opinion of the Lender, is similar to any of the foregoing; or

(h) any Borrower ceases or suspends carrying on its business or a part of its business which, in the opinion of the Lender, is material in the context of this Agreement; or

(i) it becomes unlawful in any Pertinent Jurisdiction or impossible:

(i) for any Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Lender considers material under a Finance Document; or

(ii) for the Lender to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

(j) any consent necessary to enable any Borrower to own, operate or charter the Ship owned by it or to enable any Borrower or any Security Party to comply with any provision which the Lender considers material of a Finance Document is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled; or

(k) it appears to the Lender that, without its prior consent, a change has occurred after the date of this Agreement in the legal ownership of any of the shares in, any Borrower or Owners or in the ultimate control of the voting rights attaching to any of those shares; or

(l) the Charter is terminated or rescinded prior to its contractual termination date or for any other reason ceases to remain in full force and effect prior to its contractual termination date and the Collateral Owner has not entered into any charterparty or contract of employment within sixty (60) days of such termination or rescission, on the same terms as the Charter or on such other terms and conditions acceptable to the Lender in its absolute discretion and having a duration at least equal to the remaining period of the Charter;

(m) any provision which the Lender considers material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or

(n) the security constituted by a Finance Document is in any way imperilled or in jeopardy; or

(o) an Event of Default (as defined in section 14 of the Master Agreement) occurs; or

(p) the Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Lender; or

(q) any other event occurs or any other circumstances arise or develop including, without limitation:

(i) a change in the financial position, state of affairs or prospects of any Borrower, the Group, the Corporate Guarantor or any other Security Party ; or

(ii) any accident or other event involving either of the Ships or another vessel, owned, chartered or operated by a Relevant Person,

in the light of which the Lender considers that there is a significant risk that any Borrower or any Security Party is, or will later become, unable to discharge its liabilities under the Finance Documents as they fall due.

17.2 Actions following an Event of Default. On, or at any time after, the occurrence of an Event of Default the Lender may:

(a) serve on the Borrowers a notice stating that all obligations of the Lender to the Borrowers under this Agreement are terminated; and/or

(b) serve on the Borrowers a notice stating that the Loan, all accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand; and/or

(c) take any other action which, as a result of the Event of Default or any notice served under paragraph (a) or (b) above, the Lender is entitled to take under any Finance Document or any applicable law.

17.3 Termination of Commitment. On the service of a notice under Clause 17.2(a) the Commitment, and, all other obligations of the Lender to the Borrowers under this Agreement shall terminate.

17.4 Acceleration of Loan. On the service of a notice under Clause 17.2(b), the Loan, all accrued interest and all other amounts accrued or owing from the Borrowers (or either of them) or any Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

17.5 Multiple notices; action without notice. The Lender may serve notices under Clauses 17.2(a) and (b) simultaneously or on different dates and it may take any action referred to in Clause 17.2 if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

17.6 **Exclusion of Lender liability**. Neither the Lender nor any receiver or manager appointed by the Lender, shall have any liability to the Borrowers (or any of them) or any other Security Party:

(a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

(b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt the Lender or a receiver or manager from liability for losses shown to have been caused directly and mainly by the dishonesty, the gross negligence or the willful misconduct of the Lender's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

17.7 **Relevant Persons**. In this Clause 17 a "**Relevant Person**" means each Borrower, the Corporate Guarantor, any other Security Party and any other member of the Group; but excluding any company which is dormant and the value of whose gross assets is $50,000 or less.

17.8 **Interpretation**. In Clause 17.1(f) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 17.1(g) "**petition**" includes an application.

18 EXPENSES

18.1 **Costs of negotiation, preparation etc**. The Borrowers shall pay to the Lender on its demand the amount of all reasonable expenses incurred by the Lender in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document.

18.2 **Costs of variation, amendments, enforcement etc**. The Borrowers shall pay to the Lender, within 5 Business Days of the Lender's demand, the amount of all reasonable expenses incurred by the Lender in connection with:

(a) any amendment or supplement to a Finance Document, or any proposal for such an amendment to be made;

(b) any consent or waiver by the Lender concerned under or in connection with a Finance Document, or any request for such a consent or waiver;

(c) the valuation of any security provided or offered under Clause 13 or any other matter relating to such security; or

(d) any step taken by the Lender with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose.

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

18.3 **Documentary taxes**. The Borrowers shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Lender's demand, fully indemnify the Lender against any claims, expenses, liabilities and losses resulting from any failure or delay by the Borrowers (or either of them) to pay such a tax.

18.4 **Certification of amounts**. A notice which is signed by 2 officers of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 18 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence, save in the case of manifest error, that the amount, or aggregate amount, is due.

19 INDEMNITIES

19.1 **Indemnities regarding borrowing and repayment of Loan**. The Borrowers shall fully indemnify the Lender on its demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by the Lender, or which the Lender reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

(a) the Loan not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender;

(b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;

(c) any failure (for whatever reason) by the Borrowers (or any of them) to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrowers on the amount concerned under Clause 5);

(d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 17,

and in respect of any tax (other than tax on its overall net income) for which the Lender is liable in connection with any amount paid or payable to the Lender (whether for its own account or otherwise) under any Finance Document.

19.2 **Breakage costs**. Without limiting its generality, Clause 19.1 covers any claim, expense, liability or loss, including a loss of a prospective profit, incurred by the Lender:

(a) in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of the Loan and/or any overdue amount (or an aggregate amount which includes the Loan or any overdue amount); and

(b) in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender) to hedge any exposure arising under this Agreement or a number of transactions of which this Agreement is one.

19.3 **Miscellaneous indemnities**. The Borrowers shall fully indemnify the Lender on its demand in respect of all claims, expenses, liabilities and losses which may be made or brought against or incurred by the Lender, in any country, as a result of or in connection with:

(a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Lender or by any receiver appointed under a Finance Document;

(b) any other Pertinent Matter,

other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the dishonesty or wilful misconduct of the officers or employees of the Lender.

Without prejudice to its generality, this Clause 19.3 covers any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code or any Environmental Law.

19.4 Currency indemnity. If any sum due from the Borrowers or any Security Party to the Lender under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be paid (the "**Contractual Currency**") into another currency (the "**Payment Currency**") for the purpose of:

(a) making or lodging any claim or proof against the Borrowers (or either of them) or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

(b) obtaining an order or judgment from any court or other tribunal; or

(c) enforcing any such order or judgment,

the Borrowers shall indemnify the Lender against the loss arising when the amount of the payment actually received by the Lender is converted at the available rate of exchange into the Contractual Currency.

In this Clause 19.4, the "**available rate of exchange**" means the rate at which the Lender is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 19.4 creates a separate liability of the Borrowers which is distinct from their other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

19.5 Application to Master Agreement. For the avoidance of doubt, Clause 19.4 does not apply in respect of sums due from the Borrowers to the Lender under or in connection with the Master Agreement as to which sums the provisions of section 8 (Contractual Currency) of the Master Agreement shall apply.

19.6 Certification of amounts. A notice which is signed by 2 officers of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 19 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence, save in the case of manifest error, that the amount, or aggregate amount, is due.

20 NO SET-OFF OR TAX DEDUCTION

20.1 No deductions. All amounts due from the Borrowers under a Finance Document shall be paid:

(a) without any form of set-off, cross-claim or condition; and

(b) free and clear of any tax deduction except a tax deduction which the Borrowers are required by law to make.

20.2 **Grossing-up for taxes**. If the Borrowers are required by law to make a tax deduction from any payment:

(a) the Borrowers shall notify the Lender as soon as it becomes aware of the requirement;

(b) the Borrowers shall pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises;

(c) the amount due in respect of the payment shall be increased by the amount necessary to ensure that the Lender receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would otherwise have received.

20.3 **Evidence of payment of taxes**. Within one month after making any tax deduction, the Borrowers shall deliver to the Lender documentary evidence satisfactory to the Lender that the tax had been paid to the appropriate taxation authority.

20.4 **Exclusion of tax on overall net income**. In this Clause 20 "**tax deduction**" means any deduction or withholding for or on account of any present or future tax except tax on the Lender's overall net income.

20.5 **Application to Master Agreement**. For the avoidance of doubt, Clause 20 does not apply in respect of sums due from the Borrowers under or in connection with the Master Agreement as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of the Master Agreement shall apply.

21 ILLEGALITY, ETC

21.1 **Illegality**. This Clause 21 applies if the Lender notifies the Borrowers that it has become, or will with effect from a specified date, become:

(a) unlawful or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or

(b) contrary to, or inconsistent with, any regulation,

for the Lender to maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement.

21.2 **Notification and effect of illegality**. On the Lender notifying the Borrowers under Clause 21.1, the Commitment shall terminate; and thereupon or, if later, on the date specified in the Lender's notice under Clause 21.1 as the date on which the notified event would become effective the Borrowers shall prepay the Loan in full in accordance with Clause 6.

21.3 **Mitigation**. If circumstances arise which would result in a notification under Clause 21.1 then, without in any way limiting the rights of the Lender under Clause 22.2 the Lender shall use reasonable endeavours to transfer its obligations, liabilities and rights under this Agreement and the Finance Documents to another office or financial institution not affected by the circumstances but the Lender shall not be under any obligation to take any such action if, in its opinion, to do would or might:

(a) have an adverse effect on its business, operations or financial condition; or

(b) involve it in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent with, any regulation; or

(c) involve it in any expense (unless indemnified to its satisfaction) or tax disadvantage.

22 INCREASED COSTS

22.1 Increased costs. This Clause 22 applies if the Lender notifies the Borrowers that it considers that as a result of:

(a) the introduction or alteration after the date of this Agreement of a law, or an alteration after the date of this Agreement in the manner in which a law is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on the Lenders overall net income); or

(b) complying with any regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Lender allocates capital resources to its obligations under this Agreement) (including, without limitation, any laws or regulations which shall replace, amend and/or supplement those set out in the statement of the Basle Committee on Banking Regulations and Supervisory Practices dated July 1988 and entitled "International Convergence of Capital Management and Capital Structures")) which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement,

the Lender (or a parent company of it) has incurred or will incur an "**increased cost**".

22.2 Meaning of "increased costs". In this Clause 22, "**increased costs**" means:

(a) an additional or increased cost incurred as a result of, or in connection with, the Lender having entered into, or being a party to, this Agreement or having taken an assignment of rights under this Agreement, of funding or maintaining the Commitment or performing its obligations under this Agreement, or of having outstanding all or any part of the Loan or other unpaid sums; or

(b) a reduction in the amount of any payment to the Lender under this Agreement or in the effective return which such a payment represents to the Lender or on its capital;

(c) an additional or increased cost of funding all or maintaining all or any of the advances comprised in a class of advances formed by or including the Loan or (as the case may require) the proportion of that cost attributable to the Loan; or

(d) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Lender under this Agreement;

but not an item attributable to a change in the rate of tax on the overall net income of the Lender (or a parent company of it) or an item covered by the indemnity for tax in Clause 19.1 or by Clause 20.

For the purposes of this Clause 22.2 the Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class of its assets and liabilities) on such basis as it considers appropriate.

22.3 Payment of increased costs. The Borrowers shall pay to the Lender, on its demand, the amounts which the Lender from time to time notifies the Borrowers that it has specified to be necessary to compensate it for the increased cost.

22.4 Notice of prepayment. If the Borrowers are not willing to continue to compensate the Lender for the increased cost under Clause 22.3, the Borrowers may give the Lender not less than 14 days' notice of their intention to prepay the Loan at the end of an Interest Period.

22.5 **Prepayment**. A notice under Clause 22.4 shall be irrevocable; and on the date specified in its notice of intended prepayment, the Commitment shall terminate and the Borrowers shall prepay (without premium or penalty) the Loan, together with accrued interest thereon at the applicable rate plus the applicable Margin.

22.6 **Application of prepayment**. Clause 6 shall apply in relation to the prepayment.

23 SET-OFF

23.1 **Application of credit balances**. The Lender may without prior notice:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Borrowers (or either of them) at any office in any country of the Lender in or towards satisfaction of any sum then due from the Borrowers (or any of them) to the Lender under any of the Finance Documents; and

(b) for that purpose:

(i) break, or alter the maturity of, all or any part of a deposit of the Borrowers (or either of them);

(ii) convert or translate all or any part of a deposit or other credit balance into Dollars;

(iii) enter into any other transaction or make any entry with regard to the credit balance which the Lender considers appropriate.

23.2 **Existing rights unaffected**. The Lender shall not be obliged to exercise any of its rights under Clause 23.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts, charge, lien or other right or remedy to which the Lender is entitled (whether under the general law or any document).

23.3 **No Security Interest**. This Clause 23 gives the Lender a contractual right of set-off only, and does not create any equitable charge or other Security Interest over any credit balance of the Borrowers (or any of them).

24 TRANSFERS AND CHANGES IN LENDING OFFICE

24.1 **Transfer by Borrowers**. No Borrower may, without the consent of the Lender, transfer, novate or assign any of its rights, liabilities or obligations under any Finance Document.

24.2 **Assignment by Lender**. The Lender may assign or transfer all or any of the rights and interests which it has under or by virtue of the Finance Documents without the consent of, but with notice to, the Borrowers.

24.3 **Rights of assignee**. In respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document, or any misrepresentation made in or in connection with a Finance Document, a direct or indirect assignee or transferee of any of the Lender's rights or interests under or by virtue of the Finance Documents shall be entitled to recover damages by reference to the loss incurred by that assignee or transferee as a result of the breach or misrepresentation irrespective of whether the Lender would have incurred a loss of that kind or amount.

24.4 **Sub-participation; subrogation assignment**. The Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents without the consent of, or any notice to, the Borrowers; and the Lender may assign, in any manner and terms agreed by it, all or any part of those rights to an insurer or surety who has become subrogated to them.

24.5 **Disclosure of information**. The Lender may disclose to a potential assignee or transferee or sub-participant any information which the Lender has received in relation to the Borrowers, any Security Party or their affairs under or in connection with any Finance Document, unless the information is clearly of a confidential nature.

24.6 **Change of lending office**. The Lender may change its lending office by giving notice to the Borrowers and the change shall become effective on the later of:

(a) the date on which the Borrowers receive the notice; and

(b) the date, if any, specified in the notice as the date on which the change will come into effect.

25 VARIATIONS AND WAIVERS

25.1 **Variations, waivers etc. by Lender**. A document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or the Lender's rights or remedies under such a provision or the general law, only if the document is signed, or specifically agreed to by fax by the Borrowers and the Lender and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

25.2 **Exclusion of other or implied variations**. Except for a document which satisfies the requirements of Clause 25.1, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Lender (or any person acting on its behalf) shall result in the Lender (or any person acting on its behalf) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

(a) a provision of this Agreement or another Finance Document; or

(b) an Event of Default; or

(c) a breach by the Borrowers (or either of them) or any other Security Party of an obligation under a Finance Document or the general law; or

(d) any right or remedy conferred by any Finance Document or by the general law,

and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

26 NOTICES

26.1 **General**. Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

26.2 **Addresses for communications**. A notice shall be sent;

(a) to the Borrowers:

Omega Building
80 Kifissias Avenue
151 25 Maroussi
Greece

Fax No: (+30) 210 8090 575
Attn: Mr. Ziad Nakhleh

(b) to the Lender:

Piraeus Bank A.E.
47-49 Akti Miaouli
Piraeus 185 36
Greece

Fax No: +30 210 429 2601
Attn: Account Officer

or to such other address as the relevant party may notify the other.

26.3 Effective date of notices. Subject to Clauses 26.4 and 26.5:

(a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and

(b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

26.4 Service outside business hours. However, if under Clause 26.3 a notice would be deemed to be served:

(a) on a day which is not a Business Day in the place of receipt; or

(b) on such a Business Day, but after 5 p.m. local time,

the notice shall (subject to Clause 26.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

26.5 Illegible notices. Clauses 26.3 and 26.4 do not apply if the recipient of a notice notifies the sender within 1 hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

26.6 Valid notices. A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

(a) the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or

(b) in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

26.7 Meaning of "**notice**". In this Clause 26 "**notice**" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

27 JOINT AND SEVERAL LIABILITY

27.1 General. All liabilities and obligations of the Borrowers under this Agreement shall, whether expressed to be so or not, be several and, if and to the extent consistent with Clause 27.2, joint.

27.2 No impairment of Borrower's obligations. The liabilities and obligations of each Borrower shall not be impaired by:

(a) this Agreement being or later becoming void, unenforceable or illegal as regards any other Borrower;

(b) the Lender entering into any rescheduling, refinancing or other arrangement of any kind with any other Borrower;

(c) the Lender releasing any other Borrower or any Security Interest created by a Finance Document; or

(d) any combination of the foregoing.

27.3 Principal debtors. Each Borrower declares that it is and will, throughout the Security Period, remain a principal debtor for all amounts owing under this Agreement and the Finance Documents and no Borrower shall in any circumstances be construed to be a surety for the obligations of any other Borrower under this Agreement.

27.4 Subordination. Subject to Clause 27.5, during the Security Period, no Borrower shall:

(a) claim any amount which may be due to it from any other Borrower whether in respect of a payment made, or matter arising out of, this Agreement or any Finance Document, or any matter unconnected with this Agreement or any Finance Document; or

(b) take or enforce any form of security from any other Borrower for such an amount, or in any other way seek to have recourse in respect of such an amount against any asset of any other Borrower; or

(c) set off such an amount against any sum due from it to any other Borrower; or

(d) prove or claim for such an amount in any liquidation, administration, arrangement or similar procedure involving any other Borrower or other Security Party; or

(e) exercise or assert any combination of the foregoing.

27.5 Borrower's required action. If during the Security Period, the Lender, by notice to a Borrower, requires it to take any action referred to in paragraphs ((a)) to ((d)) of Clause 27.4, in relation to any other Borrower, that Borrower shall take that action as soon as practicable after receiving the Lender's notice.

28 SUPPLEMENTAL

28.1 Rights cumulative, non-exclusive. The rights and remedies which the Finance Documents give to the Lender are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

28.2 Severability of provisions. If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

28.3 **Counterparts**. A Finance Document may be executed in any number of counterparts.

28.4 **Third party rights**. A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

29 LAW AND JURISDICTION

29.1 **English law**. This Agreement shall be governed by, and construed in accordance with, English law.

29.2 **Exclusive English jurisdiction**. Subject to Clause 29.3, the courts of England shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Agreement.

29.3 **Choice of forum for the exclusive benefit of the Lender**. Clause 29.2 is for the exclusive benefit of the Lender, which reserves the rights:

(a) to commence proceedings in relation to any matter which arises out of or in connection with this Agreement in the courts of any country other than England and which have or claim jurisdiction to that matter; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

No Borrower shall commence any proceedings in any country other than England in relation to a matter which arises out of or in connection with this Agreement.

29.4 **Process agent**. Each Borrower irrevocably appoints Ince Process Agents Ltd. for the time being presently of 5th Floor, International House, 1 St. Katharine's Way, London E1W lAY, England, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with this Agreement.

29.5 **Lender's rights unaffected**. Nothing in this Clause 29 shall exclude or limit any right which the Lender may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

29.6 **Meaning of** "**proceedings**". In this Clause 29, "**proceedings**" means proceedings of any kind, including an application for a provisional or protective measure.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

CONDITION PRECEDENT DOCUMENTS

The following are the documents referred to in Clause 7.1(a).

1 A duly executed original of each Finance Document (and of each document required to be delivered under each of them).

2 Copies of the certificate of incorporation and constitutional documents of each Borrower and each Security Party.

3 Copies of resolutions of the shareholders and directors of each Borrower and each Security Party authorising the execution of each of the Finance Documents to which that Borrower or that Security Party is a party and any other notices under this Agreement.

4 The original of any power of attorney under which any Finance Document is executed on behalf of any Borrower or a Security Party.

5 Copies of all consents which each Borrower or any Security Party requires to enter into, or make any payment under, any Finance Document to which it is or is to be a party.

6 Copies of any Approved Charter.

7 The originals of any mandates or other documents required in connection with the opening or operation of the Earnings Account for the Collateral Ship.

8 Evidence satisfactory to the Lender that each Borrower is a direct or indirect wholly-owned subsidiary of the Corporate Guarantor.

9 Evidence satisfactory to the Lender that the re-arrangement fee referred to in clause 7.2 of the First Amending and Restating Agreement has been paid in full in accordance with the terms thereof.

10 Documentary evidence that:

(a) the Collateral Ship is in the absolute and unencumbered ownership of the Collateral Owner save as contemplated by the Finance Documents;

(b) the Collateral Ship maintains the highest available class with such first-class classification society which is a member of IACS as the Lender may approve free of all recommendations and conditions of such classification society;

(c) the Collateral Mortgage has been duly registered against that Ship as a valid first priority ship mortgage in accordance with the laws of the relevant Approved Flag State; and

(d) the Collateral Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.

11 Documents establishing that the Collateral Ship will, as from the Delivery Date, be managed by the Approved Manager on terms acceptable to the Lender, together with:

(a) the Approved Manager's Undertaking in respect of the Collateral Ship; and

(b) copies of the document of compliance (DOC), the safety management certificate (SMC) and the ISSC referred to in paragraph (a) of the definition of the ISM Code Documentation in respect of each Ship certified as true and in effect by the relevant Borrower or (as the case may be) the Approved Manager or, if the SMC or ISSC cannot be issued by the Delivery Date, evidence that this document has been applied for.

12 A valuation of each of "TORO" and the Collateral Ship dated not earlier than 15 days before the Delivery Date prepared by an independent sale and purchase shipbroker which the Lender has appointed or approved, stated to be for the purposes of this Agreement prepared in accordance with Clause 13.3 which shows the Market Value, free of any existing charter or other contract of employment, of each such Ship in an amount acceptable to the Lender.

13 A favourable opinion (at the cost of the Borrowers) from an independent insurance consultant acceptable to the Lender on such matters relating to the insurances of each Ship as the Lender may require.

14 Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the Republic of Malta and such other relevant jurisdictions as the Lender may require.

Every copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the relevant Borrower or the lawyers of the Borrowers.

EXECUTION PAGE

BORROWERS

SIGNED by)
ZIAD NAKHLEH) /s/ Ziad Nakhleh
for and on behalf of)
ANNAPOLIS SHIPPING COMPANY LIMITED)
in the presence of:)

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

SIGNED by)
ZIAD NAKHLEH) /s/ Ziad Nakhleh
for and on behalf of)
FARAT SHIPPING COMPANY LIMITED)
in the presence of:)

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

SIGNED by)
ZIAD NAKHLEH) /s/ Ziad Nakhleh
for and on behalf of)
LANSAT SHIPPING COMPANY LIMITED)
in the presence of:)

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

LENDER

SIGNED by)
MARIA YOURYI and JASON DALLAS) /s/ Maria Youri
for and on behalf of) /s/ Jason Dallas
PIRAEUS BANK A.E.)
in the presence of:)

/s/ Irene Graff
IRENE GRAFF
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

Exhibit 4.52

Date 13 March 2008 as amended and restated
on 25 January 2010 and 25 August 2010 respectively
and as novated, amended and restated on 29 November 2010

IALYSOS OWNING COMPANY LIMITED
as Borrower

-and-

PIRAEUS BANK A.E.
as Lender

LOAN AGREEMENT

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relating to a loan facility of (originally) up to
US$130,000,000

WATSON, FARLEY & WILLIAMS
Piraeus

INDEX

THIS AGREEMENT is made on 13 March 2008 as amended and restated by the First Amending and Restating Agreement and the Second Amending and Restating Agreement and as novated, amended and restated by the Deed of Novation, Amendment and Restatement (each as defined below)

BETWEEN

(1) **IALYSOS OWNING COMPANY LIMITED,** a corporation incorporated and existing in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH96960, The Marshall Islands (the **"Borrower");** and

(2) **PIRAEUS BANK A.E.,** acting through its branch at 47-49 Akti Miaouli, 185 36 Piraeus, Greece (as **"Lender"**).

BACKGROUND

The Lender has made available to the Original Borrowers (whose rights, obligations and liabilities hereunder have been novated to the Borrower pursuant to the Deed of Novation, Amendment and Restatement), on a joint and several basis, a loan facility of (originally) US$130,000,000 for the purpose (originally) of providing liquidity to the Original Borrowers and their parent company Dryships Inc., for their general corporate purposes.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Definitions. Subject to Clause 1.5, in this Agreement:

"Accounts" means, together, the Earnings Accounts and the Deposit Account and, in the singular, means any of them;

"Accounting Information" means the annual audited consolidated accounts to be provided by the Borrower to the Lender in accordance with Clause 9.6(a) of this Agreement or the semi-annual unaudited accounts to be provided by the Borrower to the Lender in accordance with Clause 9.6(b) of this Agreement;

"Additional Charter Assignment" means, in relation to any Approved Charter applicable to an Additional Ship, a second priority specific assignment of that Approved Charter executed or to be executed by the Additional Owner owning that Additional Ship in favour of the Lender in such form as the Lender may approve or require and, in the plural, means both of them;

"Additional Finance Documents" means, together, the Additional Guarantees, the Additional Mortgages and the Additional Charter Assignments and, in the singular, means any of them;

"Additional Guarantee" means, in relation to each Additional Owner, the guarantee of the obligations of the Borrower under this Agreement executed or to be executed by that Additional Owner in favour of the Lender in such form as the Lender may approve or require and, in the plural, means both of them;

"Additional Mortgage" means, in relation to each Additional Ship, the second priority Maltese statutory mortgage over that Additional Ship executed or to be executed by the Additional Owner owning that Additional Ship (as amended and supplemented by the Mortgage Addendum relative to that Additional Ship) in favour of the Lender in such form as the Lender may approve or require and, in the plural, means both of them;

"Additional Owner" means each of Boone and Iokasti and, in the plural, means both them;

"Additional Owners Loan" means the principal amount for the time being outstanding under the Additional Owners Loan Agreement;

"Additional Owners Loan Agreement" means the loan agreement dated 5 October 2007 as amended and supplemented from time to time entered into between (i) the Additional Owners as joint and several borrowers and (ii) the Lender as lender pursuant to which the Lender made available to the Additional Owners a loan facility of (originally) $90,000,000;

"Additional Ship" means each of "SAMATAN" and "PACHINO" and, in the plural, means both of them;

"Approved Charter" means:

(a) in relation to the Collateral Ship:

(i) during the Charter Period, the Charter; and

(ii) at all times therafter, any other time charter party of that Ship to be entered by the Borrower and a charterer in all respects acceptable to the Lender, exceeding or which, by virtue of any optional extensions is capable of exceeding, 12 months in duration as the same may be amended or supplemented from time to time in favour and substance in all respects acceptable to the Lender; and

(b) in relation to an Additional Ship, any time charter party in respect of that Ship to be entered by the Additional Owner owning that Ship and a charterer in all respects acceptable to the Lender, exceeding or which, by virtue of any optional extensions is capable of exceeding, 12 months in duration as the same may be amended or supplemented from time to time in favour and substance in all respects acceptable to the Lender,

and, in the plural, means all of them;

"Annapolis" means Annapolis Shipping Company Limited, a company incorporated in Malta, whose registered office is at 5/2 Merchants Street, Valletta, Malta;

"Approved Manager" means in relation to each Ship:

(a) Cardiff Marine Inc. a corporation incorporated under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia maintaining a ship management office at Omega Building, 80 Kifissias Avenue, 151 25 Maroussi, Greece; or

(b) subject to Clause 12.15, TMS Bulkers Ltd. a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Republic of the Marshall Islands which shall maintain, as of 1 January 2011, a ship management office at 8 Ag. Konstantinou street & Kifisias Avenue, 151 24 Marousi, Greece,

or any other company which the Lender may reasonably approve as the commercial, technical and/or operational manager of that Ship;

"Approved Manager's Undertaking" means, in relation to each Ship, a letter of undertaking executed or to be executed by the Approved Manager in favour of the Lender in such form as the Lender may approve or require agreeing certain matters in relation to

the management of that Ship and subordinating the rights of the Approved Manager against the Ship and the relevant Borrower or, as the case may be, Owner thereof to the rights of the Lender under the Finance Documents and, in the plural, means any of them;

"Balloon Instalment" has the meaning given to it in Clause 6.1;

"Boone" means Boone Star Owners Inc., a corporation incorporated in the Marshall Islands, whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

"Borrower" means Ialysos Owning Company Limited, a corporation incorporated in the Marshall Islands, whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

"Business Day" means a day on which banks are open in London, Athens and Piraeus and, in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

"Charter" means, in respect of the Collateral Ship, the time charter dated 6 March 2008 entered into between Arleta Navigation Company Limited, a member of the Group, as owner of m.v. "XANADU, a Fleet Vessel which has been substituted by the Collateral Ship pursuant to clause 106 thereof, and SK Shipping Co., Ltd. of Seoul, Korea as charterer (as amended and supplemented by addenda nos. 1, 2 and 3 dated 31 July 2008, 29 July 2008 and 27 April 2009 respectively);

"Charter Assignment" means:

(a) in relation to the Collateral Ship, a specific assignment of the rights of the Borrower under an Approved Charter relating to that Ship, pursuant to Clause 9.16 and any guarantee of such charter, to be executed by the Borrower in favour of the Lender in such form as the Lender may approve or require and, in the plural, means all of them; and

(b) in relation to an Additional Ship, any Additional Charter Assignment relative to that Additional Ship,

and, in the plural, means all of them;

"Charter Period" means the period during which the Collateral Ship shall be subject to the Charter;

"Collateral Ship" means the 2009-built Panamax bulk carrier of 75,206 metric tons deadweight registered in the ownership of the Borrower under the Maltese flag with the name "AMALFI";

"Compliance Date" means 30 June and 31 December in each calendar year (or such other dates as of which the Corporate Guarantor prepares its consolidated financial statements which the Borrower is required to deliver to the Lender pursuant to Clause 9.6);

"Commitment" means $130,000,000 as that amount may be reduced, cancelled or terminated in accordance with this Agreement;

"Confirmation" and **"Early Termination Date"** in relation to any continuing Transaction, have the meanings given in the Master Agreement;

"Contractual Currency" has the meaning given in Clause 19.4;

"Corporate Guarantee" means a guarantee executed or to be executed by the Corporate Guarantor in favour of the Lender in such form as the Lender may approve or require;

"Corporate Guarantor" means Dryships Inc., a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960;

"Deed of Covenant" means in relation to a Ship, a deed of covenant collateral to the relevant Mortgage in such form as the Lender may approve or require and, in the plural, means all of them;

Deed of Novation, Amendment and Restatement" means the deed of novation, amendment and restatement dated 29 November 2010 and made between (inter alios) (i) the Original Borrowers as substituted borrowers, (ii) the Borrower as substituting borrower and (iii) the Lender as lender setting out the terms and conditions on which this Agreement was novated, amended and restated;

"Deposit Account" means a deposit account in the name of the Borrower with the Lender designated "Ialysos Owning Company Limited - Deposit Account";

"Deposit Account Pledge" means the deed of pledge in respect of Deposit Account to be executed by the Borrower in favour of the Lender in such form as the Lender may approve or require;

"Dollars" and **"$"** means the lawful currency for the time being of the United States of America;

"Drawdown Date" means 14 March 2008, being the date on which the Loan was actually advanced to the Original Borrowers;

"Drawdown Notice" means a notice in the form set out in Schedule 1 (or in any other form which the Lender approves or reasonably requires);

"Earnings" means, in relation to each Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Borrower which is the owner of such Ship and which arise out of the use or operation of such Ship, including (but not limited to):

(a) all freight, hire and passage moneys, compensation payable to the relevant Borrower or, as the case may be, Owner in the event of requisition of its Ship for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of such Ship;

(b) all moneys which are at any time payable under Insurances in respect of loss of earnings; and

(c) if and whenever such Ship is employed on terms whereby any moneys falling within paragraphs (a) or (b) are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to such Ship;

"Earnings Account" means:

(a) in the case of the Collateral Ship, an earnings account in the name of the Borrower with the Lender in Piraeus designated "Ialysos Owning Company Limited - Earnings Account";

(b) in the case of "PACHINO", an earnings account in the name of lokasti with the Lender in Piraeus designated "Iokasti Shipping Company Limited - Earnings Account"; and

(c) in the case of "SAMATAN", an earnings account in the name of Boone with the Lender in Piraeus designated "Boone Star Owners Inc. - Earnings Account",

or, in any case, any other account (with that or another office of the Lender or with a bank or financial institution other than the Lender) which is designated by the Lender as the Earnings Account for the relevant Ship for the purposes of this Agreement and, in the plural, means all of them;

"Earnings Account Pledge" means, in relation to each Earnings Account, the deed of pledge in respect of that Earnings Account to be executed by the relevant Owner in favour of the Lender in such form as the Lender may approve or require and, in the plural, means all of them;

"Effective Date" has the meaning given to it in clause 1.2 of the Deed of Novation, Amendment and Restatement;

"Environmental Claim" means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and **"claim"** means a claim for damages, compensation, fines, penalties or any other payment of any kind, whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

"Environmental Incident" means:

(a) any release of Environmentally Sensitive Material from a Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between a Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or a Ship and/or an Owner and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where an Owner and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

"Environmental Law" means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

"Environmentally Sensitive Material" means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

"Event of Default" means any of the events or circumstances described in Clause 17.1;

"Farat" means Farat Shipping Company Limited, a company incorporated in Malta, whose registered office is at 5/2 Merchants Street, Valletta, Malta;

"Finance Documents" means:

(a) this Agreement;

(b) the Deed of Novation, Amendment and Restatement;

(c) the First Amending and Restating Agreement;

(d) the Second Amending and Restating Agreement;

(e) the Master Agreement;

(f) the Master Agreement Assignment;

(g) the Corporate Guarantee;

(h) the General Assignments;

(i) the Mortgages;

(j) the Deeds of Covenants;

(k) the Earnings Account Pledges;

(1) the Deposit Account Pledge;

(m) the Approved Manager's Undertaking;

(n) any Charter Assignment;

(o) the Additional Finance Documents; and

(p) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrower or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lender under this Agreement or any of the other documents referred to in this definition;

"Financial Indebtedness" means, in relation to a person (the **"debtor"**), a liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor;

(e) under any foreign exchange transaction, any interest or currency swap or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount; or

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within (a) to (e) if the references to the debtor referred to the other person;

"First Amending and Restating Agreement" means the amending and restating agreement dated 25 January 2010 and made between (inter alia) the Original Borrowers and the Lender setting out the terms and conditions upon which this Agreement was amended and restated;

"Fleet Vessels" means, together, all of the vessels (including, but not limited to, the Ships) owned from time to time by members of the Group;

"General Assignment" means a general assignment of the Earnings, the Insurances and the Requisition Compensation of the Collateral Ship to be executed by the Borrower in favour of the Lender in such form as the Lender may approve or require;

"Group" means the Corporate Guarantor and its subsidiaries (whether direct or indirect and including, but not limited to, the Borrower and each Additional Owner) from time to time during the Security Period and **"member of the Group"** shall be construed accordingly;

"Insurances" means, in relation to each Ship:

(a) all policies and contracts of insurance, including entries of such Ship in any protection and indemnity or war risks association, which are effected in respect of such Ship, its Earnings or otherwise in relation to it; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium;

"Interest Period" means, in relation to the Loan, a period determined in accordance with Clause 5;

"Iokasti" means Iokasti Owning Company Limited, a corporation incorporated under the laws of Republic of Marshall Islands with its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

"ISM Code" means, in relation to its application to the Owners, the Ships and their operation:

(a) The International Management Code for the Safe Operation of Ships and for Pollution Prevention, currently known or referred to as the "ISM Code", adopted by the Assembly of the International Maritime Organisation by Resolution A.741(18) on 4th November, 1993 and incorporated on 19th May, 1994 into chapter IX of the International Convention for the Safety of Life at Sea 1974 (SOLAS 1974); and

(b) all further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including without limitation, the 'Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations' produced by the International Maritime Organisation pursuant to Resolution A.788(19) adopted on 25th November, 1995.

as the same may be amended, supplemented or replaced from time to time;

"ISM Code Documentation" includes, in relation to a Ship:

(a) the document of compliance (DOC) and safety management certificate (SMC) issued pursuant to the ISM Code in relation to such Ship within the periods specified by the ISM Code;

(b) all other documents and data which are relevant to the ISM SMS and its implementation and verification which the Lender may require; and

(c) any other documents which are prepared or which are otherwise relevant to establish and maintain such Ship's compliance or the compliance by the Borrower owning such Ship with the ISM Code which the Lender may require;

"ISM SMS" means, in relation to a Ship, the safety management system for such Ship which is required to be developed, implemented and maintained under the ISM Code;

"ISPS Code" means the International Ship and Port Facility Security Code constituted pursuant to resolution A.924(22) of the International Maritime Organisation ("IMO") now set out in Chapter XI-2 of the Safety of Life at Sea Convention (SOLAS) 1974 (as amended) and the mandatory ISPS Code as adopted by a Diplomatic Conference of the IMO on Maritime Security in December 2002 and includes any amendments or extensions to it and any regulation issued pursuant to it but shall only apply insofar as it is applicable law in Malta and any jurisdiction on which such Ship is operated;

"ISPS Code Documentation" includes:

(a) the International Ship Security Certificate issued pursuant to the ISPS Code in relation to each Ship within the period specified in the ISPS Code; and

(b) all other documents and data which are relevant to the ISPS Code and its implementation and verification which the Agent may require;

"Lansat" means Lansat Shipping Company Limited, a company incorporated in Malta, whose registered office is at 5/2 Merchants Street, Valletta, Malta;

"Lender" means Piraeus Bank A.E., acting through its branch at 47-49 Akti Miaouli, 185 36 Piraeus;

"Leverage Ratio" means, any relevant time, the ratio (expressed as a percentage) of:

(a) the Total Liabilities; and

(b) the Market Value Adjusted Total Assets (including, without limitation, the Ships);

"LIBOR" means for an Interest Period:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant Interest Period which appears on Reuters BBA Page LIBOR 01 at or about 11.00 a.m. (London time) on the second Business Day prior to the commencement of that Interest Period (and, for the purposes of this Agreement, "Reuters BBA Page LIBOR 01" means the display designated as "Reuters BBA Page LIBOR 01" on the Reuters Money News Service or such other page as may replace BBA Page LIBOR 01 on that service for the purpose of displaying rates comparable to that rate or on such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for Dollars); or

(b) if no rate is quoted on Reuters BBA Page LIBOR 01, the rate per annum determined by the Lender to be the rate per annum which leading banks in the London Interbank Market offer for deposits in Dollars in the London Interbank Market at or about 11.00 a.m. (London time) on the second Business Day prior to the commencement of that Interest Period for a period equal to that Interest Period and for delivery on the first Business Day of it;

"Loan" means the principal amount for the time being outstanding under this Agreement;

"Major Casualty" means any casualty to a Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds $500,000 or the equivalent in any other currency;

"Margin" means:

(a) during the period 10 August 2010 to 31 March 2012 (inclusive), 2.60 per cent. per annum; and

(b) at all times thereafter and subject to the terms of Clause 3.10, 1.75 per cent per annum;

"Market Value" means, in relation to the Collateral Ship and each Fleet Vessel, the market value of that Ship or Fleet Vessel determined in accordance with Clause 13.3;

"Market Value Adjusted Total Assets" means, at any time, Total Assets adjusted to reflect the Market Value of all Fleet Vessels;

"Master Agreement" means the master agreement (on the 1992 ISDA (Multicurrency-Crossborder) form) made or to be between the Borrower and the Lender and includes all Transactions from time to time entered into and Confirmations from time to time exchanged thereunder;

"Master Agreement Assignment" means the assignment of the Master Agreement executed or to be executed by the Borrower in favour of the Lender in such form as the Lender may approve or require;

"Minimum Deposit" means at any relevant date during the Waiver Period, an amount in aggregate equal to the repayment instalments payable during the consecutive 12-month period immediately following such date pursuant to this Agreement;

"Mortgage" means:

(a) in the case of the Collateral Ship, the first priority Maltese mortgage over that Ship executed by the Borrower in favour of the Lender (as amended and supplemented by the relevant Mortgage Addendum); and

(b) in the case of each Additional Ship, the relevant Additional Mortgage (as amended and supplemented by the relevant Mortgage Addenda),

each in such form as the Lender may approve or require and in the plural means all of them;

"Mortgage Addendum" means:

(a) in relation to the Collateral Ship, the first addendum to the Mortgage on that Ship, executed or, as the context may require, to be executed by the Borrower;

(b) in relation to each Additional Ship, each of the first addendum and the second addendum to the Mortgage on that Additional Ship, executed or, as the context may require, to be executed by the relevant Additional Owner,

in favour of the Lender in such form as the Lender may approve or require and, in the plural, means all of them;

"Mortgaged Ship" means any Ship which, at the relevant time, is subject to a Mortgage;

"Negotiation Period" has the meaning given in Clause 3.7;

"Net Income" means, in relation to each financial year of the Corporate Guarantor, the aggregate income of the Group appearing in the Accounting Information for that financial year less the aggregate of:

(a) the amounts incurred by the Group during that financial year as expenses of its business;

(b) depreciation, amortisation and all interest in respect of all Financial Indebtedness of the Group paid by all members of the Group during that financial year;

(c) Net Interest Expenses;

(d) taxes; and

(e) other items charged to the Corporate Guarantor's consolidated profit and loss account for the relevant financial year;

"Net Interest Expenses" means, as of any date of determination, the aggregate of all interest, commitment and other fees, commissions, discounts and other costs, charges or expenses accruing due from all the members the Group during that accounting period less interest income received, determined on a consolidated basis in accordance with generally accepted accounting principles and as shown in the consolidated statements of income for the Group in the applicable Accounting Information;

"Original Borrower" means each of Annapolis, Farat and Lansat and, in the plural, means all of them;

"Owners" means, together, the Borrower and the Additional Owners and, in the singular, means any of them;

"PACHINO" means the 2002-built bulk carrier vessel of 30,928 gross registered tons and 16,341 net registered tons having IMO Number 9257060 and registered in the ownership of Iokasti under Maltese flag with the name "PACHINO";

"Payment Currency" has the meaning given in Clause 19.4;

"Permitted Security Interests" means:

(a) Security Interests created by the Finance Documents;

(b) liens for unpaid master's and crew's wages in accordance with usual maritime practice;

(c) Liens for salvage;

(d) liens arising by operation of law for not more than 2 months' prepaid hire under any charter in relation to a Ship not prohibited by this Agreement;

(e) liens for master's disbursements incurred in the ordinary course of trading and any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of a Ship, provided such liens do not secure amounts more than 30 days overdue (unless the overdue amount is being contested by the Owner owning such Ship in good faith by appropriate steps) and subject, in the case of liens for repair or maintenance, to Clause 12.12(g);

(f) any Security Interest created in favour of a plaintiff or defendant in any proceedings or arbitration as security for costs and expenses where the Borrower is actively prosecuting or defending such proceedings or arbitration in good faith; and

(g) Security Interests arising by operation of law in respect of taxes which are not overdue for payment or in respect of taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;

"Pertinent Document" means:

(a) any Finance Document;

(b) any policy or contract of insurance contemplated by or referred to in Clause 11 or any other provision of this Agreement or another Finance Document;

(c) any other document contemplated by or referred to in any Finance Document; and

(d) any document which has been or is at any time sent by or to the Lender in contemplation of or in connection with any Finance Document or any policy, contract or document falling within paragraphs (b) or (c);

"Pertinent Jurisdiction", in relation to a company, means:

(a) England and Wales;

(b) the country under the laws of which the company is incorporated or formed;

(c) a country in which the company's central management and control is or has recently been exercised;

(d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;

(e) a country in which assets (including, without limitation, the Ships) of the company (other than securities issued by, or loans to, related companies) having a substantial

value are situated, in which the company maintains a permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and

(f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c);

"Pertinent Matter" means:

(a) any transaction or matter contemplated by, arising out of, or in connection with a Pertinent Document; or

(b) any statement relating to a Pertinent Document or to a transaction or matter falling within paragraph (a),

and covers any such transaction, matter or statement, whether entered into, arising or made at any time before the signing of this Agreement or on or at any time after that signing;

"Potential Event of Default" means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Lender and/or the satisfaction of any other condition, would constitute an Event of Default;

"Quotation Date" means, in relation to any Interest Period (or any other period for which an interest rate is to be determined under any provision of a Finance Document), the day on which quotations would ordinarily be given by leading banks in the London Interbank Market for deposits in the currency in relation to which such rate is to be determined for delivery on the first day of that Interest Period;

"Relevant Charter" has the meaning given to it in Clause 13.3;

"Repayment Date" means a date on which a repayment is required to be made under Clause 6;

"Requisition Compensation" includes, in relation to a Ship, all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "Total Loss";

"SAMATAN" means the 2001-built bulk carrier vessel of 40,437 gross registered tons and 25,855 net registered tons, having IMO Number 9236171 registered in the ownership of Boone under Maltese flag with the name "SAMATAN";

"Second Amending and Restating Agreement" means the amending and restating agreement dated 25 August 2010 and made between (inter alia) the Original Borrowers and the Lender setting out the terms and conditions upon which this Agreement has been further amended and restated;

"Secured Liabilities" means all liabilities which the Borrower, the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or in connection with any Finance Document or any judgment relating to any Finance Document; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

"Security Interest" means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the security rights of a plaintiff under an action *in rem;* and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A; but this paragraph (c) does not apply to a right of set off or combination of accounts conferred by the standard terms of business of a bank or financial institution;

"Security Party" means the Corporate Guarantor, the Additional Owners, the Approved Manager and any other person (except the Lender) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the last paragraph of the definition of "Finance Documents";

"Security Period" means the period commencing on the date of this Agreement and ending on the date on which the Lender notifies the Borrower and the Security Parties that:

(a) all amounts which have become due for payment by the Borrower or any Security Party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document;

(c) neither the Borrower nor any Security Party does has any future or contingent liability under Clause 18, 19 or 20 or any other provision of this Agreement or another Finance Document; and

(d) the Lender does not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of the Borrower or a Security Party or in any present or possible future proceeding relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

"Ships" means, together, the Additional Ships and the Collateral Ship and, in the singular, means any of them;

"Swap Exposure" means, as at any relevant date, the amount certified by the Lender to be the aggregate net amount in Dollars which would be payable by the Borrower to the Lender under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Transactions entered into between the Borrower and the Lender;

"Total Assets" means, the total assets of the Group as stated in the most recent Accounting Information;

"Total Liabilities" means, as at the date of calculation, the aggregate Financial Indebtedness of the Group;

"Total Loss" means, in relation to a Ship:

(a) actual, constructive, compromised, agreed or arranged total loss of such Ship;

(b) any expropriation, confiscation, requisition or acquisition of such Ship, whether for full consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority (excluding a requisition for hire for a fixed period not exceeding 1 year without any right to an extension) unless it is within 1 month redelivered to the full control of the owner owning such Ship;

(c) any arrest, capture, seizure or detention of such Ship (including any hijacking or theft) unless it is within 1 month redelivered to the full control of the owner owning such Ship;

"Total Loss Date" means, in relation to a Ship:

(a) in the case of an actual loss of such Ship, the date on which it occurred or, if that is unknown, the date when such Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of such Ship, the earliest of:

(i) the date on which a notice of abandonment is given to the insurers; and

(ii) the date of any compromise, arrangement or agreement made by or on behalf of the Borrower or, as the case may be, Owner owning such Ship, with such Ship's insurers in which the insurers agree to treat such Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which the relevant underwriters consider that the event constituting the total loss occurred;

"Transaction" has the meaning given in the Master Agreement; and

"Waiver Period" means the period 31 December 2008 until (and including) 31 March 2012.

1.2 Construction of certain terms. In this Agreement:

"approved" means, for the purposes of Clause 12, approved in writing by the Lender;

"asset" includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

"company" includes any partnership, joint venture and unincorporated association;

"consent" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

"contingent liability" means a liability which is not certain to arise and/or the amount of which remains unascertained;

"document" includes a deed; also a letter, fax or telex;

"excess risks" means, in relation to a Ship the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of that Ship in consequence of its insured value being less than the value at which the Ship is assessed for the purpose of such claims;

"expense" means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

"law" includes any order or decree, any form of delegated legislation, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

"legal or administrative action" means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

"liability" includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

"months" shall be construed in accordance with Clause 1.3;

"obligatory insurances" means, in relation to a Ship, all insurances effected, or which the Borrower or, as the case may be, Owner owning the Ship, is obliged to effect, under Clause 12 or any other provision of this Agreement or another Finance Document;

"parent company" has the meaning given in Clause 1.4;

"person" includes any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

"policy", in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

"protection and indemnity risks" means the usual risks covered by a protection and indemnity association managed in London, including pollution risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 1 of the Institute Time Clauses (Hulls) (1/10/83) or clause 8 of the Institute Time Clauses (Hulls) (1/11/1995) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;

"regulation" includes any regulation, rule, official directive, request or guideline whether or not having the force of law of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

"subsidiary" has the meaning given in Clause 1.4;

"tax" includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

"war risks" includes the risk of mines and all risks excluded by clause 23 of the Institute Time Clauses (Hulls) (1/10/83) or clause 24 of the Institute Time Clauses (Hulls) (1/11/1995).

1.3 **Meaning of "month".** A period of one or more **"months"** ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started (**"the numerically corresponding day"**), but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day;

and **"month"** and **"monthly"** shall be construed accordingly.

1.4 **Meaning of "subsidiary".** A company (S) is a subsidiary of another company (P) if:

(a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or

(b) P has direct or indirect control over a majority of the voting rights attaching to the issued shares of S; or

(c) P has the direct or indirect power to appoint or remove a majority of the directors of S; or

(d) P otherwise has the direct or indirect power to ensure that the affairs of S are conducted in accordance with the wishes of P;

and any company of which S is a subsidiary is a parent company of S.

1.5 **General Interpretation.** In this Agreement:

(a) references in Clause 1.1 to a Finance Document or any other document being in the form of a particular appendix include references to that form with any modifications to that form which the Lender approves or reasonably requires;

(b) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(c) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise;

(d) words denoting the singular number shall include the plural and vice versa; and

(e) Clauses 1.1 to 1.5 apply unless the contrary intention appears.

1.6 **Headings.** In interpreting a Finance Document or any provision of a Finance Document, all clause, sub-clause and other headings in that and any other Finance Document shall be entirely disregarded.

2 FACILITY

2.1 **Amount of facility.** The Lender has made available to the Original Borrowers (whose rights, obligations and liabilities hereunder have been novated to the Borrower pursuant to the Deed of Novation, Amendment and Restatement) a loan facility of (originally) $130,000,000, drawn in a single advance of which the current principal outstandings aggregate, on the date of the Deed of Novation, Amendment and Restatement, $44,949,640.

2.2 **Purpose of the Loan.** The Borrower represents and warrants to Lender that the Loan has been used only for the purpose stated in the preamble to this Agreement.

3 INTEREST

3.1 **Payment of normal interest.** Subject to the provisions of this Agreement, interest on the Loan in respect of each Interest Period shall be paid by the Borrower on the last day of that Interest Period.

3.2 **Normal rate of interest.** Subject to the provisions of this Agreement, the rate of interest applicable to the Loan (or any part thereof) in respect of an Interest Period shall be the aggregate of the applicable Margin and LIBOR for that Interest Period.

3.3 **Payment of accrued interest.** In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

3.4 **Notification of market disruption.** The Lender shall promptly notify the Borrower if:

(a) no rate is quoted on Reuters BBA Page LIBOR 01; or

(b) for any reason the Lender is unable to obtain Dollars in the London Interbank Market in order to fund or continue to fund the Loan (or any part thereof) during any Interest Period; or

(c) LIBOR for that Interest Period does not adequately reflect the Lender's cost of funding for that Interest Period.

3.5 **Suspension of drawdown.** If the Lender's notice under Clause 3.4 is served before the Loan is made, the Lender's obligation to make the Loan shall be suspended while the circumstances referred to in the Lender's notice continue.

3.6 **Application of alternative rate of interest.** Following the service of a notice by the Lender pursuant to Clause 3.4, but before the commencement of the Interest Period to which that notice relates, the Lender shall have the right to:

(a) reduce (in its sole discretion) the duration of the Interest Period selected by the Borrower, unless a shorter period is not available in which case the Lender shall have the right to amend (in its sole discretion) the duration of the Interest Period selected by the Borrower; and/or

(b) determine (in its sole discretion) the relevant rate of interest which shall apply to the Loan during that Interest Period and which shall be the aggregate of (i) the applicable Margin and (ii) either:

(i) the arithmetic mean of the rates per annum offered, on the relevant Quotation Date, for deposits in Dollars for a period equal to, or as near as possible to, the relevant Interest Period which appear on the electronic pages (together, the **"Applicable Screen Rates")** of (aa) KLIEMM (Carl Kliem GmbH), (bb) USDDEPO=ICAP (leap Plc) and (cc) USDDEPO-TTLK (Tullet Prebon Plc) on the Reuters Money News Services or

(ii) if:

(A) for any reason, there are no Applicable Screen Rates available on the relevant Quotation Date; or

(B) the Applicable Screen Rates (or any of them) do not reflect the rates given in the interbank market on that Quotation Date,

the rate per annum, expressed as a percentage, which reflects the cost to the Lender of funding the Loan (or any part thereof) during that Interest Period from whichever alternative sources are available to the Lender (and as it may select in its sole discretion) in Dollars or in any available currency,

(the **"Alternative Rate"**).

The Lender shall promptly notify the Borrower in writing of any Alternative Rate and any change to the Interest Period selected initially by the Borrower arising through the operation of this Clause 3.6.

3.7 Negotiation of alternative basis for funding. If the Borrower does not agree with the Alternative Rate it shall notify the Lender in writing not later than 2 days after the date on which the Borrower serves its notice pursuant to Clause 3.6. The Borrower and the Lender shall use reasonable endeavours to agree, within 10 days after the date on which the Borrower serves their notice of objection to the Alternative Rate (the **"Negotiation Period"**), an alternative basis (including, but not limited to, an alternative interest period, funding in an alternative currency or currencies and an alternative margin which, for the avoidance of doubt, shall reflect the Lender's cost of funding) for the Lender to continue to fund the Loan during the Interest Period concerned.

3.8 Application of alternative rate of interest. Any Alternative Rate or an alternative basis for the Lender to continue to fund the Loan shall take effect in accordance with the terms notified by the Lender pursuant to Clause 3.6 or, as the case may be, upon the terms agreed pursuant to Clause 3.7. The alternative basis shall continue to apply if the relevant circumstances are continuing at the end of the applicable Interest Period (in the case of the Alternative Rate) or interest period so set by the Lender (in each other case) and for so long as the Lender and the Borrower is in agreement as to the alternative basis for funding.

3.9 Prepayment. If the Borrower does not agree with the Interest Period and/or Alternative Rate set by the Lender pursuant to Clause 3.6 and an alternative basis for funding the Loan (or any part thereof) is not agreed pursuant to Clause 3.7 within the Negotiation Period, the Borrower shall prepay the Loan upon demand by the Lender together with all accrued interest thereon at the applicable rate plus the applicable Margin.

3.10 Reduction of Margin. The Margin shall be reduced on 1 April 2012 to 1.75 per cent, per annum and shall at all times thereafter remain at such rate subject to:

(a) no Event of Default or Potential Event of Default having occurred and continuing at the relevant time; and

(b) the Borrower not being obliged at any relevant time to provide additional security or prepay part of the Loan under Clause 13.1 if the ratio set out in Clause 13.1 were applied at that time.

4 INTEREST PERIODS

4.1 Commencement of Interest Periods. The first Interest Period applicable to the Loan shall commence on the Drawdown Date and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

4.2 Duration of normal Interest Periods. Subject to Clauses 4.3 and 4.4, each Interest Period shall be:

(a) 3, 6 or 9 months as notified by the Borrower to the Lender not later than 11.00 a.m. (Athens time) 2 Business Days before the commencement of the Interest Period; or

(b) 3 months, if the Borrower fails to notify the Lender by the time specified in paragraph (a); or

(c) such other period as the Lender may agree with the Borrower.

4.3 Duration of Interest Periods for repayment instalments. In respect of an amount due to be repaid under Clause 6 on a particular Repayment Date, an Interest Period shall end on that Repayment Date.

4.4 Non-availability of matching deposits for Interest Period selected. If, after the Borrower has selected and the Lender has agreed an Interest Period longer than 6 months, the Lender notifies the Borrower by 11.00 a.m. (Athens time) on the third Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of 6 months.

5 DEFAULT INTEREST

5.1 Payment of default interest on overdue amounts. The Borrower shall pay interest in accordance with the following provisions of this Clause 5 on any amount payable by the Borrower under any Finance Document which the Lender does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 17.4, the date on which it became immediately due and payable.

5.2 Default rate of interest. Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Lender to be 2 per cent, above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at Clauses 5.3(a) and (b); or

(b) in the case of any other overdue amount, the rate set out at Clause 5,3(b).

5.3 Calculation of default rate of interest. The rates referred to in Clause 5.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period);

(b) the applicable Margin plus, in respect of successive periods of any duration (including at call) up to 3 months which the Lender may select from time to time:

(i) LIBOR; or

(ii) if the Lender determines that Dollar deposits for any such period are not being made available to it by leading banks in the London Interbank Market in the ordinary course of business, a rate from time to time determined by the Lender by reference to the cost of funds to it from such other sources as the Lender may from time to time determine.

5.4 Notification of interest periods and default rates. The Lender shall promptly notify the Borrower of each interest rate determined by it under Clause 5,3 and of each period selected by it for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that the Borrower is liable to pay such interest only with effect from the date of the Lender's notification.

5.5 Payment of accrued default interest. Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined.

5.6 Compounding of default interest. Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

5.7 Application to Master Agreement. For the avoidance of doubt, this Clause 5 does not apply to any amount payable under the Master Agreement in respect of any continuing Transaction as to which section 2(e) (Default Interest; Other Amounts) of the Master Agreement shall apply.

6 REPAYMENT AND PREPAYMENT

6.1 Repayment instalments. Save as previously repaid or prepaid, the Borrower shall repay the Loan by (i) 18 consecutive three-monthly instalments in the amount of $1,337,160 each and (ii) a balloon payment of $20,880,760 (the **"Balloon Instalment"**).

6.2 Repayment Dates. The first repayment instalment for the Loan shall be repaid on 15 December 2010, each subsequent repayment instalment shall be repaid at 3-monthly intervals thereafter and the fast instalment shall be repaid, together with the Balloon Instalment, on 13 March 2015.

6.3 Final Repayment Date. On the final Repayment Date, the Borrower shall additionally pay to the Lender all other sums then accrued or owing under any Finance Document.

6.4 Voluntary prepayment. Subject to the following conditions, the Borrower may prepay the whole or any part of the Loan on the last day of an Interest Period.

6.5 Conditions for voluntary prepayment. The conditions referred to in Clause 7.4 are that:

(a) a partial prepayment shall be $500,000 or a multiple of $500,000;

(b) the Lender has received from the Borrower at least 10 Business Days' prior written notice specifying the amount to be prepaid and the date on which the prepayment is to be made; and

(c) the Borrower has provided evidence satisfactory to the Lender that any consent required by the Borrower or any Security Party in connection with the prepayment has been obtained and remains in force, and that any regulation relevant to this Agreement which affect the Borrower or any Security Party has been complied with.

6.6 Effect of notice of prepayment. A prepayment notice may not be withdrawn or amended without the consent of the Lender and the amount specified in the prepayment notice shall become due and payable by the Borrower on the date for prepayment specified in the prepayment notice.

6.7 Mandatory prepayment. The Borrower shall be obliged to prepay the Loan if the Collateral Ship is sold or becomes a Total Loss:

(a) if that Ship is sold, on or before the date on which the sale is completed by delivery of such Ship to the buyer; or

(b) if that Ship becomes a Total Loss, on the earlier of the date falling 180 days after the Total Loss Date and the date of receipt by the Lender of the proceeds of insurance relating to such Total Loss.

6.8 Amounts payable on prepayment. A prepayment shall be made together with accrued interest (and any other amount payable under Clause 19 or otherwise) in respect of the amount prepaid and, if the prepayment is not made on the last day of an Interest Period, together with any sums payable under Clauses 19.1(b) and 19.2 but without premium or penalty.

6.9 Application of partial prepayment. Each partial prepayment made pursuant to Clauses 6.4 or 6.7 shall be applied pro rata against the repayment instalments specified in Clause 6.1 outstanding at the time of the partial prepayment (including, without limitation, the Balloon Instalment).

6.10 No reborrowing. No amount prepaid may be reborrowed.

6.11 Prepayment out of Excess Earnings. If on 31 March, 30 June, 30 September and 31 December in each calendar year during the Charter Period (each an **"Excess Cash Calculation Date"**), with the first such 3-month period being the period commencing on 30 September 2010, the Lender determines (on the basis of the quarterly management accounts of the Borrower to be provided pursuant to Clause 9.6(d)) that the aggregate of the daily Earnings of the Collateral Ship for such 3-month period (each, a **"Relevant Period"** and, together, the **"Relevant Periods"**) exceeds the aggregate of:

(a) the expenditure necessarily incurred during such Relevant Period by the Borrower in operating, insuring, maintaining, repairing and generally trading the Collateral Ship (including, but not limited to, any expenses in respect of drydocking or maintenance of the Collateral Ship and management fees paid in respect of the Collateral Ship); and

(b) sums incurred by the Borrower in respect of the payment of principal on, and interest for, the Loan pursuant to this Agreement and any sums paid by the Borrower pursuant to the Master Agreement during such 3-month period,

then the Borrower shall on the first Repayment Date to occur after the relevant Excess Cash Calculation Date pay to the Lender the amount equal to such excess (each an **"Excess Amount"** and, together, the **"Excess Amounts"**) which shall be applied by the Lender pro rata against each repayment instalment (including the Balloon Instalment) which is due and payable between (and including) 31 July 2013 and the final Repayment Date (and the Borrower hereby irrevocably authorises the Lender to make such application).

6.12 **Adjustment of Excess Amount.** If the Lender determines (in its sole and absolute discretion) upon review of the annual management accounts of the Borrower and/or the annual audited consolidated financial statements of the Corporate Guarantor in respect of any financial year which will be delivered to the Lender pursuant to Clauses 9.6(a) and 9.6(c) respectively that the aggregate of the Excess Amounts for that financial year determined by reference to the unaudited quarterly individual financial statements of the Borrower is less than the aggregate of the Excess Amounts for the whole of the financial year as determined by reference to the Borrower's individual financial statements for that financial year (the **"Adjusted Excess Amount"**) the Borrower shall, following the Lender's determination as aforesaid, prepay on the date falling 10 days after the date on which the Lender notifies the Borrower of such insufficiency the amount by which the Adjusted Excess Amount exceeds the aggregate of the Excess Amounts. If the aggregate Excess Amount for any financial year determined by the Lender by reference to the Borrower's individual management financial statements for that financial year is less than the aggregate Excess Amount determined by reference to the annual management accounts of the Borrower and/or the annual audited consolidated financial statements of the Corporate Guarantor for the same financial year, the difference between such two amounts shall be deducted from the amount determined by the Lender to be the Excess Amount for the first Relevant Period to occur after the Lender's determination.

7 CONDITIONS PRECEDENT

7.1 **Documents, fees and no default.** The novation of this Agreement to the Borrower is subject to the following conditions precedent:

(a) that, on or before the Effective Date the Lender receives the documents described in Schedule 1 in form and substance satisfactory to it and its lawyers;

(b) that at the Effective Date:

(i) no Event of Default or Potential Event of Default has occurred and is continuing or would result from the borrowing of the Loan and the novation and/or assumption of the Original Borrowers' rights and obligations hereunder pursuant to the terms of the Deed of Novation, Amendment and Restatement;

(ii) the representations and warranties in Clause 8 and those of the Borrower or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on the Effective Date with reference to the circumstances then existing;

(iii) none of the circumstances contemplated by Clause 3.4 has occurred and is continuing; and

(iv) there has been no material adverse change in the financial position, state of affairs or prospects of the Borrower, the Corporate Guarantor, the Group any other Security Party in the light of which the Lender considers that there is a significant risk that the Borrower, the Corporate Guarantor, the Group or any other Security Party will later become unable to discharge its liabilities under the Finance Documents to which it is a party as they fall due; and

(v) that the Lender has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Lender may reasonably request by notice to the Borrower prior to the Effective Date.

7.2 **Waivers of conditions precedent.** If the Lender, at its discretion, agrees to the Novation of this Agreement to the Borrower before certain of the conditions referred to in Clause 7.1 are satisfied, the Borrowers shall ensure that those conditions are satisfied within 10 Business Days after the Effective Date (or such longer period as the Lender may specify).

8 REPRESENTATIONS AND WARRANTIES

8.1 **General.** The Borrower represents and warrants to the Lender as follows.

8.2 **Status.** The Borrower is duly incorporated and validly existing and in good standing under the laws of the Marshall Islands.

8.3 **Share capital and ownership.** The Borrower has an authorised share capital which is divided into 500 registered shares with a par value of $20.00 each and the legal title and beneficial ownership of the Borrower's shares is held, free of any Security Interest or other claim, by the Corporate Guarantor.

8.4 **Corporate power.** The Borrower has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to own its Ship and maintain it in its ownership under the Maltese flag;

(b) to execute the Finance Documents and any Approved Charter to which it is a party; and

(c) to borrow under this Agreement, to enter into Transactions under the Master Agreement and to make all the payments contemplated by, and to comply with, those Finance Documents including, without limitation, the Master Agreement

8.5 **Consents in force.** All the consents referred to in Clause 8.4 remain in force and nothing has occurred which makes any of them liable to revocation.

8.6 **Legal validity; effective Security Interests.** The Finance Documents to which the Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute the legal, valid and binding obligations of the Borrower enforceable against it in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate;

subject to any relevant insolvency laws affecting creditors' rights generally.

8.7 **No third party Security Interests.** Without limiting the generality of Clause 8.6, at the time of the execution and delivery of each Finance Document:

(a) the Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

8.8 **No conflicts.** The execution by the Borrower of each Finance Document to which it is a party, and the borrowing by the Borrower of the Loan, and their compliance with each Finance Document will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) its constitutional documents; or

(c) any contractual or other obligation or restriction which is binding on the Borrower or any of its assets.

8.9 No withholding taxes. All payments which the Borrower is liable to make under the Finance Documents may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

8.10 No default. No Event of Default or Potential Event of Default has occurred and is continuing.

8.11 Information. All information which has been provided in writing by or on behalf of the Borrower or any Security Party to the Lender in connection with any Finance Document satisfied the requirements of Clause 9.5; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 9.7; and there has been no material adverse change in the financial position or state of affairs of the Borrower from that disclosed in the latest of those accounts.

8.12 No litigation. No legal or administrative action involving the Borrower (including any action relating to any alleged or actual breach of the ISM Code or the ISPS Code) has been commenced or taken or, to the Borrower's knowledge, is likely to be commenced or taken which, in either case, would be likely to have a material adverse effect on the Borrower's financial position or profitability.

8.13 Compliance with certain undertakings. At the date of this Agreement, the Borrower is in compliance with Clauses 9.2, 9.4, 9.9 and 9.13.

8.14 Taxes paid. The Borrower has paid all taxes applicable to, or imposed on or in relation to it, its business or the Ship owned by it.

8.15 ISM Code and ISPS Code compliance. All requirements of the ISM Code and the ISPS Code as they relate to each Owner, the Approved Manager and the Ships have been complied with.

8.16 No money laundering. Without prejudice to the generality of Clause 2.2, in relation to the borrowing by the Original Borrowers of the Loan (whose rights, obligations and liabilities hereunder have been novated to, and assumed by, the Borrower pursuant to the Deed of Novation, Amendment and Restatement), the performance and discharge of the Borrower's obligations and liabilities under the Finance Documents, and the transactions and other arrangements effected or contemplated by the Finance Documents, the Borrower confirms that it is acting for its own account and that the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities).

8.17 ISO 9002. The Borrower will, once it is required to do so by law, obtain ISO 9002 certification.

9 GENERAL UNDERTAKINGS

9.1 General. The Borrower undertakes with the Lender to comply with the following provisions of this Clause 9 at all times during the Security Period except as the Lender may otherwise permit.

9.2 Title; negative pledge. The Borrower will:

(a) hold the legal title to, and own the entire beneficial interest in its Ship, her Insurances and her Earnings, free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents (and the effect of assignments contained in the Finance Documents) and except for Permitted Security Interests; and

(b) not create or permit to arise any Security Interest (except for Permitted Security Interests) over any other asset, present or future.

9.3 No disposal of assets. The Borrower will not transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets, whether by one transaction or a number of transactions, whether related or not; or

(b) any debt payable to it or any other right (present, future or contingent right) to receive a payment, including any right to damages or compensation.

9.4 No other liabilities or obligations to be incurred. The Borrower will not incur any Financial Indebtedness except that incurred under the Finance Documents and that reasonably incurred in the ordinary course of operating and chartering its Ship.

9.5 Information provided to be accurate. All financial and other information which is provided in writing by or on behalf of the Borrower under or in connection with any Finance Document will be true and not misleading and will not omit any material fact or consideration.

9.6 Provision of financial statements. The Borrower will send or procure there are sent to the Lender:

(a) as soon as possible, but in no event later than 180 days after the end of each financial year of the Borrower (commencing with the financial year ending on 31 December 2010), the management accounts (comprising of a balance sheet, a statement of profit and loss and a statement of cashflows) of the Borrower for that financial year;

(b) as soon as possible, but in no event later than 30 days after the end of each 3-month period in each financial year of the Borrower ending on 31 March, 30 June, 30 September and 31 December (commencing with the 3-month period ending on 31 December 2010), the interim management accounts (comprising of a balance sheet, a statement of profit and loss and a statement of cashflows) of the Borrower for that 3-month period;

(c) as soon as possible, but in no event later than 180 days after the end of each financial year of the Corporate Guarantor (commencing with the financial year ending on 31 December 2007), the audited consolidated financial statements of the Corporate Guarantor for that financial year; and

(d) as soon as possible, but in no event later than 60 days after the end of each 6-month period in each financial year of the Corporate Guarantor ending on 30 June and 31 December (commencing with the 6-month period ending on 31 December 2007), the interim unaudited consolidated financial statements of the Borrower of the Corporate Guarantor for that 6-month period.

9.7 Form of financial statements. All accounts (audited and unaudited) delivered under Clause 9.6 will:

(a) be prepared in accordance with all applicable laws and generally accepted accounting principles consistently applied;

(b) give a true and fair view of the state of affairs of the Borrower, the Corporate Guarantor and the Group at the date of those accounts and of profit for the period to which those accounts relate; and

(c) fully disclose or provide for all significant liabilities of the Borrower, the Corporate Guarantor and the Group.

9.8 Shareholders and creditor notices. The Borrower will send the Lender, at the same time as they are despatched, copies of all communications which are despatched to the Borrower's shareholders or creditors or any class of them.

9.9 Consents. The Borrower will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Lender of, all consents required:

(a) for the Borrower to perform its obligations under any Finance Document;

(b) for the validity or enforceability of any Finance Document; and

(c) for the Borrower to continue to own and operate its Ship,

and the Borrower will comply with the terms of all such consents.

9.10 Maintenance of Security Interests. The Borrower will:

(a) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a) above, authorise and hereby authorises the Lender at the cost of the Borrower to promptly register, file, record or enrol any Finance Document with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Finance Document, give any notice or take any other step which may be or become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

9.11 Notification of litigation. The Borrower will provide the Lender with details of any legal or administrative action involving the Borrower, any Security Party, the Approved Manager, any Ship, the Earnings or the Insurances as soon as such action is instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

9.12 Principal place of business. The Borrower will maintain its place of business, and keep its corporate documents and records, at the address stated in Clause 26.2(a) and the Borrower will not establish, or do anything as a result of which it would be deemed to have, a place of business in the United Kingdom or the United States of America.

9.13 Confirmation of no default. The Borrower will, within 2 Business Days after service by the Lender of a written request, serve on the Lender a notice which is signed by a director of the Borrower and which:

(a) states that no Event of Default or Potential Event of Default has occurred; or

(b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given.

9.14 Notification of default. The Borrower will notify the Lender as soon as the Borrower becomes aware of:

(a) the occurrence of an Event of Default or a Potential Event of Default; or

(b) any matter which indicates that an Event of Default or a Potential Event of Default may have occurred,

and will keep the Lender fully up-to-date with all developments.

9.15 Provision of further information. The Borrower will, as soon as practicable after receiving the request, provide the Lender with:

(a) any additional financial or other information relating to the Borrower, the Ships, the Earnings, the Insurances, the Approved Manager, the Security Parties, the Group or the Corporate Guarantor; or

(b) any additional financial or other information relating to any other matter relevant to, or to any provision of, a Finance Document,

which may be requested by the Lender at any time.

9.16 Time Charter Assignment. If the Borrower or an Owner enters into any bareboat charter or any Approved Charter (other than the Charter for as long as such charter is not assignable) in respect of its Ship, the Borrower shall or, as the case may be, the Borrower shall procure that such Owner shall, at the request of the Lender, execute in favour of the Lender a Charter Assignment in respect of such bareboat charter or Approved Charter and deliver to the Lender any documents in relation thereto which the Lender may require.

9.17 Information on Relevant Charter. The Borrower shall, and shall procure that each Owner shall, immediately inform the Lender if the charterer which has entered into a Relevant Charter with the Borrower or, as the case may be, that Owner is in breach of its obligations under that Relevant Charter.

9.18 No amendment to Relevant Charter etc. The Borrower will not, and shall procure that each Owner will not, agree to any amendment or supplement to, or waive or fail to enforce the Relevant Charter to which it is or will become a party or any of its provisions.

10 CORPORATE UNDERTAKINGS

10.1 General. The Borrower also undertakes with the Lender to comply with the following provisions of this Clause 10 at all times during the Security Period except as the Lender may otherwise permit.

10.2 Maintenance of status. The Borrower will maintain its separate corporate existence and remain in good standing under the laws of the Marshall Islands.

10.3 Negative undertakings. The Borrower will not:

(a) carry on any business other than the ownership, chartering and operation of the Ship owned by it; or

(b) provide any form of credit or financial assistance to:

(i) a person who is directly or indirectly interested in the Borrower's share or loan capital; or

(ii) any company in or with which such a person is directly or indirectly interested or connected,

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to the Borrower than those which it could obtain in a bargain made at arms' length;

(c) open or maintain any account with any bank or financial institution except accounts with the Lender for the purposes of the Finance Documents;

(d) issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital;

(e) acquire any shares or other securities other than US or UK Treasury bills and certificates of deposit issued by major North American or European banks, or enter into any transaction in a derivative (other than a Transaction under the Master Agreement); and

(f) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation.

10.4 Minimum Liquidity. The Borrower shall ensure that at all times during the Waiver Period the credit balance on the Deposit Account shall be at least equal to the Minimum Deposit.

11 INSURANCE

11.1 General. The Borrower undertakes to procure that each Owner of a Mortgaged Ship shall comply with the following provisions of this Clause 11 at all times during the Security Period except as the Lender may otherwise permit.

11.2 Maintenance of obligatory insurances. The Borrower shall procure that each Owner of a Mortgaged Ship shall keep the Ship owned by it insured at its expense against:

(a) fire and usual marine risks (including hull and machinery and excess risks);

(b) war risks;

(c) protection and indemnity risks; and

(d) any other risks against which the Lender considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Lender be reasonable for such Owner to insure and which are specified by the Lender by notice to such Owner.

11.3 Terms of obligatory insurances. The Borrower shall procure that each Owner of a Mortgaged Ship shall effect such insurances:

(a) in Dollars;

(b) in the case of fire and usual marine risks and war risks, in an amount on an agreed value basis at least the greater of (i) an amount equal to 125 per cent. of the aggregate of (A) the Loan and (B) any Swap Exposure and (ii) the Market Value of such Ship;

(c) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market;

(d) in relation to protection and indemnity risks, in respect of the relevant Ship's full tonnage;

(e) on approved terms; and

(f) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations.

11.4 Further protections for the Lender. In addition to the terms set out in Clause 11.3, the Borrower shall procure that the obligatory insurances shall:

(a) whenever the Lender requires, name (or be amended to name) the Lender as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Lender, but without the Lender thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

(b) name the Lender as loss payee with such directions for payment as the Lender may specify;

(c) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Lender shall be made without set-off, counterclaim or deductions or condition whatsoever;

(d) provide that the insurers shall waive, to the fullest extent permitted by English law, their entitlement (if any) (whether by statute, common law, equity, or otherwise) to be subrogated to the rights and remedies of the Lender in respect of any rights or interests (secured or not) held by or available to the Lender in respect of the Secured Liabilities, until the Secured Liabilities shall have been fully repaid and discharged, except that the insurers shall not be restricted by the terms of this paragraph (d) from making personal claims against persons (other than the relevant Owner or the Lender) in circumstances where the insurers have fully discharged their liabilities and obligations under the relevant obligatory insurances;

(e) provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Lender;

(f) provide that the Lender may make proof of loss if the relevant Owner fails to do so; and

(g) provide that if any obligatory insurance is cancelled, or if any substantial change is made in the coverage which adversely affects the interest of the Lender, or if any obligatory insurance is allowed to lapse for non-payment of premium, such cancellation, charge or lapse shall not be effective with respect to the Lender for 30 days (or 7 days in the case of war risks) after receipt by the Lender of prior written notice from the insurers of such cancellation, change or lapse.

11.5 Renewal of obligatory insurances. The Borrower shall procure that each Owner of a Mortgaged Ship shall:

(a) at least 14 days before the expiry of any obligatory insurance:

(i) notify the Lender of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom the relevant Owner proposes to renew that obligatory insurance and of the proposed terms of renewal; and

(ii) obtain the Lender’s approval to the matters referred to in paragraph (i) above;

(b) at least 14 days before the expiry of any obligatory insurance, renew that obligatory insurance in accordance with the Lender's approval pursuant to paragraph (a) above; and

(c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Lender in writing of the terms and conditions of the renewal.

11.6 Copies of policies; letters of undertaking. The Borrower shall ensure that all approved brokers provide the Lender with pro forma copies of all policies relating to the obligatory insurances which they are to effect or renew and of a letter or letters or undertaking in a form required by the Lender and including undertakings by the approved brokers that:

(a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 11.4;

(b) they will hold such policies, and the benefit of such insurances, to the order of the Lender in accordance with the said loss payable clause;

(c) they will advise the Lender immediately of any material change to the terms of the obligatory insurances;

(d) they will notify the Lender, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from the relevant Owner or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Lender of the terms of the instructions; and

(e) they will not set off against any sum recoverable in respect of a claim relating to the relevant Ship under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of the relevant Ship or otherwise, they waive any lien on the policies (including, without limitation, any fleet lien), or any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of the relevant Ship forthwith upon being so requested by the Lender.

11.7 Copies of certificates of entry. The Borrower shall procure that each Owner of a Mortgaged Ship shall ensure that any protection and indemnity and/or war risks associations in which that Ship is entered provides the Lender with:

(a) a certified copy of the certificate of entry for such Ship;

(b) a letter or letters of undertaking in such form as may be required by the Lender;

(c) where required to be issued under the terms of insurance/indemnity provided by the Owner's protection and indemnity association, a certified copy of each United States of America voyage quarterly declaration (or other similar document or documents) made by that Owner in accordance with the requirements of such protection and indemnity association; and

(d) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to such Ship.

11.8 Deposit of original policies. The Borrower shall procure that each Owner of a Mortgaged Ship shall ensure that all policies relating to obligatory insurances are deposited with the approved brokers through which the insurances are effected or renewed.

11.9 Payment of premiums. The Borrower shall procure that each Owner of a Mortgaged Ship shall punctually pay all premiums or other sums payable in respect of the obligatory insurances and produce all relevant receipts when so required by the Lender.

11.10 Guarantees. The Borrower shall procure that each Owner of a Mortgaged Ship shall ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

11.11 Restrictions on employment. The Borrower shall procure that no Owner of a Mortgaged Ship will employ its Ship, nor permit her to be employed, outside the cover provided by any obligatory insurances.

11.12 Compliance with terms of insurances. The Borrower shall procure that each Owner of a Mortgaged Ship shall neither do nor omit to do (nor permit to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable under an obligatory insurance repayable in whole or in part; and, in particular:

(a) the relevant Owner shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 11.7(c)) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Lender has not given its prior approval;

(b) the relevant Owner shall not make any changes relating to the classification or classification society or manager or operator of the Ship owned by it unless approved by the underwriters of the obligatory insurances;

(c) the relevant Owner shall not make (and promptly supply copies to the Lender of) all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading (if permitted by the Lender) to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and

(d) the relevant Owner shall not employ its Ship, nor allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

11.13 Alteration to terms of insurances. The Borrower shall procure that each Owner of a Mortgaged Ship shall not make or agree to any alteration to the terms of any obligatory insurance nor waive any right relating to any obligatory insurance.

11.14 Settlement of claims. The Borrower shall procure that each Owner of a Mortgaged Ship shall not settle, compromise or abandon any claim under any obligatory insurance for Total Loss or for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Lender to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

11.15 Provision of copies of communications. The Borrower shall procure that each Owner of a Mortgaged Ship shall provide the Lender, at the time of each such communication, copies of all written communications between the relevant Owner and:

(a) the approved brokers; and

(b) the approved protection and indemnity and/or war risks associations; and

(c) the approved insurance companies and/or underwriters, which relate directly or indirectly to:

(i) that Owner's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

(ii) any credit arrangements made between that Owner and any of the persons referred to in paragraphs (a) or (b) above relating wholly or partly to the effecting or maintenance of the obligatory insurances.

11.16 Provision of information. In addition, the Borrower shall procure that each Owner of a Mortgaged Ship shall promptly provide the Lender (or any persons which it may designate) with any information which the Lender (or any such designated person) requests for the purpose of:

(a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or

(b) effecting, maintaining or renewing any such insurances as are referred to in Clause 11.17 below or dealing with or considering any matters relating to any such insurances,

and the Borrower shall, forthwith upon written demand, indemnify the Lender in respect of all fees and other expenses incurred by or for the account of the Lender in connection with any such report as is referred to in paragraph (a) above.

11.17 Mortgagee's interest and additional perils insurances. The Lender shall be entitled from time to time to effect, maintain and renew a mortgagee's interest additional perils insurance and a mortgagee's interest marine insurance in respect of a Mortgaged Ship on such terms, in such amounts, through such insurers and generally in such manner as the Lender may from time to time consider appropriate and the Borrower shall upon demand fully indemnify the Lender in respect of all premiums and other expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

11.18 Review of insurance requirements. The Lender shall be entitled to review the requirements of this Clause 11 from time to time in order to take account of any changes in circumstances after the date of this Agreement which are, in the opinion of the Lender, significant and capable of affecting a Mortgaged Ship or its Owner and their insurance (including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which the relevant Owner may be subject), and may appoint insurance consultants in relation to this review at the cost of the Borrower.

11.19 Modification of insurance requirements. The Lender shall notify the Borrower of any proposed modification under Clause 11,18 to the requirements of this Clause II which the Lender considers appropriate in the circumstances, and such modification shall take effect on and from the date it is notified in writing to the Borrower as an amendment to this Clause 11 and shall bind the Borrower accordingly.

11.20 Compliance with mortgagee's instructions. The Lender shall be entitled (without prejudice to or limitation of any other rights which it may have or acquire under any Finance Document) to require a Mortgaged Ship to remain at any safe port or to proceed to and remain at any safe port designated by the Lender until the Owner of that Ship implements any amendments to the terms of the obligatory insurances and any operational changes required as a result of a notice served under Clause 11.19.

12 SHIP COVENANTS

12.1 General. The Borrower shall procure that each Owner of a Mortgaged Ship shall comply with the following provisions of this Clause 12 at all times during the Security Period except as the Lender may otherwise permit.

12.2 Ship's name and registration. The Borrower shall procure that each Owner of a Mortgaged Ship shall keep the Ship owned by it registered in its ownership in Malta; shall not do or allow to be done anything as a result of which such registration might be cancelled or imperilled; and shall not change the name or port of registry of that Ship.

12.3 Repair and classification. The Borrower shall procure that each Owner of a Mortgaged Ship shall keep the Ship owned by it in a good and safe condition and state of repair:

(a) consistent with first-class ship ownership and management practice;

(b) so as to maintain the highest classification available for vessels of the same age, type and specification as such Ship with an approved classification society which is a member of IACS (or such other first class classification society as may be approved by the Lender), free of overdue recommendations and requirements affecting such Ship's class; and

(c) so as to comply with all laws and regulations applicable to vessels registered at ports in Malta or to vessels trading to any jurisdiction to which such Ship may trade from time to time, including but not limited to the ISM Code, the ISM Code Documentation and the ISPS Code Documentation.

12.4 Modification. The Borrower shall procure that each Owner of a Mortgaged Ship shall not make any modification or repairs to, or replacement of, the Ship owned by it or equipment installed on such Ship which would or might materially alter the structure, type or performance characteristics of such Ship or materially reduce its value.

12.5 Removal of parts. The Borrower shall procure that each Owner of a Mortgaged Ship shall not, remove any material part of the Ship owned by it, or any item of equipment installed on such Ship, unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Lender and becomes on installation on such Ship the property of the relevant Borrower and subject to the security constituted by the Mortgage and if applicable, the Deed of Covenant relative to that Ship **Provided that** the relevant Owner may install equipment owned by a third party if the equipment can be removed without any risk of damage to its Ship.

12.6 Surveys. The Borrower shall procure that each Owner of a Mortgaged Ship shall, submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Lender, provide the Lender at the expense of the Borrower, with copies of all survey reports.

12.7 Inspection. The Borrower shall procure that each Owner of a Mortgaged Ship shall permit the Lender (by surveyors or other persons appointed by it for that purpose) to board the Ship owned by it at all reasonable times to inspect its condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections.

12.8 Prevention of and release from arrest. The Borrower shall procure that each Owner of a Mortgaged Ship shall promptly discharge:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, her Earnings or her Insurances;

(b) all taxes, dues and other amounts charged in respect of that Ship, her Earnings or her Insurances; and

(c) all other outgoings whatsoever in respect of that Ship, the Earnings or the Insurances,

and, forthwith upon receiving notice of the arrest of that Ship, or of its detention in exercise or purported exercise of any lien or claim, the relevant Owner shall procure its release by providing bail or otherwise as the circumstances may require.

12.9 Compliance with laws etc. The Borrower shall procure that each Owner of a Mortgaged Ship shall:

(a) comply, or procure compliance with the ISM Code, the ISPS Code, all Environmental Laws and all other laws or regulations relating to the Ship owned by it, its ownership, operation and management or to the business of the relevant Owner;

(b) not employ its Ship nor allow its employment in any manner contrary to any law or regulation in any relevant jurisdiction including but not limited to the ISM Code and the ISPS Code; and

(c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit it to enter or trade to any zone which is declared a war zone by any government or by such Ship's war risks insurers unless the prior written consent of the Lender has been given and the Ship owned by it has (at its expense) effected any special, additional or modified insurance cover which the Lender may require.

12.10 Provision of information. The Borrower shall procure that each Owner of a Mortgaged Ship shall promptly provide the Lender with any information which it requests regarding:

(a) the Ship owned by it, its employment, position and engagements;

(b) the Earnings and payments and amounts due to such Ship's master and crew;

(c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of such Ship and any payments made in respect of such Ship;

(d) any towages and salvages; and

(e) the relevant Owner's, the Approved Manager's or such Ship's compliance with the ISM Code and the ISPS Code,

and, upon the Lender's request, provide copies of any current charter and any charter guarantee in relation thereto relating to such Ship, of any current charter guarantee and of the ISM Code Documentation and ISPS Code Documentation.

12.11 Notification of certain events. The Borrower shall procure that each Owner of a Mortgaged Ship shall immediately notify the Lender by fax, confirmed forthwith by letter, of:

(a) any casualty which is or is likely to be or to become a Major Casualty;

(b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority which is not immediately complied with;

(d) any arrest or detention of that Ship, any exercise or purported exercise of any lien on that Ship or its Earnings or any requisition thereof for hire;

(e) any intended dry docking of that Ship;

(f) any Environmental Claim made against the relevant Owner of its Ship, or any Environmental Incident;

(g) any claim for breach of the ISM Code or the ISPS Code being made against the relevant Owner, the Approved Manager or otherwise in connection with the Ship owned by it; or

(h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with,

and the Borrower shall keep the Lender advised in writing on a regular basis and in such detail as the Lender shall require of the relevant Owner's, the Approved Manager's or any other person's response to any of those events or matters.

12.12 Restrictions on chartering, appointment of managers etc. The Borrower shall procure that each Owner of a Mortgaged Ship will not:

(a) let its Ship on a demise charter for any period;

(b) enter into any time or consecutive voyage charter in respect of that Ship for a term which exceeds, or which by virtue of any optional extensions may exceed, 12 months;

(c) enter into any charter in relation to that Ship under which more than 2 months' hire (or the equivalent) is payable in advance;

(d) charter that Ship otherwise than on bona fide arm's length terms at the time when such Ship is fixed;

(e) (other than under Clause 12.15) appoint a manager of that Ship other than the Approved Manager or agree to any alteration to the terms of the Approved Manager's appointment;

(f) de-activate or lay up that Ship; or

(g) put that Ship into the possession of any person for the purpose of work being done upon her in an amount exceeding or likely to exceed $500,000 (or the equivalent in any other currency) unless that person has first given to the Lender and in terms satisfactory to it a written undertaking not to exercise any lien on such Ship or her Earnings for the cost of such work or for any other reason.

12.13 Notice of Mortgage. The Borrower shall procure that each Owner of a Mortgaged Ship shall keep the Mortgage relative to its Ship registered against that Ship as a valid first or, in the case of the Additional Owners, second, priority mortgage, carry on board such Ship a certified copy of the Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of such Ship a framed printed notice stating that such Ship is mortgaged by the relevant Owner to the Lender.

12.14 Sharing of Earnings. The Borrower shall procure that each Owner of a Mortgaged Ship shall not enter into any agreement or arrangement for the sharing of any Earnings of its Ship.

12.15 Change of Approved Manager. If at any time during the Security Period the commercial and/or technical management of a Ship is transferred to TMS Bulkers Ltd. or any other company which the Lender may reasonably approve as the commercial, technical and/or operational manager of that Ship the Borrower shall, or, as the case may be, shall procure that the relevant Additional Owner shall, provide the Lender, on or prior to the date on which such transfer shall be effected, with:

(a) documents acceptable to the Lender (in its sole discretion) establishing that such Ship is managed by the relevant Approved Manager on terms acceptable to the Lender;

(b) the Approved Manager's Undertaking in respect of that Ship; and

(c) copies of the document of compliance (DOC), the safety management certificate (SMC) and the ISSC referred to in paragraph (a) of the definition of the ISM Code Documentation in respect of that Ship certified as true and in effect by the relevant Owner's or (as the case may be) the Approved Manager's (duly certified) legal counsel.

13 SECURITY COVER

13.1 Minimum required security cover. Clause 13.2 applies if the Lender notifies the Borrower at any time (other than during the Waiver Period) that:

(a) the Market Value of the Collateral Ship; plus

(b) the net realisable value of any additional security previously provided under this Clause 14,

is below 125 per cent, of the aggregate of (i) Loan and (ii) the Swap Exposure.

13.2 Provision of additional security; prepayment. If the Lender serves a notice on the Borrower under Clause 13.1, the Borrower shall, within 1 month after the date on which the Lender's notice is served, either:

(a) provide, or ensure that a third party provides, additional security which, in the opinion of the Lender, has a net realisable value at least equal to the shortfall and is documented in such terms as the Lender may approve or require; or

(b) prepay such part (at least) of the Loan as will eliminate the shortfall.

13.3 Valuation of the Collateral Ship. The Market Value of the Collateral Ship or, as the case may be, a Fleet Vessel at any date is that shown by a valuation prepared:

(a) as at a date not more than 14 days previously;

(b) by an independent sale and purchase shipbroker which the Lender has appointed and the Borrower has approved (such approval not to be unreasonably withheld) for the purpose;

(c) with or without physical inspection of that Ship (as the Lender may require);

(d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer;

(e) free of any existing charter or other contract of employment other than:

(i) in the case of the Collateral Ship, any Relevant Charter to which that Ship may be subject and which has an unexpired duration of at least 11 months; and

(ii) in the case of a Fleet Vessel, any charterparty to which that Fleet Vessel may be subject, which is made between the owner of that Fleet Vessel and a charterer acceptable to the Lender and has an unexpired duration of at least 11 months,

in which case such Relevant Charter or, as the case may be, charterparty, shall be taken into account in determining the Market Value of that Ship or, as the case may be, Fleet Vessel **Provided that** in the case of a Relevant Charter, the Lender is satisfied that the parties to such Relevant Charter are in full compliance with the terms thereof; and

(f) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

In this Clause 13.3 **"Relevant Charter"** means, in relation to the Collateral Ship, any time charter party (including, but not limited to, any Approved Charter (other than the Charter for as long as such charter is not assigned in favour of the Lender)) in respect of that Ship entered into by the Borrower and a charterer in all respects acceptable to the Lender, exceeding or which, by virtue of any optional extensions is capable of exceeding, 11 months in duration (as the same may be amended or supplemented from time to time) on terms and substance in all respects acceptable to the Lender.

13.4 Value of additional vessel security. The net realisable value of any additional security which is provided under Clause 13.2 and which consists of a Security Interest over a vessel shall be that shown either by way of a valuation complying with the requirements of Clause 13.3 or by a valuation from an independent sale and purchase shipbroker appointed by the Borrower and approved by the Lender (and on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and willing buyer, free of charter or other contract of employment).

13.5 Valuations binding. Any valuation under Clause 13.2,13.3 or 13.4 shall be binding and conclusive as regards the Borrower, as shall be any valuation which the Lender makes of any additional security which does not consist of or include a Security Interest.

13.6 Frequency of valuation. The Borrower acknowledges and agrees that the Lender may commission a valuation of the Collateral Ship:

(a) at the end of each 3-month period ending on 31 March, 30 June, 30 September and 31 December in each year;

(b) if the Lender provides its consent pursuant to Clause 9.18 in respect of any amendment and/or variation of a Relevant Charter, immediately after such amendment and/or variation has been effected, and

(c) at any other time as the Lender may determine (including, but not limited to, at any time when, in the opinion of the Lender, any charterer in respect of a Relevant Charter is not in compliance with the terms of that Relevant Charter) in its absolute discretion.

13.7 Provision of information. The Borrower shall promptly provide the Lender and any ship broker or expert acting under Clause 13.3 with any information which the Lender or any independent ship broker or expert may request for the purposes of the valuation; and, if the Borrower fails to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which that ship broker or the Lender (or the expert appointed by it) considers prudent.

13.8 Payment of valuation expenses. Without prejudice to the generality of the Borrower's obligations under Clauses 18.2, 18.3 and 19.3, the Borrower shall, on demand, pay the Lender the amount of the fees and expenses of any shipbroker or expert instructed by the Lender under this Clause and all legal and other expenses incurred by the Lender in connection with any matter arising out of this Clause.

13.9 Application of prepayment. Clause 6 shall apply in relation to any prepayment pursuant to Clause 13.2(b).

14 PAYMENTS AND CALCULATIONS

14.1 Currency and method of payments. All payments to be made by the Borrower to the Lender under a Finance Document shall be made to the Lender:

(a) by not later than 11.00 a.m. (Athens time) on the due date;

(b) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Lender shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement); and

(c) to the account of the Lender at Bank of New York of New York, USA for credit to the account of the Lender (Account No. 8033138548), or to such other account with such other bank as the Lender may from time to time notify to the Borrower.

14.2 Payment on non-Business Day. If any payment by the Borrower under a Finance Document would otherwise fall due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day,

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

14.3 Basis for calculation of periodic payments. All interest and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

14.4 Lender accounts. The Lender shall maintain an account showing the amounts advanced by the Lender and all other sums owing to the Lender from the Borrower and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrower and any Security Party.

14.5 Accounts prima facie evidence. If the account maintained under Clause 14.4 shows an amount to be owing by the Borrower or a Security Party to the Lender, that account shall be prima facie evidence, save in the case of manifest error, that amount is owing to the Lender.

15 APPLICATION OF RECEIPTS

15.1 Normal order of application. Except as any Finance Document may otherwise provide, any sums which are received or recovered by the Lender under or by virtue of any Finance Document shall be applied:

(a) FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents (other than under the Master Agreement) in the following order and proportions:

(i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Lender under the Finance Documents and the Master Agreement other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by the Borrower under Clauses 18, 19 and 20 of this Agreement or by the Borrower or any Security Party under any corresponding or similar provision in any other Finance Document or in the Master Agreement;

(ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Lender under the Finance Documents and the Master Agreement (and, for this purpose, the expression "interest" shall include any net amount which the Borrower shall have become liable to pay or deliver under section 2(e) (Obligations) of the Master Agreement but shall have failed to pay or deliver to the Lender at the time of application or distribution under this Clause 16); and

(iii) thirdly, in or towards satisfaction pro rata of the Loan and the Swap Exposure calculated as at the actual Early Termination Date applying to each particular Transaction, or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder);

SECONDLY: in retention of an amount equal to any amount not then due and payable under any Finance Document or the Master Agreement but which the Lender, by notice to the Borrower and the Security Parties states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the foregoing provisions of this Clause;

THIRDLY: any surplus shall be paid to the Borrower or to any other person appearing to be entitled to it.

15.2 Variation of order of application. The Lender may, by notice to the Borrower and the Security Parties, provide for a different manner of application from that set out in Clause 15.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

15.3 Notice of variation of order of application. The Lender may give notices under Clause 15.2 from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Business Day before the date on which the notice is served.

15.4 Appropriation rights overridden. This Clause 15 and any notice which the Lender gives under Clause 15.3 shall override any right of appropriation possessed, and any appropriation made, by the Borrower or any other Security Party.

16 APPLICATION OF EARNINGS

16.1 Payment of Earnings. The Borrower undertakes with the Lender to ensure that, throughout the Security Period (and subject only to the provisions of the General Assignments), all the Earnings in relation to each Ship are paid to the Earnings Account in respect of that Ship.

16.2 Application of Earnings. Until an Event of Default or a Potential Event of Default occurs, the Lender shall on each Repayment Date and on each due date for the payment of interest under this Agreement apply (and the Borrower hereby irrevocably authorises the Lender to apply) so much of the balance on the Earnings Accounts as equals:

(a) the repayment instalment due on that Repayment Date; or

(b) the amount of interest payable on that interest payment date,

in each case in discharge of the Borrower's liability for that repayment instalment or that interest.

16.3 Interest accrued on the Accounts. Any credit balance on each Account shall bear interest at the rate from time to time offered by the Lender to its customers for Dollar deposits of similar amounts and for periods similar to those for which such balances appear to the Lender likely to remain on that Account,

16.4 Release of accrued interest. Interest accruing under Clause 16.3 shall be freely available to the Borrower.

16.5 Location of accounts. The Borrower shall promptly:

(a) comply with any requirement of the Lender as to the location or re-location of the Accounts (or any of them); and

(b) execute any documents which the Lender specifies to create or maintain in favour of the Lender a Security Interest over (and/or rights of set-off, consolidation or other rights in relation to) the Accounts.

16.6 Debits for expenses etc. The Lender shall be entitled (but not obliged) from time to time to debit the Accounts (or any of them) with prior notice in order to discharge any amount due and payable (which remains unpaid) to it under Clauses 18 or 19 or payment of which it has become entitled to demand under Clauses 18 or 19.

16.7 Borrower's obligations unaffected. The provisions of this Clause 16 (as distinct from a distribution effected under Clause 16.2) do not affect:

(a) the liability of the Borrower to make payments of principal and interest on the due dates; or

(b) any other liability or obligation of the Borrower or any Security Party under any Finance Document.

17 EVENTS OF DEFAULT

17.1 Events of Default. An Event of Default occurs if:

(a) the Borrower, any Owner or the Corporate Guarantor fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document; or

(b) any breach occurs of Clauses 7.2, 9.2, 9.3, 9.16, 10.2, 10.3, 10.4(b), 10.5, 13.2 or 16.1; or

(c) any breach by the Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraph (a) or (a) above) if, in the opinion of the Lender, such default is capable of remedy and such default continues unremedied 14 days after written notice from the Lender requesting action to remedy the same; or

(d) (subject to any applicable grace period specified in any Finance Document) any breach by the Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraph (a), (b) or (c) above); or

(e) any representation, warranty or statement made by, or by an officer of, the Borrower or a Security Party in a Finance Document or in the Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made; or

(f) any of the following occurs in relation to any Financial Indebtedness of a Relevant Person exceeding (in the case of the Corporate Guarantor) $1,000,000 (or the equivalent in any other currency) in aggregate:

(i) any Financial Indebtedness of a Relevant Person is not paid when due or, if so payable, on demand; or

(ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

(iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is terminated by the lessor or owner or becomes capable of being terminated as a consequence of any termination event; or

(iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or

(v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

(g) any of the following occurs in relation to a Relevant Person:

(i) a Relevant Person becomes, in the opinion of the Lender, unable to pay its debts as they fall due; or

(ii) any assets of a Relevant Person are subject to any form of execution, attachment, arrest, sequestration or distress in respect of a sum of, or sums aggregating, $500,000 or more or the equivalent in another currency; or

(iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(iv) a Relevant Person makes any formal declaration of bankruptcy or any formal statement to the effect that it is insolvent or likely to become insolvent, or a winding up or administration order is made in relation to a Security Party, or the members or directors of the Borrower or the Corporate Guarantor pass a resolution to the effect that it should be wound up, placed in administration or cease to carry on business, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than the Borrower or the Corporate Guarantor which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Lender and effected not later than 3 months after the commencement of the winding up; or

(v) a petition is presented in any Pertinent Jurisdiction for the winding up or administration, or the appointment of a provisional liquidator, of a Relevant Person unless the petition is being contested in good faith and on substantial grounds and is dismissed or withdrawn within 60 days of the presentation of the petition; or

(vi) a Relevant Person petitions a court, or presents any proposal for, any form of judicial or non judicial suspension or deferral of payments, reorganisation of its debt (or substantial part of its debt) or arrangement with all or a substantial proportion (by number or value) of its creditors or of any class of them (save for, in the case of the Corporate Guarantor, non judicial suspension or deferral of payments, reorganisation of its debt (or substantial part of its debt) or arrangement which occurs in its ordinary course of its business and not as a result of the Corporate Guarantor's inability to meet its obligations and/or liabilities) or any such suspension or deferral of payments, reorganisation or arrangement is effected by court order, contract or otherwise; or

(vii) any meeting of the members or directors of a Relevant Person is summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iii), (iv), (v) or (vi) above; or

(viii) in a Pertinent Jurisdiction other than England, any event occurs or any procedure is commenced which, in the opinion of the Lender, is similar to any of the foregoing; or

(h) the Borrower ceases or suspends carrying on its business or a part of its business which, in the opinion of the Lender, is material in the context of this Agreement; or

(i) it becomes unlawful in any Pertinent Jurisdiction or impossible:

(i) for the Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Lender considers material under a Finance Document; or

(ii) for the Lender to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

(j) any consent necessary to enable the Borrower to own, operate or charter the Ship owned by it or to enable the Borrower or any Security Party to comply with any provision which the Lender considers material of a Finance Document is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled; or

(k) it appears to the Lender that, without its prior consent, a change has occurred after the date of this Agreement in the legal ownership of any of the shares in, the Borrower or any of the other Owners or in the ultimate control of the voting rights attaching to any of those shares; or

(1) the Charter is terminated or rescinded prior to its contractual termination date or for any other reason ceases to remain in full force and effect prior to its contractual termination date and the Borrower has not entered into any charterparty or contract of employment within sixty (60) days of such termination or rescission, on the same terms as the Charter or on such other terms and conditions acceptable to the Lender in its absolute discretion and having a duration at least equal to the remaining period of the Charter;

(m) any provision which the Lender considers material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or

(n) the security constituted by a Finance Document is in any way imperilled or in jeopardy; or

(o) an Event of Default (as defined in section 14 of the Master Agreement) occurs; or

(p) the Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Lender; or

(q) any other event occurs or any other circumstances arise or develop including, without limitation:

(i) a change in the financial position, state of affairs or prospects of the Borrower, the Group, the Corporate Guarantor or any other Security Party; or

(ii) any accident or other event involving either of the Ships or another vessel, owned, chartered or operated by a Relevant Person,

in the light of which the Lender considers that there is a significant risk that the Borrower or any Security Party is, or will later become, unable to discharge its liabilities under the Finance Documents as they fall due.

17.2 Actions following an Event of Default. On, or at any time after, the occurrence of an Event of Default the Lender may:

(a) serve on the Borrower a notice stating that all obligations of the Lender to the Borrower under this Agreement are terminated; and/or

(b) serve on the Borrower a notice stating that the Loan, all accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand; and/or

(c) take any other action which, as a result of the Event of Default or any notice served under paragraph (a) or (b) above, the Lender is entitled to take under any Finance Document or any applicable law.

17.3 Termination of Commitment. On the service of a notice under Clause 17.2(a) the Commitment, and, all other obligations of the Lender to the Borrower under this Agreement shall terminate.

17.4 Acceleration of Loan. On the service of a notice under Clause 17.2(b), the Loan, all accrued interest and all other amounts accrued or owing from the Borrower or any Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

17.5 Multiple notices; action without notice. The Lender may serve notices under Clauses 17.2(a) and (b) simultaneously or on different dates and it may take any action referred to in Clause 17.2 if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

17.6 Exclusion of Lender liability. Neither the Lender nor any receiver or manager appointed by the Lender, shall have any liability to the Borrower or any other Security Party:

(a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

(b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt the Lender or a receiver or manager from liability for losses shown to have been caused directly and mainly by the dishonesty, the gross negligence or the willful misconduct of the Lender's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

17.7 Relevant Persons. In this Clause 17 a **"Relevant Person"** means the Borrower, the Corporate Guarantor, any other Security Party and any other member of the Group; but excluding any company which is dormant and the value of whose gross assets is $50,000 or less.

17.8 Interpretation. In Clause I7.1(f) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause I7.I(g) "petition" includes an application.

18 EXPENSES

18.1 Costs of negotiation, preparation etc. The Borrower shall pay to the Lender on its demand the amount of all reasonable expenses incurred by the Lender in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document.

18.2 Costs of variation, amendments, enforcement etc. The Borrower shall pay to the Lender, within 5 Business Days of the Lender's demand, the amount of all reasonable expenses incurred by the Lender in connection with:

(a) any amendment or supplement to a Finance Document, or any proposal for such an amendment to be made;

(b) any consent or waiver by the Lender concerned under or in connection with a Finance Document, or any request for such a consent or waiver;

(c) the valuation of any security provided or offered under Clause 13 or any other matter relating to such security; or

(d) any step taken by the Lender with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose.

There shall be recoverable under paragraph (d) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

18.3 Documentary taxes. The Borrower shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Lender's demand, fully indemnify the Lender against any claims, expenses, liabilities and losses resulting from any failure or delay by the Borrower to pay such a tax.

18.4 Certification of amounts. A notice which is signed by 2 officers of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 18 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence, save in the case of manifest error, that the amount, or aggregate amount, is due.

19 INDEMNITIES

19.1 Indemnities regarding borrowing and repayment of Loan. The Borrower shall fully indemnify the Lender on its demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by the Lender, or which the Lender reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

(a) the Loan not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender;

(b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;

(c) any failure (for whatever reason) by the Borrower to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrower on the amount concerned under Clause 5);

(d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 17,

and in respect of any tax (other than tax on its overall net income) for which the Lender is liable in connection with any amount paid or payable to the Lender (whether for its own account or otherwise) under any Finance Document.

19.2 Breakage costs. Without limiting its generality, Clause 19.1 covers any claim, expense, liability or loss, including a loss of a prospective profit, incurred by the Lender:

(a) in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of the Loan and/or any overdue amount (or an aggregate amount which includes the Loan or any overdue amount); and

(b) in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender) to hedge any exposure arising under this Agreement or a number of transactions of which this Agreement is one,

19.3 Miscellaneous indemnities. The Borrower shall fully indemnify the Lender on its demand in respect of all claims, expenses, liabilities and losses which may be made or brought against or incurred by the Lender, in any country, as a result of or in connection with:

(a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Lender or by any receiver appointed under a Finance Document;

(b) any other Pertinent Matter,

other than claims, expenses, liabilities and losses which are shown to have been directly and mainly caused by the dishonesty or wilful misconduct of the officers or employees of the Lender.

Without prejudice to its generality, this Clause 19.3 covers any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code or any Environmental Law.

19.4 Currency indemnity. If any sum due from the Borrower or any Security Party to the Lender under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be paid (the **"Contractual Currency"**) into another currency (the **"Payment Currency"**) for the purpose of:

(a) making or lodging any claim or proof against the Borrower or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

(b) obtaining an order or judgment from any court or other tribunal; or

(c) enforcing any such order or judgment,

the Borrower shall indemnify the Lender against the loss arising when the amount of the payment actually received by the Lender is converted at the available rate of exchange into the Contractual Currency.

In this Clause 19.4, the **"available rate of exchange"** means the rate at which the Lender is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 19.4 creates a separate liability of the Borrower which is distinct from their other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

19.5 Application to Master Agreement. For the avoidance of doubt, Clause 19.4 does not apply in respect of sums due from the Borrower to the Lender under or in connection with the Master Agreement as to which sums the provisions of section 8 (Contractual Currency) of the Master Agreement shall apply.

19.6 Certification of amounts. A notice which is signed by 2 officers of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 19 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence, save in the case of manifest error, that the amount, or aggregate amount, is due.

20 NO SET-OFF OR TAX DEDUCTION

20.1 No deductions. All amounts due from the Borrower under a Finance Document shall be paid:

(a) without any form of set-off, cross-claim or condition; and

(b) free and clear of any tax deduction except a tax deduction which the Borrower is required by law to make.

20.2 Grossing-up for taxes. If the Borrower is required by law to make a tax deduction from any payment:

(a) the Borrower shall notify the Lender as soon as it becomes aware of the requirement;

(b) the Borrower shall pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises;

(c) the amount due in respect of the payment shall be increased by the amount necessary to ensure that the Lender receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would otherwise have received.

20.3 **Evidence of payment of taxes.** Within one month after making any tax deduction, the Borrower shall deliver to the Lender documentary evidence satisfactory to the Lender that the tax had been paid to the appropriate taxation authority.

20.4 **Exclusion of tax on overall net income.** In this Clause 20 **"tax deduction"** means any deduction or withholding for or on account of any present or future tax except tax on the Lender's overall net income.

20.5 **Application to Master Agreement.** For the avoidance of doubt, Clause 20 does not apply in respect of sums due from the Borrower under or in connection with the Master Agreement as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of the Master Agreement shall apply.

21 ILLEGALITY, ETC

21.1 **Illegality.** This Clause 21 applies if the Lender notifies the Borrower that it has become, or will with effect from a specified date, become:

(a) unlawful or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or

(b) contrary to, or inconsistent with, any regulation,

for the Lender to maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement.

21.2 **Notification and effect of illegality.** On the Lender notifying the Borrower under Clause 21.1, the Commitment shall terminate; and thereupon or, if later, on the date specified in the Lender's notice under Clause 21.1 as the date on which the notified event would become effective the Borrower shall prepay the Loan in full in accordance with Clause 6.

21.3 **Mitigation.** If circumstances arise which would result in a notification under Clause 21.1 then, without in any way limiting the rights of the Lender under Clause 22.2 the Lender shall use reasonable endeavours to transfer its obligations, liabilities and rights under this Agreement and the Finance Documents to another office or financial institution not affected by the circumstances but the Lender shall not be under any obligation to take any such action if, in its opinion, to do would or might:

(a) have an adverse effect on its business, operations or financial condition; or

(b) involve it in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent with, any regulation; or

(c) involve it in any expense (unless indemnified to its satisfaction) or tax disadvantage.

22 INCREASED COSTS

22.1 **Increased costs.** This Clause 22 applies if the Lender notifies the Borrower that it considers that as a result of:

(a) the introduction or alteration after the date of this Agreement of a law, or an alteration after the date of this Agreement in the manner in which a law is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on the Lender's overall net income); or

(b) the implementation or application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (the **"Basel II Accord"**) or any other law or regulation implementing the Basel II Accord or any of the approaches provided for and allowed to be used by banks under or in connection with the Basel II Accord in each case as from time to time implemented by the Lender (whether such implementation, application or compliance is by a government, regulator, supervisory authority, the Lender or its holding company),

the Lender (or a parent company of it) has incurred or will incur an **"increased cost"**.

22.2 Meaning of "increased costs". In this Clause 22, **"increased costs"** means:

(a) an additional or increased cost incurred as a result of, or in connection with, the Lender having entered into, or being a party to, this Agreement or having taken an assignment of rights under this Agreement, of funding or maintaining the Commitment or performing its obligations under this Agreement, or of having outstanding all or any part of the Loan or other unpaid sums; or

(b) a reduction in the amount of any payment to the Lender under this Agreement or in the effective return which such a payment represents to the Lender or on its capital;

(c) an additional or increased cost of funding all or maintaining all or any of the advances comprised in a class of advances formed by or including the Loan or (as the case may require) the proportion of that cost attributable to the Loan; or

(d) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Lender under this Agreement;

but not an item attributable to a change in the rate of tax on the overall net income of the Lender (or a parent company of it) or an item covered by the indemnity for tax in Clause 19.1 or by Clause 20.

For the purposes of this Clause 22.2 the Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class of its assets and liabilities) on such basis as it considers appropriate.

22.3 Payment of increased costs. The Borrower shall pay to the Lender, on its demand, the amounts which the Lender from time to time notifies the Borrower that it has specified to be necessary to compensate it for the increased cost.

22.4 Notice of prepayment. If the Borrower is not willing to continue to compensate the Lender for the increased cost under Clause 22.3, the Borrower may give the Lender not less than 14 days' notice of their intention to prepay the Loan at the end of an Interest Period.

22.5 Prepayment. A notice under Clause 22.4 shall be irrevocable; and on the date specified in its notice of intended prepayment, the Commitment shall terminate and the Borrower shall prepay (without premium or penalty) the Loan, together with accrued interest thereon at the applicable rate plus the applicable Margin.

22.6 Application of prepayment. Clause 6 shall apply in relation to the prepayment.

23 SET-OFF

23.1 Application of credit balances. The Lender may without prior notice:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Borrower at any office in any country of the Lender in or towards satisfaction of any sum then due from the Borrower to the Lender under any of the Finance Documents; and

(b) for that purpose:

(i) break, or alter the maturity of, all or any part of a deposit of the Borrower;

(ii) convert or translate all or any part of a deposit or other credit balance into Dollars;

(iii) enter into any other transaction or make any entry with regard to the credit balance which the Lender considers appropriate.

23.2 Existing rights unaffected. The Lender shall not be obliged to exercise any of its rights under Clause 23.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts, charge, lien or other right or remedy to which the Lender is entitled (whether under the general law or any document).

23.3 No Security Interest. This Clause 23 gives the Lender a contractual right of set-off only, and does not create any equitable charge or other Security Interest over any credit balance of the Borrower.

24 TRANSFERS AND CHANGES IN LENDING OFFICE

24.1 Transfer by Borrower. The Borrower will not, without the consent of the Lender, transfer, novate or assign any of its rights, liabilities or obligations under any Finance Document.

24.2 Assignment by Lender. The Lender may assign or transfer all or any of the rights and interests which it has under or by virtue of the Finance Documents without the consent of, but with notice to, the Borrower.

24.3 Rights of assignee. In respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document, or any misrepresentation made in or in connection with a Finance Document, a direct or indirect assignee or transferee of any of the Lender's rights or interests under or by virtue of the Finance Documents shall be entitled to recover damages by reference to the loss incurred by that assignee or transferee as a result of the breach or misrepresentation irrespective of whether the Lender would have incurred a loss of that kind or amount.

24.4 Sub-participation; subrogation assignment. The Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents without the consent of, or any notice to, the Borrower; and the Lender may assign, in any manner and terms agreed by it, all or any part of those rights to an insurer or surety who has become subrogated to them.

24.5 Disclosure of information. The Lender may disclose to a potential assignee or transferee or sub-participant any information which the Lender has received in relation to the Borrower, any Security Party or their affairs under or in connection with any Finance Document, unless the information is clearly of a confidential nature.

24.6 Change of lending office. The Lender may change its lending office by giving notice to the Borrower and the change shall become effective on the later of:

(a) the date on which the Borrower receives the notice; and

(b) the date, if any, specified in the notice as the date on which the change will come into effect,

25 VARIATIONS AND WAIVERS

25.1 Variations, waivers etc. by Lender. A document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or the Lender's rights or remedies under such a provision or the general law, only if the document is signed, or specifically agreed to by fax by the Borrower and the Lender and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

25.2 Exclusion of other or implied variations. Except for a document which satisfies the requirements of Clause 25.1, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Lender (or any person acting on its behalf) shall result in the Lender (or any person acting on its behalf) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

(a) a provision of this Agreement or another Finance Document; or

(b) an Event of Default; or

(c) a breach by the Borrower or any other Security Party of an obligation under a Finance Document or the general law; or

(d) any right or remedy conferred by any Finance Document or by the general law,

and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

26 NOTICES

26.1 General. Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

26.2 Addresses for communications. A notice shall be sent:

(a) to the Borrower:
c/o the Corporate Guarantor (Athens office)
Omega Building
80 Kifissias Avenue
151 25 Maroussi
Greece
Fax No: (+30) 210 8090 575
Attn: Mr. Ziad Nakhleh

(b) to the Lender:
Piraeus Bank A.E.
47-49 Akti Miaouli
Piraeus 185 36
Greece
Fax No:+30 210 429 2601
Attn: Account Officer

or to such other address as the relevant party may notify the other.

26.3 Effective date of notices. Subject to Clauses 26.4 and 26.5:

(a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and

(b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

26.4 Service outside business hours. However, if under Clause 26.3 a notice would be deemed to be served:

(a) on a day which is not a Business Day in the place of receipt; or

(b) on such a Business Day, but after 5 p.m. local time,

the notice shall (subject to Clause 26.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

26.5 Illegible notices. Clauses 26.3 and 26,4 do not apply if the recipient of a notice notifies the sender within 1 hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

26.6 Valid notices. A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

(a) the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or

(b) in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

26.7 Meaning of "notice". In this Clause 26 **"notice"** includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

27 SUPPLEMENTAL

27.1 Rights cumulative, non-exclusive. The rights and remedies which the Finance Documents give to the Lender are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

27.2 **Severability of provisions.** If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

27.3 **Counterparts.** A Finance Document may be executed in any number of counterparts.

27.4 **Third party rights.** A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

28 LAW AND JURISDICTION

28.1 **English law.** This Agreement shall be governed by, and construed in accordance with, English law.

28.2 **Exclusive English jurisdiction.** Subject to Clause 28.3, the courts of England shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Agreement.

28.3 **Choice of forum for the exclusive benefit of the Lender.** Clause 28.2 is for the exclusive benefit of the Lender, which reserves the rights:

(a) to commence proceedings in relation to any matter which arises out of or in connection with this Agreement in the courts of any country other than England and which have or claim jurisdiction to that matter; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

The Borrower shall not commence any proceedings in any country other than England in relation to a matter which arises out of or in connection with this Agreement.

28.4 **Process agent.** The Borrower irrevocably appoints Ince Process Agents Ltd. for the time being presently of 5th Floor, International House, 1 St. Katharine's Way, London E1W 1AY, England, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with this Agreement.

28.5 **Lender's rights unaffected.** Nothing in this Clause 28 shall exclude or limit any right which the Lender may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

28.6 **Meaning of "proceedings".** In this Clause 28, **"proceedings"** means proceedings of any kind, including an application for a provisional or protective measure.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

CONDITION PRECEDENT DOCUMENTS

The following are the documents referred to in Clause 7.1 (a).

1 A duly executed original of each Finance Document (and of each document required to be delivered under each of them).

2 Copies of the certificate of incorporation and constitutional documents of the Borrower and each Security Party.

3 Copies of resolutions of the shareholders and directors of the Borrower and each Security Party authorising the execution of each of the Finance Documents to which the Borrower or that Security Party is a party and any other notices under this Agreement.

4 The original of any power of attorney under which any Finance Document is executed on behalf of the Borrower or a Security Party.

5 Copies of all consents which the Borrower or any Security Party requires to enter into, or make any payment under, any Finance Document to which it is or is to be a party.

6 Copies of any Approved Charter.

7 The originals of any mandates or other documents required in connection with the opening or operation of each Earnings Account and the Deposit Account.

8 Evidence satisfactory to the Lender that the Borrower and each Additional Owner is a direct or indirect wholly-owned subsidiary of the Corporate Guarantor.

9 Evidence satisfactory to the Lender that the Minimum Deposit is standing to the credit of the Deposit Account pursuant to Clause 10.4.

10 Documentary evidence that;

(a) each Ship is in the absolute and unencumbered ownership of the relevant Owner save as contemplated by the Finance Documents;

(b) each Ship maintains the highest available class with such first-class classification society which is a member of IACS as the Lender may approve free of all recommendations and conditions of such classification society;

(c) the Collateral Mortgage or, as the case may be, each Additional Mortgage has been duly registered against that Ship as a valid first or, as the case may be, second priority ship mortgage in accordance with the laws of Malta; and

(d) each Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.

10 Documents establishing that each Ship is managed by the Approved Manager on terms acceptable to the Lender, together with:

(a) the Approved Manager's Undertaking in respect of that Ship; and

(b) copies of the document of compliance (DOC), the safety management certificate (SMC) and the ISSC referred to in paragraph (a) of the definition of the ISM Code Documentation in respect of each Ship certified as true and in effect by the relevant Owner or (as the case may be) the Approved Manager.

11 A favourable opinion (at the cost of the Borrower) from an independent insurance consultant acceptable to the Lender on such matters relating to the insurances of each Ship as the Lender may require.

12 Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the Republic of Malta and such other relevant jurisdictions as the Lender may require.

Every copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the Borrower or the lawyers of the Borrower.

EXECUTION PAGE

BORROWER

SIGNED by)
EUGENIA PAPAPONTIKOU) /s/ Eugenia Papapontikou
for and on behalf of)
IALYSOS OWNING COMPANY LIMITED)
in the presence of:)

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

LENDER

SIGNED by)
JASON DALLAS AND KRIKOR JANIKIAN) /s/ Jason Dallas /s/ Krikor Janikian
for and on behalf of)
PIRAEUS BANK A.E.)
in the presence of:)

/s/ Irene Graff
IRENE GRAFF
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

Exhibit 4.55

Date 10 May 2010

DALIAN STAR OWNERS INC.
as Borrower

-and-

DRYSHIPS INC.
as Guarantor

-and-

THE BANKS AND FINANCIAL INSTITUTIONS
listed in the Schedule
as Lenders

-and-

COMMERZBANK AG, FILIALE LUXEMBOURG
as Agent

-and-

COMMERZBANK AG
and as Security Trustee

-and-

COMMERZBANK AG
and
WESTLB AG
as Swap Banks and
Joint Arrangers

SUPPLEMENTAL AGREEMENT

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relating to a facility of (originally) up to US$90,000,000
for m.v. "MYSTIC"

WATSON, FARLEY & WILLIAMS
Piraeus

INDEX

THIS AGREEMENT is made on 10 May 2010

BETWEEN

(1) **DALIAN STAR OWNERS INC.,** a company incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the **"Borrower"**);

(2) **DRYSHIPS INC.,** a company incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (the **"Guarantor"**);

(3) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in the Schedule as Lenders (the **"Lenders"**);

(4) **COMMERZBANK AG, FILIALE LUXEMBOURG** (previously known as **DRESDNER BANK AG in HAMBURG**), acting through its office at 6A route de Treves, L – 2633 Senningerberg Luxembourg (the **"Agent"**);

(5) **COMMERZBANK AG**, acting through its office at Ness 7-9, 20457 Hamburg, Federal Republic of Germany (the **"Security Trustee"**);

(6) **WESTLB AG** acting through its office at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA, England and **COMMERZBANK AG** (previously known as **DRESDNER BANK AG in HAMBURG**) acting through its office at Ness 7-9, 20457 Hamburg, Federal Republic of Germany (together the **"Swap Banks"**); and

(7) **WESTLB AG** acting through its office at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA, England and **COMMERZBANK AG** (previously known as **DRESDNER BANK AG in HAMBURG**) acting through its office at Ness 7-9, 20457 Hamburg, Federal Republic of Germany (together the **"Joint Arrangers"**).

BACKGROUND

(A) By a loan agreement dated 5 May 2008 (the **"Loan Agreement"**) and made between (i) the Borrower as borrower, (ii) the Lenders as lenders, (iii) the Agent, (iv) the Security Trustee (v) the Swap Banks and (vi) the Joint Arrangers, the Lenders have made available to the Borrower a term loan facility of (originally) up to US$90,000,000.

(B) By two master agreements (on the 1992 ISDA Master Agreement (Multicurrency-Crossborder) form and including the Schedule thereto) (together, the **"Master Agreements"**) each dated as of 5 May 2008 and made between (i) the Borrower and (ii) each Swap Bank, it was agreed that pursuant to each Master Agreement the relevant Swap Bank would enter into Transactions (as defined therein) with the Borrower from time to time to (inter alia) hedge the Borrower's exposure under the Loan Agreement to interest rate fluctuations.

(C) By a Guarantee dated 5 May 2008 (the **"Corporate Guarantee"**) executed by the Guarantor in favour of the Security Trustee, the Guarantor guaranteed the obligations of the Borrower under the Loan Agreement and the Master Agreements.

(D) By a merger Dresdner Bank AG in Hamburg (**"Dresdner Bank"**) merged with Commerzbank AG (**"Commerzbank"**) and as of:

(i) 3 March 2009 Commerzbank:

(A) acting through its office at 6A route de Treves, L – 2633 Senningerberg Luxembourg, acquired from Dresdner Bank the position of Agent under

the Loan Agreement and the other Finance Documents (as such term is defined in the Loan Agreement) to which Dresdner Bank had entered in such capacity;

(B) acting through its office at Ness 7-9, 20457 Hamburg, Federal Republic of Germany acquired from Dresdner Bank the position of Swap Bank and Security Trustee under the Loan Agreement and the other Finance Documents (as such term is defined in the Loan Agreement) to which Dresdner Bank had entered in each such capacity; and

(ii) 6 March 2009 Commerzbank, acting through its office at 6A route de Tréves, L – 2633 Senningerberg Luxembourg, acquired from Dresdner Bank the position of Lender under the Loan Agreement and the other Finance Documents (as such term is defined in the Loan Agreement) to which Dresdner Bank had entered in such capacity.

(E) The Borrower and the Guarantor have requested that the Lenders agree to (inter alia):

(i) amend the application of the security cover provisions in clause 15.1 of the Loan Agreement in accordance with Clauses 5.1(h) and (i);

(ii) amend the application of the Guarantor's financial covenants regarding:

(AA) the Market Adjusted Equity Ratio;

(BB) the Interest Coverage Ratio; and

(CC) the Market Value Adjusted Net Worth,

set out in paragraphs (a), (b) and (c) respectively of clause 11.16 of the Corporate Guarantee in accordance with Clause 5.2 (f); and

(iii) the amendment and/or variation of certain other provisions of the Loan Agreement and the other Finance Documents.

(F) This Agreement sets out the terms and conditions on which the Creditor Parties agree, with effect on and from the Effective Date, at the request of the Security Parties to amend certain financial and security maintenance covenants in the Loan Agreement and Guarantee and to the consequential amendment of the Loan Agreement, the Guarantee and the other Finance Documents in connection with those matters.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Defined expressions. Words and expressions defined in the Loan Agreement and the other Finance Documents shall have the same meanings when used in this Agreement unless the context otherwise requires.

1.2 Definitions. In this Agreement, unless the contrary intention appears:

"Effective Date" means the date on which the conditions precedent in Clause 3 are satisfied;

"Guarantee" means the guarantee dated 5 May 2008 referred to in Recital (C);

"Loan Agreement" means the loan agreement dated 5 May 2008 referred to in Recital (A);

"Master Agreements" means, together, the master agreements and schedules thereto dated as of 5 May 2008 referred to in Recital (B), each including all Transactions and/or Confirmations (as each such term is defined in the relevant Master Agreement) issued thereunder and, in the singular, means either of them;

"Mortgage Addendum" means the first amendment to the Mortgage executed or to be executed by the Borrower in favour of the Lender in such form as the Lender may approve or require; and

"Waiver Period" means the period commencing on 12 February 2009 and ending on 30 September 2010 (inclusive) or such earlier date on which the Agent in its sole discretion notifies the Borrower and Guarantor that all of the covenants of the Loan Agreement and the Guarantee as were in effect prior to the Effective Date have been complied with in full.

1.3 Application of construction and interpretation provisions of Loan Agreement. Clauses 1.2 and 1.5 of the Loan Agreement apply, with any necessary modifications, to this Agreement.

2 AGREEMENT OF THE CREDITOR PARTIES

2.1 Agreement of the Lenders. The Lenders agree, subject to and upon the terms and conditions of this Agreement, to make the amendments referred to in Recital (D) and (E) and as set out in this Agreement.

2.2 Agreement of the Creditor Parties. The Creditor Parties agree, subject to and upon the terms and conditions of this Agreement, to the consequential amendment of the Loan Agreement and the other Finance Documents in connection with the matters referred to in Clause 2.1.

2.3 Effective Date. The agreement of the Lenders and the other Creditor Parties contained in Clauses 2.1 and 2.2 shall have effect on and from the Effective Date.

3 CONDITIONS PRECEDENT

3.1 General. The agreement of the Lenders and the other Creditor Parties contained in Clauses 2.1 and 2.2 is subject to the fulfilment of the conditions precedent in Clause 3.2.

3.2 Conditions precedent. The conditions referred to in Clause 3.1 are that the Agent shall have received the following documents and evidence in all respects in form and substance satisfactory to the Agent and its lawyers on or before the date of this Agreement or such later date as the Agent may agree with the Borrower and the other Security Parties:

(a) documents of the kind specified in Schedule 3, Part A, paragraphs 2 (if such documents have been amended since 5 May 2008), 2, 3 and 4 of the Loan Agreement as amended and supplemented by this Agreement and updated with appropriate modifications to refer to this Agreement and to the Mortgage Addendum;

(b) a duly executed original of this Agreement duly executed by the parties to it;

(c) the Mortgage Addendum duly executed by the Borrower together with evidence that it has been duly registered as a valid addendum to the Mortgage in accordance with the laws of Malta;

(d) evidence that the notice of assignment to Fortescue Metals Group Ltd, the charterer of the Ship, in the form agreed by the Security Trustee and required pursuant to the General Assignment has been signed by the Borrower and delivered to the Security Trustee (which the Security Trustee agrees that it shall not serve upon the charterer unless an Event of Default has occurred or the Borrower does not comply with the terms of clause 18 of the Loan Agreement as amended pursuant to this Agreement);

(e) the Agent has received the amendment fee payable pursuant to Clause 7.1 of this Agreement;

(f) evidence that the provisions of clause 9.1(d) of the Loan Agreement, as amended and supplemented by this Agreement and updated with appropriate modifications to refer to this Agreement, are complied with both as at the date of this Agreement and the Effective Date; and

(g) any further opinions, consents, agreements and documents in connection with this Agreement and the Finance Documents which the Agent may request by notice to the Borrower prior to the Effective Date.

4 REPRESENTATIONS AND WARRANTIES

4.1 Repetition of Loan Agreement and Guarantee representations and warranties. Each of the Borrower and the Guarantor represents and warrants to the Creditor Parties that the representations and warranties in clause 10 of the Loan Agreement and clause 10 of the Guarantee, each as amended and supplemented by this Agreement and updated with appropriate modifications to refer to this Agreement, remain true and not misleading if repeated on the date of this Agreement with reference to the circumstances now existing.

4.2 Repetition of Finance Document representations and warranties. The Borrower and each of the other Security Parties represents and warrants to the Creditor Parties that the representations and warranties in the Finance Documents (other than the Loan Agreement and the Guarantee) to which it is a party, as amended and supplemented by this Agreement and updated with appropriate modifications to refer to this Agreement, remain true and not misleading if repeated on the date of this Agreement with reference to the circumstances now existing.

5 AMENDMENTS TO LOAN AGREEMENT, GUARANTEE AND OTHER FINANCE DOCUMENTS

5.1 Amendments to Loan Agreement. With effect on and from the Effective Date the Loan Agreement shall be, and shall be deemed by this Agreement to have been, amended as follows:

(a) by inserting the definition of "Mortgage Addendum" as set out in Clause 1.2 of this Agreement into clause 1.1 of the Loan Agreement;

(b) the definition of, and references throughout each of the Finance Documents to, the Mortgage shall be construed as if the same referred to the Mortgage as amended and supplemented by the Mortgage Addendum;

(c) with effect from 1 October 2009 until the end of the Waiver Period, the applicable Margin shall be 1.85 per cent. per annum and all references to the "Margin" shall be read and construed accordingly;

(d) by inserting the following new definition of "Waiver Period" in clause 1.1 thereof:

"**"Waiver Period"** means the period commencing on 12 February 2009 and ending on 30 September 2010 (inclusive) or such earlier date on which the Agent in its sole discretion notifies the Borrower and the Guarantor that all of the covenants of the Loan Agreement and the Guarantee as were in effect prior to the Effective Date have been complied with in full;";

(e) by adding the following new sub-paragraph (d) in clause 11.2 thereof:

"(d) during the Waiver Period, make any form of investment or capital expenditure other than only such investment or capital expenditure which is required to maintain the Ship in the normal course of the Borrower's business except where such investment or expenditure is funded wholly by equity being offered in the Guarantor or the Borrower;";

(f) by inserting the following as a new sub-clause (c) at the end of clause 11.6 thereof:

"(c) on a monthly basis, updated cash flow statements.";

(g) by inserting a new clause 11.20 thereof as follows:

"11.20 No new interest bearing liabilities. The Borrower shall not and shall procure that the Guarantor shall not enter into any new interest bearing liabilities save for:

(a) any liabilities which are to be used to prepay existing secured Financial Indebtedness; or

(b) any liabilities which are to be used to finance Permitted Investments and/or New Investments,

Provided that in the case of any New Investments and/or Permitted Investments financed pursuant to Clause 11.20(b) the Borrower's or the Guarantor's (as relevant) equity contribution in each New Investment and each Permitted Investment being not less than 32.5 per cent. of that acquisition cost of that New Investment and or, as the case may be, that Permitted Investment.";

(h) by deleting clause 14.13(e) thereof in its entirety and replacing it with the following:

"(e) appoint a manager of the Ship other than the Approved Manager (save for in the event where the commercial and/or technical management of the Ship is to be undertaken by another company whose shares are owned by the ultimate beneficial owner of the shares in Cardiff Marine Inc. in which case the Borrower shall notify the Agent accordingly prior to the change of the commercial and/or technical management of the Ship), nor to terminate nor materially vary the arrangements for the commercial or technical management of the Ship, nor to permit the commercial or technical management of the vessel to be sub-contracted or delegated to any third party;";

(i) by deleting in the last line of clause 15.1 thereof the figures and words "125 per cent." and replacing them with the words "the Relevant Percentage";

(j) by adding a new "hanging" paragraph at the end of clause 15.1 thereof as follows:

""Relevant Percentage" means:

(a) during the period from 22 October 2009 up to and including 31 December 2010, 80 per cent.;

(b) during the period from 1 January 2011 up to and including 30 June 2011 below, 111 per cent.;

(c) at any time prior to 22 October 2009 and at any time on or after 1 July 2011, 125 per cent.";

(k) by adding a new Clause 18.5 as follows:

"18.5 Earnings Account. The Borrower shall ensure that on 29 December 2009 an amount of $10,000,000 (representing the repayment instalment payable pursuant to Clause 8.1 on that Repayment Date) shall be distributed by the Agent to the Lenders in accordance with Clause 18.4 and that following such distribution and at all times thereafter an amount at least $3,000,000 shall remain standing to the credit of the Earnings Account;";

(1) by construing references in the Loan Agreement and the other Finance Documents to the Agent, the Security Trustee and to Dresdner Bank in Hamburg AG in its capacity as, respectively, Lender and Swap Bank as references in each case to Commerzbank AG or, as the case may be, Commerzbank AG, Filiale Luxembourg (in accordance with the information set out in Recital (D));

(m) the definition of, and references throughout to, each Finance Document shall be construed as if the same referred to that Finance Document as amended and supplemented by this Agreement; and

(n) by construing references throughout to "this Agreement", "hereunder" and other like expressions as if the same referred to the Loan Agreement as amended and supplemented by this Agreement.

5.2 Amendments to the Guarantee. With effect on and from the Effective Date the Guarantee shall be, and shall be deemed by this Agreement to have been amended as follows:

(a) by inserting the following definitions in clause 1.2 thereof:

""Delivery Date" means, in relation to each Permitted Ship, the date on which title to and possession of that Permitted Ship is transferred to the relevant buyer pursuant to the relevant Permitted Shipbuilding Contract;

"Deutsche Bank Borrowers" means Drillships Skopelos Owners Inc and Drillships Kithira Owners Inc, and in the singular means either of them;

"Deutsche Bank Loan Agreements" means, together:

(a) the loan agreement dated 18 July 2008 made between (i) Drillships Skopelos Owners Inc as borrower, (ii) the banks and financial institutions listed as lenders therein, (iii) Deutsche Bank AG, London branch and Dexia Credit Local, New York branch as swap banks, (iv) Deutsche Bank Luxembourg SA as facility agent, (v) Deutsche Bank AG Filiale Deutschlandgeschaft as security trustee, (vi) Deutsche Bank AG, London branch and Dexia Credit Local, New York branch joint mandated lead arrangers and (vii) Deutsche Bank AG, London as bookrunner; and

(b) the loan agreement dated 18 July 2008 made between (i) Drillships Kithira Owners Inc as borrower, (ii) the banks and financial institutions listed as lenders therein, (iii) Deutsche Bank AG, London branch and Dexia Credit Local, New York branch as swap banks, (iv) Deutsche Bank Luxembourg SA as facility agent, (v) Deutsche Bank AG Filiale Deutschlandgeschaft as security trustee, (vi) Deutsche Bank AG, London branch and Dexia Credit Local, New York branch joint mandated lead arrangers and (vii) Deutsche Bank AG, London as bookrunner,

and, in the singular, means either of them;

"Hull 1837" means the drillship currently under construction by Samsung pursuant to the Hull 1837 Shipbuilding Contract which is scheduled to be delivered in December 2010;

"Hull 1838" means the drillship currently under construction by Samsung pursuant to the Hull 1838 Shipbuilding Contract which is scheduled to be delivered in March 2011;

"Hull 1865" means the drillship currently under construction by Samsung pursuant to the 1865 Shipbuilding Contract which is scheduled to be delivered in July 2011;

"Hull 1866" means the drillship currently under construction by Samsung pursuant to the 1866 Shipbuilding Contract which is scheduled to be delivered in September 2011;

"Hull 1837 Shipbuilding Contract" means the shipbuilding contract dated 17 September 2007 (as the same may be amended and supplemented from time to time) and executed between Drillship Hydra Owners Inc. and Samsung;

"Hull 1838 Shipbuilding Contract" means the shipbuilding contract dated 17 September 2007 (as the same may be amended and supplemented from time to time) and executed between Drillship Paros Owners Inc. and Samsung;

"Hull 1865 Shipbuilding Contract" means the shipbuilding contract dated 24 January 2008 (as the same may be amended and supplemented from time to time) and executed between Drillship Kithira Owners Inc. and Samsung;

"Hull 1866 Shipbuilding Contract" means the shipbuilding contract dated 24 January 2008 (as the same may be amended and supplemented from time to time) and executed between Drillship Skopelos Owners Inc. and Samsung;

"HSH Loan Agreements" means, together:

(a) a loan agreement dated 31 March 2006 (as amended, supplemented and restated from time to time, the **"Senior Loan Agreement")** and made between (i) the Guarantor as borrower, (ii) the banks and financial institutions listed therein as lenders (the **"Senior Lenders"),** (iii) the banks and financial institutions listed therein as swap banks, (iv) HSH Nordbank AG (**"HSH"**) as agent, lead bookrunner and lead arranger and security trustee, (v) The Governor and Company of the Bank of Scotland (**"BOS"**) as joint bookrunner and (vi) BOS and HSH as joint underwriters, it was agreed that the Senior Lenders would make available to the Guarantor term loan and short-term credit facilities of (originally) up to US$518,750,000 in aggregate; and

(b) a loan agreement dated 31 March 2006 (as amended, supplemented and restated from time to time, the **"Junior Loan Agreement")** and made between (i) the Guarantor as borrower, (ii) the banks and financial institutions listed therein as lenders (iii) the banks and financial institutions listed therein as swap banks (the **"Junior Swap Banks"),** (iv) HSH as agent, lead bookrunner, lead arranger and security trustee and (v) BOS as joint bookrunner, it was agreed that the Junior Lenders would make available to the Guarantor term loan and short-term credit facilities of (originally) up to US$110,000,000 (the **"Junior Loan")** in aggregate,

and, in the singular, means either of them;

"New Investment" means any investment which the Guarantor and/or the Group may make subject to the satisfaction of the following conditions:

(a) the equity portion of any such investment shall have been raised from proceeds of any equity offering by the Guarantor;

(b) the Guarantor and all other members of the Group maintain at the time of such investment an aggregate amount of not less than $80,000,000 in immediately freely available and unencumbered (save for any Security Interests created in favour of the Creditor Parties pursuant to this Agreement) bank or cash balances (including, without limitation, the Applicable Amount (as that term is defined in Clause 12.4(d) of each HSH Loan Agreement)); and

(c) any such investments shall be made on normal arms' length terms and on terms consistent with the conditions applying in the applicable market at the relevant time;

"Permitted Investment" means any investment or capital expenditure to be made by a the Guarantor:

(i) in the ordinary course of its business for the purpose of maintaining the Ships (or either of them);

(ii) the equity portion of which shall have been raised from proceeds of any equity offering by the Guarantor; or

(iii) in connection with the acquisition and construction of each Permitted Ship, Hull 1837 and Hull 1838;

"Permitted Ships" means, together, Hull 1865 and Hull 1866 and, in the singular means, either of them;

"Permitted Shipbuilding Contracts" means, together, the Hull 1865 Shipbuilding Contract and the Hull 1866 Shipbuilding Contract and, in the singular, means either of them; and

"Samsung" means Samsung Heavy Industries Co. Ltd. a company organised under the laws of Korea with registered office at 34th floor, Samsung Life Insurance Seocho Tower 1321-15, Seocho-Dong, Seocho-Gu, Seoul, Korea;";

(b) by adding the following new sub-paragraph (c) in clause 11.2 thereof:

"(c) during the Waiver Period, make any form of investments or capital expenditure other than any Permitted Investment.";

(c) by deleting clause 11.3 thereof and replacing it with the following new clause 11.3:

"11.3 No disposal of assets and change of business. The Guarantor:

(a) shall procure that the Borrower will not transfer, lease or otherwise dispose of all or a substantial part of its assets, whether by one transaction or a number of transactions, whether related or not except in the usual course of its trading operations and on normal arms' length terms; or

(b) will not, and shall procure that the Borrower will not make any substantial change to the nature of its business from that existing at the date of this Guarantee; or

(c) will not Spin Off the offshore business of the Group unless:

(i) the Lender is satisfied that the Guarantor and all other members of the Group maintain and will continue to maintain bank or cash balances equal to at least $80,000,000 in aggregate (including, without limitation, the Applicable Amount (as that term is defined in Clause 12.4(d) of each HSH Loan Agreement)); and

(ii) it has delivered to the Lender evidence that each of Hull 1865 and Hull 1866 is subject to an Approved Contract of Employment commencing from the actual delivery date of the relevant Permitted Ship or, if the Cut Off Date for such Permitted Ship has not occurred prior to Spin Off, the Guarantor shall by no later than that Cut Off Date deliver to the Lender such evidence as aforesaid;

(iii) it provides satisfactory evidence to the Lender that it has been released from all its obligations relating to the offshore business of the Group (including, without limitation, the $800,000,000 acquisition financing of Ocean Rig ASA (other than any obligations it has pursuant to two guarantees each dated 18 July 2008 executed by the Guarantor as security for the obligations of the Deutsche Bank Borrowers under the Deutsche Bank Loan Agreements)); and

(iv) it satisfies the Lender that it is using its best endeavours to be released from the guarantees referred to in paragraph (iii) above.

In this Clause 11.3(c) the following terms will have the following meanings:

"Approved Contract of Employment" means, in respect of each of Hull 1865 and Hull 1866, a contract of employment in respect of that Permitted Ship for at least 24 months in duration (commencing from the delivery date of the relevant Permitted Ship) at a hire rate which, when aggregated for the first 24 months of the duration thereof will be in an amount of at least equal to the aggregate of the (a) operating expenses and (b) debt service costs of that Permitted Ship for the first 24 months of the duration of that contract of employment.

"Cut Off Date" means, in respect of each of Hull 1865 and Hull 1866, the date falling 6 months prior to the scheduled delivery date of that Permitted Ship; and

"Spin Off" means any means any reorganization, spin-off, re-domiciliation or transfer of ownership in respect of any corporate entity whose business primarily consists of activities in the oil, gas and off shore sector.";

(d) by adding the words "other than any reconstruction or reorganisation which may occur in connection with a Spin Off agreed by the Lenders pursuant to Clause 11.3(c)" after the word "reorganisation" at the end of clause 11.13 thereof;

(e) by deleting clause 11.15 thereof and replacing it with the following new clause 11.15:

"11.15 Dividends. In any Financial Year, the Guarantor will not:

(a) during the Waiver Period, declare or pay any dividend or effect any other form of distribution to shareholders or repurchase of any of its issued share capital; and

(b) at all other times, pay or declare any dividend or effect any other form of distribution to shareholders in excess of 50 per cent, of its Net Income (as hereinafter defined) for the relevant Financial Year; save for any a Spin-Off which may occur in accordance with Clause 11.3(c).";

(f) by inserting the following as a new sub-clause (c) at the end of clause 11.5 thereof:

"(c) on a monthly basis, updated cash flow statements.";

(g) by deleting clause 11.16 thereof (other than the definitions set out in that clause which shall remain unchanged) and replacing it with the following new clause 11.16:

"11.16 Financial Covenants. The Guarantor shall ensure that:

(a) the Market Adjusted Equity Ratio:

(i) for the period from 22 December 2008 up to and including 30 June 2009 shall not be less than zero per cent.;

(ii) for the period from 1 July 2009 up to and including 30 September 2010 shall be not less than 0.15:1 **Provided that** the Guarantor will be in compliance with the provisions of this Clause 11.16 if the Market Adjusted Equity Ratio falls to not less than 0.05:1;

(iii) at all times thereafter, shall not be less than 0.2:1;

(b) the Interest Coverage Ratio shall not be less than:

(i) during the Waiver Period, 2:1; and

(ii) at all other times, 3:1; and

(c) the Market Value Adjusted Net Worth of the Group shall:

(i) for the period from 12 February 2009 up to and included 30 June 2009 be not be less than zero;

(ii) for the period from 1 July 2009 up to and including 31 December 2009 be not less than $100,000,000;

(iii) for the period from 1 January 2010 up to and including 30 September 2010 be not less than the aggregate of $150,000,000 plus the whole of the net quarterly profits of the Guarantor for such financial quarter; and

(d) at all other times, not be less than $250,000,000; and

(e) at all times there is available to the Guarantor and all the other members of the Group an aggregate amount of not less than $20,000,000 in immediately freely available and unencumbered bank or cash balances.";

(h) by inserting the following a new clause 11.19 thereof:

"11.19 No new interest bearing liabilities. The Guarantor shall not and shall procure that the Borrower shall not enter into any new interest bearing liabilities save for:

(a) any liabilities which are to be used to prepay existing secured Financial Indebtedness; or

(b) any liabilities which are to be used to finance Permitted Investments and/or New Investments,

Provided that in the case of any New Investments and/or Permitted Investments financed pursuant to Clause 11.19(b) the Guarantor's equity contribution in each New Investments and each Permitted Investment being not less than 32.5 per cent, of that acquisition cost of that New Investment and or, as the case may be, that Permitted Investment";

(i) the definition of, and references throughout to, the Loan Agreement and each Finance Document shall be construed as if the same referred to the Loan Agreement or that Finance Document as amended and supplemented by this Agreement; and

(j) by construing references throughout to "this Guarantee", "hereunder" and other like expressions as if the same referred to the Guarantee as amended and supplemented by this Agreement.

5.3 Amendments to General Assignment With effect on and from the Effective Date the General Assignment shall be, and shall be deemed by this Agreement to have been, amended as follows:

(a) by deleting clause 3.4 thereof and replacing it with the following new clause 3.4:

"3.4 Notice of assignment. The Owner shall:

(a) upon the written request of the Security Trustee, give written notice (in such form as the Security Trustee shall require) of the assignments contained in Clauses 3.1 (a), 3.1(b) and 3.1(e); and

(b) if at any time when (i) the Borrower is not in compliance with the terms of clause 18.5 of the Loan Agreement or (ii) any other Event of Default has occurred, immediately give written notice (in such form as the Security Trustee shall require) of the assignments contained in Clauses 3.1(c) and 3.1(d),

in each case, to any person from whom any part of the relevant Secured Assets is or may be due.";

(b) the definition of, and references throughout each of the Finance Documents to, the Loan Agreement and any of the other Finance Documents shall be construed as if the same referred to the Loan Agreement and those Finance Documents as amended and supplemented by this Agreement; and

by construing references throughout the General Assignment to "this Deed", "hereunder" and other like expressions as if the same referred to the General Assignment as amended and supplemented by this Agreement.

5.4 Amendments to Finance Documents. With effect on and from the Effective Date each of the Finance Documents other than the Loan Agreement and the Guarantee shall be, and shall be deemed by this Agreement to have been, amended as follows:

(a) the definition of, and references throughout each of the Finance Documents to, the Loan Agreement and any of the other Finance Documents shall be construed as if the same referred to the Loan Agreement and those Finance Documents as amended and supplemented by this Agreement; and

(b) by construing references throughout each of the Finance Documents to "this Agreement", "this Deed", "hereunder" and other like expressions as if the same referred to such Finance Documents as amended and supplemented by this Agreement.

5.5 Finance Documents to remain in full force and effect. The Finance Documents shall remain in full force and effect as amended and supplemented by:

(a) the amendments to the Finance Documents contained or referred to in Clauses 5.1, 5.2, 5.3, 5.4 and 5.5; and

(b) such further or consequential modifications as may be necessary to give full effect to the terms of this Agreement,

6 FURTHER ASSURANCES

6.1 Borrower's and each Security Party's obligation to execute further documents etc. The Borrower and each Security Party shall:

(a) execute and deliver to the Security Trustee (or as it may direct) any assignment, mortgage, power of attorney, proxy or other document, governed by the law of England or such other country as the Security Trustee may, in any particular case, specify;

(b) effect any registration or notarisation, give any notice or take any other step;

which the Security Trustee may, by notice to the Borrower or that Security Party, specify for any of the purposes described in Clause 6.2 or for any similar or related purpose.

6.2 Purposes of further assurances. Those purposes are:

(a) validly and effectively to create any Security Interest or right of any kind which the Security Trustee intended should be created by or pursuant to the Loan Agreement or any other Finance Document, each as amended and supplemented by this Agreement; and

(b) implementing the terms and provisions of this Agreement.

6.3 Terms of further assurances. The Security Trustee may specify the terms of any document to be executed by the Borrower or any Security Party under Clause 6.1, and those terms may include any covenants, powers and provisions which the Security Trustee considers appropriate to protect its interests.

6.4 Obligation to comply with notice. The Borrower or any Security Party shall comply with a notice under Clause 6.1 by the date specified in the notice.

6.5 Additional corporate action. At the same time as the Borrower or any Security Party delivers to the Security Trustee any document executed under Clause 6.1 (a), the Borrower or any Security Party shall also deliver to the Security Trustee a certificate signed by 2 of the Borrower's or that Security Party's directors which shall:

(a) set out the text of a resolution of the Borrower's or that Security Party's directors specifically authorising the execution of the document specified by the Security Trustee; and

(b) state that either the resolution was duly passed at a meeting of the directors validly convened and held throughout which a quorum of directors entitled to vote on the resolution was present or that the resolution has been signed by all the directors and is valid under the Borrower's or that Security Party's articles of association or other constitutional documents.

7 FEES AND EXPENSES

7.1 Amendment fee. The Borrower shall pay to the Agent on or before the Effective Date an amendment fee of $100,000.

7.2 Expenses. The provisions of clause 20 (fees and expenses) of the Loan Agreement, as amended and supplemented by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

8 COMMUNICATIONS

8.1 General. The provisions of clause 28 (notices) of the Loan Agreement, as amended and supplemented by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

9 SUPPLEMENTAL

9.1 Counterparts. This Agreement may be executed in any number of counterparts.

9.2 Third party rights. A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

10 LAW AND JURISDICTION

10.1 Governing law. This Agreement shall be governed by and construed in accordance with English law.

10.2 Incorporation of the Loan Agreement provisions. The provisions of clause 30 (law and jurisdiction) of the Loan Agreement, as amended and supplemented by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

THIS AGREEMENT has been duly executed as a Deed on the date stated at the beginning of this Agreement.

SCHEDULE

LENDERS

Lender	**Lending Office**
WestLB AG	Woolgate Exchange 25 Basinghall Street London EC2V 5HA England
Commerzbank AG, Filiale Luxemburg (previously known as (prior to 9 March 2009) Dresdner AG in Hamburg)	6A route de Tréves, L – 2633 Senningerberg Luxembourg

EXECUTION PAGES

BORROWER

EXECUTED as a **DEED**	)	
by **DALIAN STAR OWNERS INC.**	)	
acting by ZIAD NAKHLEH	)	/s/ Ziad Nakhleh
its duly authorised	)	Ziad Nakhleh
attorney-in-fact in the presence of:	)	

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

GUARANTOR

EXECUTED as a **DEED**	)	
by **DRYSHIPS INC.**	)	
acting by ZIAD NAKHLEH	)	/s/ Ziad Nakhleh
its duly authorised	)	Ziad Nakhleh
attorney-in-fact in the presence of:	)	

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

LENDERS

EXECUTED as a **DEED**	)	
by **WESTLB AG**	)	
acting by IRENE GRAFF	)	/s/ Irene Graff
its duly authorised	)	Irene Graff
attorney-in-fact in the presence of:	)	

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

EXECUTED as a **DEED**	)	
By COMMERZBANK AG,	)	
FILIALE LUXEMBOURG	)	
(previously known as	)	
DRESDNER BANK AG in HAMBURG)	)	
acting by IRENE GRAFF	)	/s/ Irene Graff
its duly authorised	)	Irene Graff
attorney-in-fact in the presence of:	)	

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

AGENT

EXECUTED as a **DEED**	)	
By **COMMERZBANK AG,**	)	
FILIALE LUXEMBOURG	)	
(previously known as	)	
DRESDNER BANK AG in HAMBURG)	)	
acting by IRENE GRAFF	)	/s/ Irene Graff
its duly authorised	)	Irene Graff
attorney-in-fact in the presence of:	)	

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

SECURITY TRUSTEE

EXECUTED as a **DEED**	)	
by **COMMERZBANK AG**	)	
(previously known as	)	
DRESDNER BANK AG in HAMBURG)	)	
acting by IRENE GRAFF	)	/s/ Irene Graff
its duly authorised	)	Irene Graff
attorney-in-fact in the presence of:	)	

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

SWAP BANKS

EXECUTED as a **DEED**	)	
by **WESTLB AG**	)	
acting by IRENE GRAFF	)	/s/ Irene Graff
its duly authorised	)	Irene Graff
attorney-in-fact in the presence of:	)	

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

EXECUTED as a **DEED**	)	
by **COMMERZBANK AG**	)	
(previously known as	)	
DRESDNER BANK AG in HAMBURG)	)	
acting by IRENE GRAFF	)	/s/ Irene Graff
its duly authorised	)	Irene Graff
attorney-in-fact in the presence of:	)	

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

JOINT ARRANGERS

EXECUTED as a **DEED**	)	
by **WESTLB AG**	)	
acting by IRENE GRAFF	)	/s/ Irene Graff
its duly authorised	)	Irene Graff
attorney-in-fact in the presence of:	)	

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

EXECUTED as a **DEED**	)	
by **COMMERZBANK AG**	)	
(previously known as	)	/s/ Irene Graff
DRESDNER BANK AG in HAMBURG	)	Irene Graff
acting by IRENE GRAFF	)	
its duly authorised	)	
attorney-in-fact in the presence of:	)	

/s/ Christoforos Bismpikos
CHRISTOFOROS BISMPIKOS
SOLICITOR
WATSON, FARLEY & WILLIAMS
89 AKTI MIAOULI
PIRAEUS 185 38 - GREECE

Exhibit 4.58

Deutsche Schiffsbank

TELEFAX

Ionian Traders Inc.
Norwalk Star Owners Inc.
c/o Cardiff Marine Inc.
Attn. Mr. Aris Ioannidis / Mr. Dimitris Glynos
Fax 0030210 809 0205

Page(s): 1 (Incl. address page)

Timo Kühl / sw
International Loans

Direct Line +49 421 3609-320
Telefax +49 421 3609-293
timo.kuehl@schiffsbank.com

11 December 2009

(I) USD 125,000,000 Secured Loan Agreement (the "Loan Agreement") dated 13th May 2008 – made between (1) Ionian Traders Inc. and Norwalk Star Owners Inc. as joint and liable borrowers ("Borrowers") and (2) Deutsche Schiffsbank Aktiengesellschaft ("DSB") and Bayerische Hypo- und Vereinsbank Aktiengesellschaft as Lenders ("Lenders"); and

(II) the Guarantee and Indemnity (the "Guarantee") dated 13 May 2008 by Dryships Inc. to DSB

Dear Sirs,

Reference is made to our fax dated 13 November 2009 containing the waiver terms to rectify the breach of clause 10.4 (Security Cover) of the Loan Agreement and clause 6.7 of the Guarantee. Your acceptance of the waiver terms was noted.

Please note that we now have board approval for the waiver terms as per our fax dated 13 November except for clause 5) a) which is to be deleted and replaced by the following wording:

The Fair Market Value of the Vessels shall not be less than 77% of the loan amount outstanding until 30 June 2010. From 1 July 2010 until the end of the Waiver Period the Fair Market Value of the vessels shall not be less than 91% of the loan amount outstanding.

Please note that this proposal remains subject to HVBs board approval.

Please confirm your acceptance by countersigning this letter.

/s/ Eugenia Papapontikou
Papapontikou Eugenia
Attorney-in-fact

Deutsche Schiffsbank
Aktiengesellschaft

/s/ Illegible

Deutsche Schiffsbank

TELEFAX

Ionian Traders Inc.
Norwalk Star Owners Inc.
c/o Cardiff Marine Inc.
Attn. Mr. Aris Ioannidis
Fax 0030210 809 0205

Page(s): 4 (Incl. address page)

Timo Kühl / st
International Loans

Direct Line +49 421 3609-320
Telefax +49 421 3609-293
timo.kuehl@schiffisbank.com

13 November 2009

(I) USD 125,000,000 Secured Loan Agreement (the "Loan Agreement") dated 13th May 2008 – made between (1) Ionian Traders Inc. and Norwalk Star Owners Inc. as Joint and liable borrowers ("Borrowers") and (2) Deutsche Schiffsbank Aktiengesellschaft ("DSB") and Bayerische Hypo- und Vereinsbank Aktiengesellschaft as Lenders ("Lenders"); and

(II) the Guarantee and Indemnity (the "Guarantee") dated 13 May 2008 by Dryships Inc. to DSB

Dear Aris,

Please find attached as per our various discussions the Terms to rectify the breach of clause 10.4 (Security Cover) and clause 12.2.4 of the a.m. Loan Agreement and clause 6.6 of the Guarantee.

1) Waiver Period:	From 1st January 2009 until 31st December 2010.
2) Margin:	For the duration of the Waiver Period the Margin shall be increased to 1.9 %.
3) Waiver Fee:	USD 125,000.
4) Repayment:	The front-loaded repayment profile shall be extended until the end of the Waiver Period. The additional repayment amounts shall be used to reduce the Balloon Instalment.
5) Covenants:	a) The Lenders agree to waive the compliance with clause 10.4 of the Loan Agreement and clause 6.6 of the Guarantee until the end of the Waiver Period and waive any non-compliance of such clauses before the date of this letter.
	b) The earnings accounts held with DSB shall be pledged to the Lenders.

c) The time charters concluded for MV "CAPRI" and MV "POSITANO" shall be assigned to the Lenders.

6) Financial Covenants:

a) Clause 12.2.1; Until the end of the Waiver Period the Interest Cover Ratio shall not be less than 2:1.

b) Clause 12.2.2: From now on until 31st December 2009 the Market Adjusted Net Worth shall not be less than USD 100,000,000 and afterwards until the end of the Waiver Period not less than USD 150,000,000 plus 100% of the net quarterly profits of the Guarantor.

c) Clause 12.2.3: Throughout the Facility Period the Guarantor maintains an aggregate Minimum Liquidity in an amount in excess of USD 35,000,000.

d) Clause 12.2.4: The Lenders agree to waive this clause retroactive. Until the end of the Waiver Period the Market Adjusted Equity Ratio shall not be less than 15%.

Provided that the Borrower will be in compliance with the provisions of this clause if the Market Adjusted Equity Ratio falls to not less than 5 % and a) the Agent considers that such fall in the Market Adjusted Equity Ratio has resulted from a reduction in the Market Value of the Fleet Vessels (including, without limitation, any drillships owned or ordered by members of the Group) or the mark-market-position of any swap and other derivative transactions entered into by the Borrower and other members of the Group, and b) the Agent recalculates the Market Adjusted Equity Ratio on the basis of the Market Values of the Fleet Vessels (including, without limitation, any drillships owned or ordered by members of the Group) and the mark-to-market position of all the swap and other derivative transactions referred to above as at 31 December 2008 and such recalculation results in the Market Adjusted Equity Ratio being at least 15 %. Thereafter, the Market Adjusted Equity Ratio shall be not less than 40 %.

Provided that during the Waiver Period, any new Financial Indebtedness incurred by the Borrower or the Group may only be used in I) prepaying any Financial Indebtedness secured on the assets of the Group and II) financing any New Investments and any Permitted Investments subject to the Borrower's equity contribution in each new Investments and each Permitted Investment being not less than 32.5 % of the acquisition cost of that New Investment and or, as the case may be, that Permitted Investment.

7) Disposal of assets / spin off of the Offshore business:

The Guarantor shall only be allowed to dispose any of its assets on an arm's-length basis. Nevertheless, the Guarantor may spin-off of or otherwise dispose of the offshore business of the Group ("the Spin-Off") provided that the following conditions are met:

(a) The Guarantor shall maintain at least USD 80,000,000 cash after the Spin-Off.

(b) The Guarantor shall be released from all obligations relating to the offshore business of the Group except the credit support guarantee for the pre- and post-delivery financing of the drill ship newbuildings hull nos. 1865 and 1866 arranged by Deutsche Bank AG.

(c) The Guarantor to secure latest six months prior to delivery a cash break-even employment contract (i.e. operating expenses and debt service fully covered) for at least two (2) years for the drill ship newbuildings hull nos. 1865 and 1866.

(d) The Guarantor must use its best endeavors to be released from its guarantee obligations for newbuildings hull nos. 1865 and 1866 for the pre- and post-delivery facility period.

8) Negative Undertaking: No dividend payments or any other return of capital to shareholders including stock buyback or any other form of distribution effective until the end of the Waiver Period. In relation to the spin-off of the offshore business of the Guarantor the conditions under above mentioned waiver clause 6) shall apply.

8) Permitted Investments:

Save for any Permitted Investments no new investments or capital expenditures (other than maintenance of existing vessels in the ordinary course of business). "Permitted Investments" are the newbuilding contracts

- Hull 1518A and Hull 1519A (panamax bulk carrier with delivery in 12/2009 and 03/2010, contract price $33.25m);
- SS0058 and SS 0059 (kamsarmax bulk carrier with delivery in 08/2010 and 10/2010, contract price $54.25m each);
- Hull 2089 (capesize bulker with delivery in 2009, contract price $114m);
- Hull 1837 (drillship, delivery 01/2011) and Hull 1838 (drillship, delivery 03/2011); and
- Hull 1865 (drillship, delivery 06/2011) and Hull 1866 (drillship, delivery 09/2011); provided that

a) Hull SS 0058 and Hull SS 0059 shall only be permitted if a post-delivery financing has been secured by way of minimum 50% debt finance of the respective contract costs not later than June 30, 2010; and

b) Hull 2089 shall be permitted if a post-delivery financing will be secured by way of minimum 50% debt finance of the respective contract costs not later than December 31, 2009; and

c) Hull 1837 and Hull 1838 shall only be permitted if the following milestones will be met: For each of the following contract instalments payable to Samsung HI ("Samsung") plus supervision costs evidence satisfactory to the Lenders ("the Evidence") has to be provided that financing of such instalments either by debt and/or equity has been arranged not later than

- February 15, 2010 for the 4th Instalment Hull 1837 of $110,422,472 due on February 15, 2010;

- April 15, 2010 for the 4th instalment Hull 1838 of $110,422,472 due on April 15, 2010;
- September 15, 2010 for the 5th (delivery) instalment Hull 1837 of $291,881,013 due on December 15, 2010;
- December 15, 2010 for the 5th (delivery) instalment Hull 1838 of $288,874,107 due on March 15, 2011;

provided that the "milestone dates" February 15, 2010, April 15, 2010, August 15, 2010 and November 15, 2010 could be moved to a later date in line with any contract instalment payment deferral agreed with Samsung. In case Samsung and DryShips Inc./Primelead Shareholders Inc. agree on a deferral of the 4th and/or 5th instalment the Evidence to be presented to the Lenders not later than three (3) business days prior to the original a.m. due dates.

- six (6) months prior to the scheduled delivery date for each of the newbuildings Hull 1837 and 1838 an employment contract shall be concluded covering at least the first three years of the debt service of the post-delivery financings.

9) New Investments will be allowed, provided that:

- the equity portion for such New Investments has been raised from proceeds of equity offerings; and
- The Guarantor shall have cash of at least USD 80,000,000; and
- any new investments must be conducted on arm's-length-basis at prevailing market conditions

10) Percentage of shares of Mr. George Economou

Until the end of the Waiver Period Mr. George Economou does not divest any of his interests in any of the issued shares in DryShips Inc. that were owned on November 1, 2009.

Please confirm your acceptance by countersigning this letter.

Best regards,

Deutsche Schiffsbank
Aktiengesellschaft
/s/ Illegible

/s/ Eugenia Papapontikou
Eugenia Papapontikou

Exhibit 4.60

Deutsche Schiffsbank

DryShips Inc.
Attn.: Mr Ziad Nakhleh
80, Kifissias Av.
151 25 Amaroussion
Greece

Tanja Lauerer / st
International Loans

Direct Line +49 421 3609-290
Telefax +49 421 3609-329
tanja.lauerer@schiffsbank.com

19th May 2010

1. **USD 125 million loan facility between Deutsche Schiffsbank Aktiengesellschaft and Norwal Star Owners and Ionian Traders Inc. dated 13th May 2008 as amended (the "Capri / Positano Loan Facility")**
2. **USD 35 million loan facility between Deutsche Schiffsbank Aktiengesellschaft and Ioli Owning Company Limited dated 2nd October 2007 as amended (the "Paros Loan Facility")**

Dear Ziad,

Reference is made to your e-mail dated 7th May 2010 in connection with the request for a waiver in regard to Article 12.3.19 of the Capri/Positano Loan Facility and Article 12.2.19 of the Paros Loan Facility.

We, Deutsche Schiffsbank Aktiengesellschaft, (respective the syndicate of the above mentioned facilities) hereby confirm our approval to waive the Employment Requirement subject to a successful placement of the prospected USD 1bn high yield bond until 30th September 2010, which proceeds shall be used to secure the financing of the two Drillships 1837 and 1838. In case the bond can not be issued until the 30th September 2010 the original Employment Requirement will be triggered again.

The above approval is subject to documentation acceptable to us.

If you have any questions please do not hesitate to contact us.

Best regards,

Deutsche Schiffsbank
Aktiengesellschaft

/s/ Illegible

Exhibit 4.63

Agean Traders Inc. and Iguana Shipping Company Ltd.
Omega Building
80 Kifissias Avenue
Maroussi
Athens – 15125
Greece

22 July 2009

Attention: Mr Aristidis Ioannidis

Dear Aris,

Term Loan Facility of up to US$103,200,000 to Aegean Traders Inc. and Iguana Shipping Company Ltd dated 20 June 2008 ("the Loan Agreement").

Further to our discussions with regard to the breach of clause 14 (Security Cover) of the Loan Agreement, we are pleased to provide the attached indicative terms and conditions to amend the Loan Agreement accordingly. This letter annuls and supersedes our earlier letters of 9 June 2009 and 2 July 2009.

This indicative offer letter is still subject to internal credit approval and to the execution of satisfactory amendment documentation to the Loan Agreement and the Finance Documents. Please sign and return a copy of these terms to us to confirm your acceptance.

Yours sincerely,

/s/ Gavin Doyle
Gavin Doyle
Managing Director
WestLB AG London Branch

/s/ Carol Street
Carol Street
Associate Director
WestLB AG London Branch

Accepted:

/s/ Alexandros Mylonas
Name: Alexandros Mylonas
Title: Banking Executive
Place/Date: Athens, 24 July 2009
For and on behalf of the Borrowers and DryShips Inc.

WestLB AG
London Branch

Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
Tel: +44 (0)20 7020 2000
Fax: +44 (0)20 7020 2002
Telex: 884689
SWIFT: WELAGB2L
www.westlb.com

INDICATIVE TERMS AND CONDITIONS FOR
AN AMENDMENT AGREEMENT TO THE FOLLOWING LOAN AGREEMENT:

Term Loan Facility of up to US$103,200,000 to Aegean Traders Inc. and Iguana Shipping Company Ltd dated 20 June 2008.

1. Waiver Period:	The earlier of a) compliance with all financial covenants (including the original minimum required security cover requirement of 135%) by the Borrowers and Guarantor or b) 18 months after signing of the Amendment Agreement.
2. Security cover:	The minimum required security cover shall be suspended for the duration of the Waiver Period.
3. Financial Covenants:	With reference to Clause 11.15 of the Guarantee: a) The following two financial covenants shall be suspended for the duration of the Waiver Period: (i) The Market Adjusted Equity Ratio to be a minimum of 0.2:1 (ii) The Market Value Adjusted Net Worth of the Group to be a minimum of USD 250m. b) The Interest Coverage Ratio shall be amended so that the ratio shall not be less than 2:1 for the duration of the Waiver Period. c) The requirement for a minimum liquidity (freely available and unencumbered bank or cash balances) of USD 20m shall remain at all times.
4. Margin:	The Margin shall be increased to 2.0% p.a. for the duration of the Waiver Period.
5. Restructuring fee:	25bps flat on the outstanding Loan, payable upon signing of the Amendment Agreement.
6. Restrictions on further Indebtedness:	No further investments or capital expenditure by the Borrowers or Guarantor allowed during the Waiver Period (other than that used for the maintenance of vessels in the normal course of business) without the consent of the Lender, unless the equity used for such investments or expenditure has been raised from the proceeds of equity offerings.
7. Spin-off/disposal of the offshore business of the Group.	The Guarantor shall only be allowed to dispose of any of its assets on an arm's-length basis.

	The spin-off or other disposal of the offshore business of the Group will not be permitted unless the following conditions are met: a) The Guarantor to maintain cash of US$80m at the time of the spin-off and after. b) The Guarantor to be released of all obligations relating to the off-shore business of the Group including the $800m acquisition financing of Ocean Rig ASA but excluding the Guarantor's credit support guarantee for the pre and post delivery financing of the drillship newbuildings hull nrs 1865 and 1866 arranged by Deutsche Bank AG. c) The Guarantor must use its best endeavours to be released from its guarantee obligations for the pre and post delivery facility referred to above. As a Condition Subsequent to the spin-off/disposal, the Guarantor to secure at least 6 months prior to delivery a cash- break-even employment contract, ie operating expenses and debt service fully covered, for at least 2 years for the drillship newbuildings hull nrs 1865 and 1866. Clause 11 (Undertakings) of the Guarantee shall remain in full force and effect at all other times unless otherwise permitted by the Lender.
8. Restrictions on dividends:	No payment of any cash dividends by the Guarantor during the Waiver Period.
9. Financial statements:	The Borrowers and Guarantor to provide the Lender with monthly updated cashflow statements.
10. Other prepayment/ collateral:	The Group undertakes that it will not provide any prepayment or collateral (cash or cash equivalent) in excess of US$15m aggregate to other lenders unless similar is provided simultaneously to the Lender.
11. Second mortgage:	The Lender reserves the right to be granted a second mortgage over either mv "Oregon" or mv "Mystic" during the Waiver Period. Should neither of these vessels be available for such purpose at the time of any such request by the Lender, or if consent of the first mortgagor is not obtained, an alternative acceptable vessel is to be provided.
12. Expenses:	All costs and expenses (including legal fees) reasonably incurred by the Lender in connection with the preparation, negotiation, printing and execution of the Amendment Agreement and any other document referred to in it shall be paid by the Borrowers promptly on demand whether or not the Amendment Agreement is signed.

This Indicative Term Sheet constitutes an indication of terms and conditions for discussion purposes only. It is not itself a commitment and is issued subject to all internal approvals (including credit committee approvals) of the Lender. The entering into any commitment by the Lender will furthermore be subject to satisfactory completion of due diligence and execution of legal documentation, acceptable to the Lender.

Exhibit 4.65

Agean Traders Inc. and Iguana Shipping Company Ltd.
Omega Building
80 Kifissias Avenue
Maroussi
Athens – 15125
Greece

23 November 2009

Attention: Mr Aristidis Ioannidis

Dear Aris,

Term Loan Facility of up to US$103,200,000 to Aegean Traders Inc. and Iguana Shipping Company Ltd dated 20 June 2008 ("the Facility") as amended.

Further to our discussions with regard to the replacement of mv "Iguana" vessel, we are pleased to provide the attached approved terms and conditions to amend the Facility accordingly.

This offer letter is still subject to the execution of satisfactory amendment documentation to the Loan Agreement and the Finance Documents. Please sign and return a copy of these terms to us to confirm your acceptance.

Yours sincerely,

/s/ Gavin Doyle
Gavin Doyle
Managing Director
WestLB AG London Branch

/s/ Carol Street
Carol Street
Associate Director
WestLB AG London Branch

Accepted:

/s/ Eugenia Papapontikou
Name: Papapontikou Eugenia
Title: Attorney-in-fact
Place/Date: 25/11/2009
For and on behalf of the Borrowers and DryShips Inc.

WestLB AG
London Branch

Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
Tel: +44 (0)20 7020 2000
Fax: +44 (0)20 7020 2002
Telex: 884689
SWIFT: WELAGB2L
www.westlb.com

TERMS AND CONDITIONS FOR
AN AMENDMENT AGREEMENT TO THE FOLLOWING LOAN AGREEMENT:

Term Loan Facility of up to US$103,200,000 to Aegean Traders Inc. and Iguana Shipping Company Ltd dated 20 June 2008 ("the Facility") as amended

1. Amendment to Tranche B	Clause 1.1 "First Tranche B Advance" shall be amended to either (i) continue to refinance the MV Iguana or (ii) provide finance for the acquisition of an unnamed panamax bulker ("Replacement Vessel") satisfactory to WestLB, built after 2000 with a Market Value at least USD 22m at the time of acquisition. Option (ii) shall only be available for a period of 6 months following the signing of this amendment Tem Sheet. The loan amount, repayment schedule and all other terms and conditions for the First Tranche B Advance shall remain as currently provided for under the Facility.
2. Conditions for Option (ii)	a) The First Tranche B Advance and related swap to be maintained by Iguana Shipping Company Limited (the "Iguana Borrower") and the new vessel shall be owned by the Iguana Borrower. b) Cash totalling 100% of the outstanding First Tranche B Advance and any related swap obligation to be maintained in a pledged interest-bearing account with WestLB until a first-ranking mortgage has been registered as security for the Facility. Credit interest shall be payable at the rate that is customary for USD deposits of this size and nature. c) An undertaking and indemnity to be provided by DryShips Inc ("DryShips") whereby DryShips undertakes to fund the Iguana Borrower in order to defend any claim it may become subject to in the future and to fund any award made against the Iguana Borrower. DryShips also to indemnify WestLB from any claims, liabilities, losses etc which may arise against the Bank in its capacity as Lender and Mortgagee of MV Iguana. All other terms and conditions to remain unchanged.
3. Restructuring fee:	USD 150,000 payable upon signing of the Amendment Agreement.
4. Expenses:	All costs and expenses (including legal fees) reasonably incurred by the Lender in connection with the preparation, negotiation, printing and execution of the Amendment Agreement and any other document referred to in it shall be paid by the Borrowers promptly on demand whether or not the Amendment Agreement is signed.

The entering into any commitment by the Lender will be subject to satisfactory completion of due diligence and execution of legal documentation, acceptable to the Lender.

Exhibit 4.66

Dated 18 January 2010

AEGEAN TRADERS INC. and
IGUANA SHIPPING COMPANY LIMITED
as joint and several Borrowers

- and -

WESTLB AG, LONDON BRANCH
as Lender

AMENDING AND RESTATING AGREEMENT

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relating to a loan facility of (originally) up to US$103,200,000
of which the current outstandings aggregate US$63,350,000.

Watson, Farley & Williams
Piraeus

INDEX

THIS AGREEMENT is made on 18 January 2010

BETWEEN

(1) **AEGEAN TRADERS INC.,** ("**Aegean**") a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 and **IGUANA SHIPPING COMPANY LIMITED,** ("**Iguana**" and, together with Iguana, the "**Borrowers**" and each a "**Borrower**") a company incorporated in Malta whose registered office is at 5/2, Merchants Street, Valletta, Malta; and

(2) **WESTLB AG, LONDON BRANCH,** a company incorporated in Germany having its registered office at Herzogstrasse 15 in 40217 Duesseldorf, Germany and acting through its London branch at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA, England (as "**Lender**").

BACKGROUND

(A) By a loan agreement originally dated 20 June 2008 (the "**Loan Agreement**") made between (i) the Borrowers as joint and several borrowers and (ii) the Lender as lender, the Lender made available to the Borrower a loan facility of (originally) up to $103,200,000 of which the current outstandings aggregate $63,350,000.

(B) The Borrowers have requested that the Lender agrees (inter alia) to the sale of m.v. "IGUANA" ("**IGUANA**") and its substitution with a Panamax bulk carrier (the "**Collateral Ship**") constructed on or after 1 January 2000 whose market value (as determined pursuant to clause 14.3 of the Loan Agreement) on the date of delivery to Iguana is at least $22,000,000.

(C) This Agreement sets out the terms and conditions on which the Lender agrees to the sale of IGUANA and its substitution with the Collateral Ship and to the consequential amendments to the Loan Agreement and the Finance Documents in connection with those matters.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Defined expressions. Words and expressions defined in the Loan Agreement and the Amended and Restated Loan Agreement shall have the same meanings when used in this Agreement unless the context otherwise requires.

1.2 Definitions. In this Agreement, unless the contrary intention appears:

"**Amended and Restated Loan Agreement**" means the Loan Agreement as amended and restated by this Agreement in the form set out in Appendix 1;

"**Deposit Account**" means an account in the name of Iguana with the Lender in Duesseldorf designated "Iguana Shipping Company Limited - Deposit Account", or any other account (with that or another office of the Lender) which is designated by the Lender as the Deposit Account for the purposes of the Loan Agreement as amended and supplemented by this Agreement;

"**Deposit Account Pledge**" means the deed of pledge in respect of the Deposit Account to be executed by Iguana in favour of the Lender in such form as the Lender may approve or require;

"**Effective Date**" means the date on which the Lender notifies the Borrower that the conditions precedent in Clause 3 have been fulfilled;

"**Indemnity Letter**" means a letter of undertaking and indemnity executed or to be executed by the Corporate Guarantor in such form as the Lender may approve or require;

"**Loan Agreement**" means the loan agreement as referred to in Recital (A);

"**New Finance Documents**" means:

(a) this Agreement;

(b) the Deposit Account Pledge;

(c) the Amended and Restated Loan Agreement; and

(d) the Indemnity Letter,

and, in the singular, means any of them.

1.3 Application of construction and interpretation provisions of Loan Agreement. Clauses 1.2 and 1.5 of the Loan Agreement and the Amended and Restated Loan Agreement apply, with any necessary modifications, to this Agreement.

2 AGREEMENT OF ALL PARTIES TO THE AMENDMENT OF THE LOAN AGREEMENT AND FINANCE DOCUMENTS

2.1 Agreement of the parties to this Agreement. The parties to this Agreement agree, subject to and upon the terms and conditions of this Agreement, to the amendment of the Loan Agreement and the Finance Documents to be made pursuant to Clauses 5.1 and 5.2. The agreement of the parties to this Agreement contained in Clause 2.1 shall have effect on and from the Effective Date.

3 CONDITIONS PRECEDENT

3.1 General. The agreement of the parties to this Agreement contained in Clause 2.1 is subject to the fulfilment of the conditions precedent in Clause 3.2.

3.2 Conditions precedent. The conditions referred to in Clause 2.1 are that the Lender shall have received the documents and evidence referred to in Schedule 1 in all respects in form and substance satisfactory to the Lender and its lawyers on or before the date of this Agreement or such later date as the Lender may agree with the Borrowers.

4 REPRESENTATIONS AND WARRANTIES

4.1 Repetition of Loan Agreement representations and warranties. The Borrowers represent and warrant to the Lender that the representations and warranties in clause 9 of the Loan Agreement, as amended and restated by this Agreement and updated with appropriate modifications to refer to this Agreement and, where appropriate, each other Finance Document which is being amended by this Agreement, remain true and not misleading if repeated on the date of this Agreement with reference to the circumstances now existing.

5 AMENDMENT OF LOAN AGREEMENT

5.1 Amendments to Loan Agreement.

(a) With effect on and from the Effective Date the Loan Agreement shall be, and shall be deemed by this Agreement to be, amended and restated in the form of the Amended and Restated Loan Agreement; and

(b) as so amended and restated pursuant to (a) above, the Loan Agreement shall continue to be binding on each of the parties to it in accordance with its terms as so amended and restated.

5.2 Amendments to Finance Documents. With effect on and from the Effective Date each of the Finance Documents (other than the Loan Agreement), shall be, and shall be deemed by this Agreement to be, amended as follows:

(a) the definition of, and references throughout each of the Finance Documents to, the Loan Agreement and any of the other Finance Documents shall be construed as if the same referred to the Loan Agreement and those Finance Documents as amended and restated or supplemented by this Agreement; and

(b) by construing references throughout each of the Finance Documents to "this Agreement", "this Deed", "hereunder" and other like expressions as if the same referred to such Finance Documents as amended and supplemented by this Agreement.

5.3 The Finance Documents to remain in full force and effect. The Finance Documents shall remain in full force and effect, as amended by:

(a) the amendments contained or referred to in Clause 5.2; and

(b) such further or consequential modifications as may be necessary to give full effect to the terms of this Agreement.

6 FURTHER ASSURANCES

6.1 Borrowers' obligations to execute further documents etc. The Borrowers shall:

(a) execute and deliver to the Lender (or as it may direct) any assignment, mortgage, power of attorney, proxy or other document, governed by the law of England or such other country as the Lender may, in any particular case, specify; and

(b) effect any registration or notarisation, give any notice or take any other step,

which the Lender may, by notice to the Borrowers, specify for any of the purposes described in Clause 6.2 or for any similar or related purpose.

6.2 Purposes of further assurances. Those purposes are:

(a) validly and effectively to create any Security Interest or right of any kind which the Lender intended should be created by or pursuant to the Loan Agreement or any other Finance Document, each as amended and restated or supplemented by this Agreement; and

(b) implementing the terms and provisions of this Agreement.

6.3 Terms of further assurances. The Lender may specify the terms of any document to be executed by the Borrowers (or either of them) under Clause 6.1, and those terms may include any covenants, powers and provisions which the Lender considers appropriate to protect its interests.

6.4 **Obligation to comply with notice.** The Borrowers shall comply with a notice under Clause 6.1 by the date specified in the notice.

7 FEES AND EXPENSES

7.1 **Reimbursement of expenses.** The Borrowers shall reimburse to the Lender on demand all costs, fees and expenses (including, but not limited to, legal fees and expenses) and taxes thereon incurred by the Lender in connection with the negotiation, preparation and execution of each of the New Finance Documents.

7.2 **Restructuring fees.** The Borrowers shall pay to the Lender on the date of this Agreement a restructuring fee of $150,000.

8 NOTICES

8.1 **General.** The provisions of clause 27 (Notices) of the Loan Agreement, as amended and restated by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

9 SUPPLEMENTAL

9.1 **Counterparts.** This Agreement may be executed in any number of counterparts.

9.2 **Third party rights.** No person who is not a party to this Agreement has any right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

10 LAW AND JURISDICTION

10.1 **Governing law.** This Agreement shall be governed by and construed in accordance with English law.

10.2 **Incorporation of the Loan Agreement provisions.** The provisions of clause 30 (Law and Jurisdiction) of the Loan Agreement, as amended and restated by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

THIS AGREEMENT has been duly executed as a Deed on the date stated at the beginning of this Agreement.

SCHEDULE 1

CONDITIONS PRECEDENT DOCUMENTS

The following are the documents referred to in Clause 3.2:

1 A duly executed original of each New Finance Document duly executed by the parties to it.

2 In relation to each Borrower, documents of the kind specified in paragraphs 2, 3, 4 and 5 of Schedule 4, Part A of the Loan Agreement (as amended and restated by this Agreement) with appropriate modifications to refer to this Agreement and the Amended and Restated Loan Agreement insofar as each is a party thereto.

3 evidence that the Deposit Account has been opened with the Lender and all mandate forms, documentation required by the Lender pursuant to the Lender's "know your customer" requirements have been received;

4 a duly executed original of the Deposit Account Pledge;

5 the fees referred to in Clause 7.2 have been received in full by the Lender.

6 Any further opinions, consents, agreements and documents in connection with this Agreement and the Finance Documents which the Lender may request by notice to the Borrowers prior to the Effective Date.

Every copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the Borrowers or the lawyers of the Borrowers.

EXECUTION PAGE

BORROWERS

SIGNED by)
IOANNIS PAPATHANASIOU) /s/ Illegible
for and on behalf of)
AEGEAN TRADERS INC.)
in the presence of:)

/s/ Christoforos Bismpikos

SIGNED by)
IOANNIS PAPATHANASIOU) /s/ Illegible
for and on behalf of)
IGUANA SHIPPING COMPANY LIMITED)
in the presence of:)

/s/ Christoforos Bismpikos

LENDER

SIGNED by)
VASSILIKI GEORGOPOULOS) /s/ Illegible
for and on behalf of)
WESTLB AG, LONDON BRANCH)
in the presence of:)

/s/ Christoforos Bismpikos

COUNTERSIGNED this 18 January 2010 by Dryships Inc. which, by its execution hereof confirms and acknowledges that it has read and understood the terms and conditions of the above Amending and Restating Agreement, that it agrees in all respects to the same and that the Finance Documents to which it is a party shall remain in full force and effect and shall continue to stand as security for the obligations of the Borrowers under the Amended and Restated Loan and the other Finance Documents.

/s/ Eugenia Papapontikou

for and on behalf of
DRYSHIPS INC.

Dated 18 January 2010

APPENDIX 1

FORM OF AMENDED AND RESTATED LOAN AGREEMENT MARKED TO INDICATE AMENDMENTS TO THE LOAN AGREEMENT

Amendments are indicated as follows:

1 additions are indicated by underlined text; and

2 deletions are shown by the relevant text being struck out.

Date 20 June 2008
as amended and restated
on January 2010

AEGEAN TRADERS INC. and
IGUANA SHIPPING COMPANY LIMITED
as Borrowers

- and -

WESTLB AG, LONDON BRANCH
as Lender

LOAN AGREEMENT

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relating to a loan facility of up to US$103,200,000

WATSON, FARLEY & WILLIAMS
Piraeus

INDEX

THIS AGREEMENT is made on 20 June 2008 as amended and restated by an Amending and Restating Agreement (as defined below)

BETWEEN

(1) **AEGEAN TRADERS INC.**, a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 and **IGUANA SHIPPING COMPANY LIMITED**, a company incorporated in Malta whose registered office is at 5/2, Merchants Street, Valletta, Malta (together the "**Borrowers**" and each a "**Borrower**"); and

(2) **WESTLB AG, LONDON BRANCH,** a company incorporated in Germany having its registered office at Herzogstrasse 15 in 40217 Duesseldorf, Germany and acting through its London branch at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA, England (as "**Lender**").

BACKGROUND

The Lender has agreed to make available to the Borrowers, on a joint and several basis, a loan facility up to One hundred and three million two hundred thousand United States Dollars (US$103,200,000) for the purpose of:

(a) financing part of the acquisition cost of ~~the m.v.~~ "FEDERAL MAPLE" (as such cost is determined by ~~referred~~ reference to the purchase price payable pursuant to the MOA relative thereto); and

~~(b) either:~~

(b) ~~(i)~~refinancing part of the acquisition cost of ~~m.v. "IGUANA", or~~"IGUANA".

~~financing part of the acquisition cost of a Panamax bulk carrier constructed within the period commencing on 1 January 2002 and ending on 31 December 2006.~~

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Definitions. Subject to Clause 1.5, in this Agreement:

"**Accounts**" means, together, the Earnings Accounts and the Deposit Account and, in the singular, means any of them;

~~**Account**" means:(a)in the case of "FEDERAL MAPLE", an earnings account in the name of Aegean with the Lender designated "Aegean Traders Inc. Earnings Account",(b)in the case of "IGUANA", an earnings account in the name of Iguana with the Lender designated "Iguana Shipping Company Limited Earnings Account", and(c)in the case of the Collateral Ship, an earnings account in the name of the Collateral Owner with the Lender designated "[name of Collateral Owner] Earnings Account or, in any case, any other account (with that or another office of the Lender or with a bank or financial institution other than the Lender) which is designated by the Lender as the Account for the relevant Ship for the purposes of this Agreement;~~"**Account Pledge**" means, in relation to each Account, the deed of pledge in respect of that Account to be executed by the relevant ~~Owner~~ Borrower in favour of the Lender in such form as the Lender may approve or require and in the plural means all of them;

"**Additional Owner**" means each of:

(a) in the case of "MYSTIC", Dalian Star Owners Inc. a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960; and

(b) in the case of "OREGON", Iason Owning Company Limited a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

each a subsidiary of the Corporate Guarantor ~~"**Advance**" means the principal amount of each borrowing by the Borrowers in respect of Tranche B under this Agreement being the First Tranche B Advance or the Second Tranche B Advance~~ and, in the plural, means both of them;

"**Additional Ship**" means each of "MYSTIC" and "OREGON" and, in the plural, means both of them;

"**Amending and Restating Agreement**" means the amending and restating agreement dated January 2010 and made between the Borrowers and the Lender setting out the terms and conditions upon which this Agreement has been amended and restated;

"**Approved Broker**" ~~"~~ means each of ASM, Platou Shipbrokers A.S., Arrow Sale & Purchase (UK) Ltd. and Fearnley AS or any other company which the Lender may approve from time to time as an Approved Broker under this Agreement;

"**Approved Charter**" means, in relation to a Ship, any time charter party of that Ship, including, without limitation, an agreed recap of charter party terms in which case a complete time charterparty will be provided to Lender once executed by the relevant parties, to be entered by the relevant ~~Owner~~ Borrower and a charterer in all respects acceptable to the Lender, exceeding or which, by virtue of any optional extensions is capable of exceeding, 24 months in duration as the same may be amended or supplemented from time to time in favour and substance in all respects acceptable to the Lender;

"**Approved Flag**" means, in relation to a Ship, the Maltese flag or such flag as the Lender may, in sole and absolute discretion, approve as the flag on which that Ship shall be registered;

"**Approved Flag State**" means, in relation to a Ship, any country in which the Lender may in its sole and absolute discretion, approve that such Ship be registered;

"**Approved Manager**" means in relation to each Ship, Cardiff Marine Inc. a corporation incorporated under the laws of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia and maintaining a ship management office at Omega Building, 80 Kifissias Avenue, 151 25 Maroussi, Greece or any other company which the Lender may reasonably approve as the commercial, technical and/or operational manager of that Ship;

"**Approved Manager's Undertaking**" means, in relation to each Ship, a letter of undertaking executed or to be executed by the Approved Manager in favour of the Lender in such form as the Lender may approve or require agreeing certain matters in relation to the management of that Ship and subordinating the rights of the Approved Manager against the Ship and the ~~relevant Owner thereof~~ Borrower owning that Ship to the rights of the Lender under the Finance Documents and, in the plural, means any of them;

"**Approved Owner**" means, in respect of any Approved Ship, the registered owner thereof (subject to such owner being incorporated in a jurisdiction acceptable to the Lender and being a subsidiary of the Corporate Guarantor) and, in the plural, means all of them;

"**Approved Ship**" means any kind of vessel to be in all respects (including, but not limited to, type, age or deadweight) acceptable to the Lender owned by the relevant Approved Owner and, in the plural, means all of them;

"**Availability Period**" means the period commencing on the date of this Agreement and ending on:

(a) (i) in the case of Tranche A, 31 July 2008; and

(ii) in the case of Tranche B, 31 December 2008,

(or, in each case, such later date as the Lender may agree with the Borrowers); or

(b) if earlier, the final Drawdown Date or the date on which the Lender's obligation to make the Loan is cancelled or terminated;

"**Balloon Instalment**" has the meaning given in Clause 7.1(a);

~~means each of the Tranche A Balloon Instalment and the Tranche B Balloon Instalment and in the plural means both of them;~~
"**Borrower**" means each of Aegean and Iguana and, in the plural, means both of them;

"**Business Day**" means a day on which banks are open in London, Athens and Piraeus, Düsseldorf and, in respect of a day on which a payment is required to be made under a Finance Document, also in New York City;

"**Charter Assignment**" means in relation to a Ship, a specific assignment of the rights of the relevant ~~Owner~~ Borrower under an Approved Charter relating to that Ship, pursuant to Clause 10.17 and any guarantee of such charter, to be executed by that ~~Owner~~ Borrower in favour of the Lender in such form as the Lender may approve or require and, in the plural, means all of them;

~~"**Collateral General Assignment**" means, in relation to the Collateral Ship, a general assignment of the Earnings, Insurances and Requisition Compensation of that Collateral Ship in such form as the Lender may approve or require;~~

~~"**Collateral Guarantee**" means the guarantee to be given by the Collateral Owner in such form as the Lender may approve or require;~~

"**Collateral Mortgage**" means, in relation to the Collateral Ship, the first preferred or priority ship mortgage on that Ship and, if required pursuant to the laws of the applicable Approved Flag State, a deed of covenant collateral thereto in such form as the Lender may approve or require;

~~"**Collateral Owner**" means a company incorporated and existing under the laws of a jurisdiction acceptable to the Lender which is a direct or indirect wholly owned subsidiary of the Corporate Guarantor which will be the registered owner of the Collateral Ship;~~"**Collateral Ship**" means, a Panamax bulk carrier constructed within the period ~~commencing on~~ 1 January ~~2002~~ 2000 to the date of this Agreement whose Market Value on the date of delivery to Iguana under the relevant MOA is at least $22,000,000 ~~and ending on 31 December 2006~~ and being in all respects acceptable to the Lender;

"**Commitment**" means $103,200,000 as that amount may be reduced, cancelled or terminated in accordance with this Agreement;

"**Confirmation**" and "**Early Termination Date**" in relation to any continuing Transaction, have the meanings given in the Master Agreement;

"**Contractual Currency**" has the meaning given in Clause 20.4;

"**Corporate Guarantee**" means a guarantee to be executed by the Corporate Guarantor in favour of the Lender in such form as the Lender may approve or require;

"**Corporate Guarantor**" means Dryships Inc., a corporation incorporated in the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands ~~MH 96960~~MH96960;

"**Deed of Covenant**" means in relation to an Identified Ship, a deed of covenant collateral to the relevant Mortgage in such form as the Lender may approve or require and, in the plural, means both of them;

"**Delivery Date**" means the date within the Relevant Period on which title to and possession of "IGUANA" or, as the case may be, the Collateral Ship is transferred from:

(a) in the case of "IGUANA", Iguana to its buyer; and

(b) in the case of the Collateral Ship, the relevant Seller to Iguana,

pursuant to the terms of the relevant MOA:

"**Deposit Account**" means an account in the name of Iguana with the Lender in Duesseldorf designated "Iguana Shipping Company Limited – Deposit Account", or any other account (with that or another office of the Lender) which is designated by the Lender as the Deposit Account for the purposes of this Agreement;

"**Dollars**" and "**$**" means the lawful currency for the time being of the United States of America;

"**Drawdown Date**" means the date requested by the Borrowers for the Loan to be advanced or (as the context requires) the date on which the Loan is actually advanced;

"**Drawdown Notice**" means a notice in the form set out in Schedule 1 (or in any other form which the Lender approves or reasonably requires);

"**Earnings**" means, in relation to each Ship, all moneys whatsoever which are now, or later become, payable (actually or contingently) to the ~~Owner of such~~ Borrower owning that Ship and which arise out of the use or operation of such Ship, including (but not limited to):

(a) all freight, hire and passage moneys, compensation payable to the relevant ~~Owner~~ Borrower in the event of requisition of its Ship for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of such Ship;

(b) all moneys which are at any time payable under Insurances in respect of loss of earnings; and

(c) if and whenever such Ship is employed on terms whereby any moneys falling within paragraphs (a) or (b) are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to such Ship;

"**Earnings Account**" means:

(a) in the case of "FEDERAL MAPLE", an earnings account in the name of Aegean with the Lender designated "Aegean Traders Inc. – Earnings Account"; and

(b) in the case of "IGUANA" or, as the case may be, the Collateral Ship, an earnings account in the name of Iguana with the Lender designated "Iguana Shipping Company Limited – Earnings Account",

or, in any case, any other account (with that or another office of the Lender or with a bank or financial institution other than the Lender) which is designated by the Lender as the Earnings Account for the relevant Ship for the purposes of this Agreement and, in the plural, means both of them;

"**Effective Date**" means 9 October 2009;

"**Environmental Claim**" means:

(a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or an alleged Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident or to an alleged Environmental Incident,

and "**claim**" means a claim for damages, compensation, fines, penalties or any other payment of any kind, whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action; and any form of enforcement or regulatory action, including the arrest or attachment of any asset;

"**Environmental Incident**" means:

(a) any release of Environmentally Sensitive Material from a Ship; or

(b) any incident in which Environmentally Sensitive Material is released from a vessel other than a Ship and which involves a collision between a Ship and such other vessel or some other incident of navigation or operation, in either case, in connection with which a Ship is actually or potentially liable to be arrested, attached, detained or injuncted and/or a Ship and/or ~~an Owner~~ a Borrower and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or

(c) any other incident in which Environmentally Sensitive Material is released otherwise than from a Ship and in connection with which a Ship is actually or potentially liable to be arrested and/or where ~~an Owner~~ a Borrower and/or any operator or manager of a Ship is at fault or allegedly at fault or otherwise liable to any legal or administrative action;

"**Environmental Law**" means any law relating to pollution or protection of the environment, to the carriage of Environmentally Sensitive Material or to actual or threatened releases of Environmentally Sensitive Material;

"Environmentally Sensitive Material" means oil, oil products and any other substance (including any chemical, gas or other hazardous or noxious substance) which is (or is capable of being or becoming) polluting, toxic or hazardous;

"Event of Default" means any of the events or circumstances described in Clause 18.1;

"FEDERAL MAPLE" means the 2004-built bulk carrier vessel of 78,593 metric tons deadweight having IMO Number 9310408 and ~~currently registered in the ownership of the relevant Seller under the flag of Panama with the name "FEDERAL MAPLE" to be acquired by Aegean pursuant to the relevant MOA and to be~~ registered in the ownership of Aegean under the relevant Approved Flag with the name "SORRENTO";

"Finance Documents" means:

(a) this Agreement;

(b) the First Supplemental Agreement;

(c) the Amending and Restating Agreement;

(d) ~~(b)~~the Master Agreement;

(e) ~~(c)~~the Master Agreement Security Deed,

(f) the Corporate Guarantee;

(g) the General Assignments;

(h) the Mortgages;

(i) the Deeds of Covenants;

(j) the Account Pledges;

(k) the Approved Manager's Undertakings;

~~(h) the Collateral Guarantee;~~

(l) ~~(i)~~the Collateral Mortgage;

(m) the ~~Collateral General Assignment~~Indemnity Letter;

(n) ~~(k)~~any Charter Assignment; and

(o) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrowers (or either of them) or any Security Party or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, any amount payable to the Lender under this Agreement or any of the other documents referred to in this definition;

"Financial Indebtedness" means, in relation to a person (the **"debtor"**), a liability of the debtor:

(a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;

(b) under any loan stock, bond, note or other security issued by the debtor;

(c) under any acceptance credit, guarantee or letter of credit facility made available to the debtor;

(d) under a financial lease, a deferred purchase consideration arrangement or any other agreement having the commercial effect of a borrowing or raising of money by the debtor;

(e) under any foreign exchange transaction, any interest or currency swap or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount; or

(f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within (a) to (e) if the references to the debtor referred to the other person;

"First ~~Tranche B Advance" means an amount of up~~ Supplemental Agreement" means the first supplemental agreement to this Agreement dated 8 October 2009 and entered into between the Borrowers, the Corporate Guarantor and the Lender;~~to the lesser of (i) $32,500,000 and (ii) 55 per cent, of the Initial Market Value of "IGUANA" to be advanced to the Borrowers for the purpose of refinancing part of the acquisition cost of that Ship;~~

"General Assignment" means, in relation to ~~an Identified~~ a Ship, a general assignment of the Earnings, the Insurances and the Requisition Compensation of such Ship to be executed by the relevant Borrower in favour of the Lender in such form as the Lender may approve or require, and, in the plural means both of them;

"Group" means the Corporate Guarantor and its subsidiaries (whether direct or indirect and including, but not limited to, each Borrower and, if any, each Additional Owner) from time to time during the Security Period and **"member of the Group"** shall be construed accordingly;

"Hull 1837" means the drillship currently under construction by Samsung pursuant to the Hull 1837 Shipbuilding Contract which is scheduled to be delivered in December 2010;

"Hull 1838" means the drillship currently under construction by Samsung pursuant to the Hull 1838 Shipbuilding Contract which is scheduled to be delivered in March 2011;

"Hull 1837 Shipbuilding Contract" means the shipbuilding contract dated 17 September 2007 (as the same may be amended and supplemented from time to time) and executed between Drillship Hydra Owners Inc. and Samsung;

"Hull 1838 Shipbuilding Contract" means the shipbuilding contract dated 17 September 2007 (as the same may be amended and supplemented from time to time) and executed between Drillship Paros Owners Inc. and Samsung;

"Hull SS058" means the Kamsarmax bulk carrier of approximately 82,000 metric tons deadweight, currently under construction by Tsuneishi pursuant to the SS058 MOA;

"Hull SS059" means the Kamsarmax bulk carrier with Hull Number SS059 of approximately 82,000 metric tons deadweight, currently under construction by Tsuneishi pursuant to the SS059 MOA;

"Identified Ship" means each of "FEDERAL MAPLE" and "IGUANA" and, in the plural, means both of them;

"Iguana" means Iguana Shipping Company Limited, a company incorporated in Malta, whose registered office is at 5/2 Merchants Street, Valletta, Malta;

"IGUANA" means the 1996-built bulk carrier vessel of 70,349 metric tons deadweight, having IMO Number 9123847 and registered in the ownership of Iguana under the relevant Approved Flag with the name "IGUANA";

"Indemnity Letter" means a letter of undertaking and indemnity executed or to be executed by the Corporate Guarantor in such form as the Lender may approve or require;

"Initial Market Value" means in relation to:

"FEDERAL MAPLE", the Market Value thereof calculated in accordance with paragraph 4 of Schedule 2, Part B; and

"IGUANA", the Market Value thereof calculated in accordance with paragraph 4 of Schedule 2, Part C;~~and~~

~~the Collateral Ship, the Market Value thereof calculated in accordance with paragraph 9 of Schedule 2, Part D;~~

"Insurances" means, in relation to each Ship:

(a) all policies and contracts of insurance, including entries of such Ship in any protection and indemnity or war risks association, which are effected in respect of such Ship, its Earnings or otherwise in relation to it; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium;

"Interest Period" means, in relation to each Tranche, a period determined in accordance with Clause 5;

"ISM Code" means, in relation to its application to the ~~Owners~~Borrowers, the Ships and their operation:

(a) the International Management Code for the Safe Operation of Ships and for Pollution Prevention, currently known or referred to as the "ISM Code", adopted by the Assembly of the International Maritime Organisation by Resolution A.741(18) on 4th November, 1993 and incorporated on 19th May, 1994 into chapter IX of the International Convention for the Safety of Life at Sea 1974 (SOLAS 1974); and

(b) all further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including without limitation, the 'Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations' produced by the International Maritime Organisation pursuant to Resolution A.788(19) adopted on 25th November, 1995,

as the same may be amended, supplemented or replaced from time to time;

"ISM Code Documentation" includes, in relation to a Ship:

(a) the document of compliance (DOC) and safety management certificate (SMC) issued pursuant to the ISM Code in relation to such Ship within the periods specified by the ISM Code;

(b) all other documents and data which are relevant to the ISM SMS and its implementation and verification which the Lender may require; and

(c) any other documents which are prepared or which are otherwise relevant to establish and maintain such Ship's compliance or the compliance by the Borrower owning such Ship with the ISM Code which the Lender may require;

"ISM SMS" means, in relation to a Ship, the safety management system for such Ship which is required to be developed, implemented and maintained under the ISM Code;

"ISPS Code" means the International Ship and Port Facility Security Code constituted pursuant to resolution A.924(22) of the International Maritime Organisation ("IMO") now set out in Chapter XI-2 of the Safety of Life at Sea Convention (SOLAS) 1974 (as amended) and the mandatory ISPS Code as adopted by a Diplomatic Conference of the IMO on Maritime Security in December 2002 and includes any amendments or extensions to it and any regulation issued pursuant to it but shall only apply insofar as it is applicable law in the relevant Approved Flag State and any jurisdiction in which such Ship is operated;

"ISPS Code Documentation" includes:

(a) the International Ship Security Certificate issued pursuant to the ISPS Code in relation to each Ship within the period specified in the ISPS Code; and

(b) all other documents and data which are relevant to the ISPS Code and its implementation and verification which the Lender may require;

"Lender" means WestLB AG, London Branch, a company incorporated in Germany having its registered office at Herzogstrasse 15 in 40217 Duesseldorf, Germany and acting through its London branch at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA, England;

"LIBOR" means, for an Interest Period, the rate per annum equal to the offered quotation for deposits in Dollars for a period equal to, or as near as possible equal to, the relevant Interest Period which appears on Reuters BBA Page LIBOR 01 at or about 11.00 am (London time) on the second Business Day prior to the commencement of that Interest Period (and, for the purposes of this Agreement, "Reuters BBA Page LIBOR 01" means the display designated as **"Reuters BBA Page LIBOR 01"** on the Reuters Money News Service or such other page as may replace Reuters BBA Page LIBOR 01 on that service for the purpose of displaying rates comparable to that rate or on such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying the British Bankers' Association Interest Settlement Rates for Dollars);

"Loan" means the principal amount for the time being outstanding under this Agreement;

"Major Casualty" means any casualty to a Ship in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds $500,000 or the equivalent in any other currency;

"Mandatory Cost" means the percentage rate per annum calculated by the Lender in accordance with Schedule 3;

"Margin" means;

(a) during the Waiver Period, 2 per cent, per annum; and

(a) at all times thereafter, 1.20 per cent, per annum;

"Market Value" means, in relation to each Ship, the market value of that Ship determined in accordance with Clause 14.3;

"Master Agreement" means the master agreement (on the 1992 ISDA (Multicurrency - Crossborder) form as modified) made or to be made between the Corporate Guarantor and the Lender, and includes all Transactions from time to time entered into and Confirmations from time to time exchanged under the master agreement and any amending, supplementing or replacement agreements made from time to time;

"Master Agreement Security Deed" means the assignment of the Master Agreement executed or to be executed by the Corporate Guarantor in favour of the Lender in such form as the Lender may approve or require;

"MOA" means~~:~~ in relation to:

(a) "FEDERAL MAPLE", the memorandum of agreement dated 14 April 2008 entered into between Aegean as buyer and the relevant Seller as seller;~~and~~

(a) "IGUANA", the memorandum of agreement entered or, as the case may be. to be entered into between Iguana as seller and its buyer; and

(b) ~~(b)in relation to~~ the Collateral Ship, the memorandum of agreement entered or, as the case may be, to be entered into between ~~the Collateral Owner~~ Iguana as buyer and the relevant Seller as seller,

as each may be amended and supplemented and, in the plural, means ~~both~~ all of them;

"Mortgage" means, in relation to each Identified Ship, the first priority Maltese statutory mortgage on that Ship as amended and supplemented by the relevant Mortgage Addendum, in such form as the Lender may approve or require and-, in the plural-, means both of them;

"Mortgage Addendum" means, in relation to each Identified Ship, the first addendum to the Mortgage of that Ship, executed or to be executed by the Borrower owning that Ship in favour of the Lender in such form as the Lender may approve or require and, in the plural-, means both of them;

"MYSTIC" means the 2008-built bulk carrier vessel of 89,510 gross registered tons and 56,668 net registered tons, having IMO Number 9421831 and registered in the ownership of the relevant Additional Owner under the Maltese flag with the name "MYSTIC";

"Negotiation Period" has the meaning given in Clause 4.6;

~~**"Owner"** means, in relation to:~~ **"Option"** has the meaning given in Clause 7.7;

~~(a)"FEDERAL MAPLE", Aegean;~~ **"OREGON"** means the 2002-built bulk carrier vessel of 38,727 gross registered tons and 26,124 net registered tons, having IMO Number 9214123 and registered in the ownership of the relevant Additional Owner under the Maltese flag with the name "OREGON";

~~(b) "IGUANA", Iguana; and~~

~~(c) the Collateral Ship, the Collateral Owner~~

~~in the plural, means all of them;~~

"Payment Currency" has the meaning given in Clause 20.4;

"Permitted Investment" means any investment or capital expenditure to be made by a Borrower or the Corporate Guarantor:

(i) in the ordinary course of its business for the purpose of maintaining the Ships (or either of them);

(ii) the equity portion of which shall have been raised from proceeds of any equity offering by the Corporate Guarantor; or

(iii) in connection with the acquisition and construction of Hull 1837, Hull 1838, Hull SS058 and Hull SS059;

"Permitted Security Interests" means:

(a) Security Interests created by the Finance Documents;

(b) liens for unpaid master's and crew's wages in accordance with usual maritime practice;

(c) liens for salvage;

(d) liens arising by operation of law for not more than 2 months' prepaid hire under any charter in relation to a Ship not prohibited by this Agreement;

(e) liens for master's disbursements incurred in the ordinary course of trading and any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of a Ship, provided such liens do not secure amounts more than 30 days overdue (unless the overdue amount is being contested by the ~~Owner of~~ Borrower owning such Ship in good faith by appropriate steps) and subject, in the case of liens for repair or maintenance, to Clause 13.12 (g);

(f) any Security Interest created in favour of a plaintiff or defendant in any proceedings or arbitration as security for costs and expenses where ~~an Owner~~ a Borrower is actively prosecuting or defending such proceedings or arbitration in good faith; and

(g) Security Interests arising by operation of law in respect of taxes which are not overdue for payment or in respect of taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;

"**Pertinent Document**" means;

(a) any Finance Document;

(b) any policy or contract of insurance contemplated by or referred to in Clause 12 or any other provision of this Agreement or another Finance Document;

(c) any other document contemplated by or referred to in any Finance Document; and

(d) any document which has been or is at any time sent by or to the Lender in contemplation of or in connection with any Finance Document or any policy, contract or document falling within paragraphs (b) or (c);

"Pertinent Jurisdiction", in relation to a company, means:

(a) England and Wales;

(b) the country under the laws of which the company is incorporated or formed;

(c) a country in which the company has the centre of its main interests or in which the company's central management and control is or has recently been exercised;

(d) a country in which the overall net income of the company is subject to corporation tax, income tax or any similar tax;

(e) a country in which assets of the company (other than securities issued by, or loans to, related companies) having a substantial value are situated, in which the company maintains a permanent place of business, or in which a Security Interest created by the company must or should be registered in order to ensure its validity or priority; and

(f) a country the courts of which have jurisdiction to make a winding up, administration or similar order in relation to the company or which would have such jurisdiction if their assistance were requested by the courts of a country referred to in paragraphs (b) or (c);

"Pertinent Matter" means:

(a) any transaction or matter contemplated by, arising out of, or in connection with a Pertinent Document; or

(b) any statement relating to a Pertinent Document or to a transaction or matter falling within paragraph (a),

and covers any such transaction, matter or statement, whether entered into, arising or made at any time before the signing of this Agreement or on or at any time after that signing;

"Potential Event of Default" means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Lender and/or the satisfaction of any other condition, would constitute an Event of Default;

"Quotation Date" means, in relation to any Interest Period (or any other period for which an interest rate is to be determined under any provision of a Finance Document), the day on which quotations would ordinarily be given by leading banks in the London Interbank Market for deposits in the currency in relation to which such rate is to be determined for delivery on the first day of that Interest Period;

"Relevant Amount" means, on the date on which the sale of "IGUANA" is completed, an amount equal to the aggregate of (i) Tranche B and (ii) the Swap Exposure at that date relative to all continuing Transactions in respect of Tranche B;

"Relevant Period" means the period 23 November 2009 to 23 May 2010 (inclusive);

"Repayment Date" means a date on which a repayment is required to be made under Clause 7;

"Requisition Compensation" includes, in relation to a Ship, all compensation or other outstanding moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "Total Loss";

~~**"Second Tranche B Advance"** means an amount of up to the lesser of (i) $51,600,000 and (ii) 60 per cent, of the Initial Market Value of the Collateral Ship to be made available to the Borrowers for the purpose of assisting the Collateral Owner in financing part of the acquisition cost of the Collateral Ship to be acquired by the Collateral Owner from the relevant Seller in accordance with the relevant MOA.~~**"Samsung"** means Samsung Heavy Industries Co. Ltd. a company organised under the laws of Korea with registered office at 34th floor, Samsung Life Insurance Seocho Tower 1321-15. Seocho-Dong, Seocho-Gu, Seoul, Korea;

"Secured Liabilities" means all liabilities which the Borrowers, the Security Parties or any of them have, at the date of this Agreement or at any later time or times, under or in connection with any Finance Document or any judgment relating to any Finance Document; and for this purpose, there shall be disregarded any total or partial discharge of these liabilities, or variation of their terms, which is effected by, or in connection with, any bankruptcy, liquidation, arrangement or other procedure under the insolvency laws of any country;

"Security Interest" means:

(a) a mortgage, charge (whether fixed or floating) or pledge, any maritime or other lien or any other security interest of any kind;

(b) the security rights of a plaintiff under an action *in rem*; and

(c) any arrangement entered into by a person (A) the effect of which is to place another person (B) in a position which is similar, in economic terms, to the position in which B would have been had he held a security interest over an asset of A; but this paragraph (c) does not apply to a right of set off or combination of accounts conferred by the standard terms of business of a bank or financial institution;

"Security Party" means each of the Corporate Guarantor, the ~~Collateral Owner~~Additional Owners (if any), the Approved Manager and any other person (except the Lender) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the last paragraph of the definition of "Finance Documents" and, in the plural, means all of them;

"Security Period" means the period commencing on the date of this Agreement and ending on the date on which the Lender notifies the Borrowers and the Security Parties that:

(a) all amounts which have become due for payment by each of the Borrowers or any Security Party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document;

(c) neither Borrower nor any Security Party has any future or contingent liability under Clause 19, 20 or 21 or any other provision of this Agreement or another Finance Document; and

(d) the Lender does not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future bankruptcy of any of the Borrowers or a Security Party or in any present or possible future proceeding relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created by a Finance Document;

"Seller" means:

(a) in relation to "FEDERAL MAPLE", Fednav International Ltd., a company incorporated in Barbados whose registered office is at 3rd floor, International Trading Centre, St. Michael, Barbados, West Indies; and

(b) in relation to the Collateral Ship the seller of that Ship in accordance with the relevant MOA,

and, in the plural, means both of them;

"Ships" means, together, the Identified Ships and the Collateral Ship and~~-~~, in the singular~~-~~, means any of them;

"SS058 MOA" means the memorandum of agreement dated 31 July 2007 (as the same may be amended and supplemented from time to time) and executed between Iktinos Owning Company Limited and Chijin (as nominated by Tsuneishi Holdings Corporation Kambara Kisen Company);

"SS059 MOA" means the memorandum of agreement dated 31 July 2007 (as the same may be amended and supplemented from time to time) and executed between Kallikrates Owning Company Limited and Chijin (as nominated by Tsuneishi Holdings Corporation Kambara Kisen Company);

"Swap Exposure" means, as at any relevant date, the amount certified by the Lender to be the aggregate net amount in Dollars which would be payable by the Corporate Guarantor to the Lender under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Agreement if an Early Termination Date had occurred on the relevant date in relation to all continuing Transactions entered into between the Corporate Guarantor and the Lender;

"Total Loss" means, in relation to a Ship:

(a) actual, constructive, compromised, agreed or arranged total loss of such Ship;

(b) any expropriation, confiscation, requisition or acquisition of such Ship, whether for full consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a government or official authority (excluding a requisition for hire for a fixed period not exceeding 1 year without any right to an extension) unless it is within 1 month redelivered to the full control of the ~~owner~~ Borrower owning such Ship;

(c) any arrest, capture, seizure or detention of such Ship (including any hijacking or theft) unless it is within 1 month redelivered to the full control of the ~~Owner~~ Borrower owning such Ship;

"Total Loss Date" means, in relation to a Ship:

(a) in the case of an actual loss of such Ship, the date on which it occurred or, if that is unknown, the date when such Ship was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged total loss of such Ship, the earliest of:

(i) the date on which a notice of abandonment is given to the insurers; and

(ii) the date of any compromise, arrangement or agreement made by or on behalf of the ~~Owner~~ Borrower owning such Ship with such Ship's insurers in which the insurers agree to treat such Ship as a total loss; and

(c) in the case of any other type of total loss, on the date (or the most likely date) on which the relevant underwriters consider that the event constituting the total loss occurred;~~and~~

"Tranche" means each of Tranche A and Tranche B and, in the plural, means both of them;

"Tranche A" means an amount of $51,600,000 which has been advanced to the Borrowers for the purpose of financing part of the acquisition cost of ~~to the lessor of (i) $51,600,000 and (ii) 60 per cent. of the Initial Market Value of "FEDERAL MAPLE",~~ "FEDERAL MAPLE" or the outstanding amount thereof at any relevant time;

~~**"Tranche A Balloon Instalment"** has the meaning given in Clause 7.1(a);~~ **"Tranche B"** means an amount of (i) $32,500,000 which has been advanced to the Borrowers for the purpose of refinancing part of the acquisition cost of ~~up to $51,600,000 comprised at any time either by the First Tranche B Advance or the Second Tranche B Advance,~~ "IGUANA" or the outstanding amount thereof at any relevant time;

~~**"Tranche B Balloon Instalment"** has the meaning given in Clause 7.1 (b)(ii); and~~

"Transaction" has the meaning given in the Master Agreement~~.~~;

"Tsuneishi" means Tsuneishi Group (Zhoushan) Shipbuilding Inc. a company organised under the laws of the People's Republic of China with registered office at Retao Village, Xiushan Island, Daishan Country, Zhoushan City, Zhejiang Province, the Peoples' Republic of China; and

"Waiver Period" means the period commencing on the Effective Date and ending on the earlier of (i) the date on which the Lender is satisfied that the Corporate Guarantor and the Borrowers are in compliance with clause 11.15 of the Corporate Guarantee and Clause 14.1 of this Agreement and (ii) the date falling 18 months after the date of the First Supplemental Agreement.

1.2 Construction of certain terms. In this Agreement:

"approved" means, for the purposes of Clause 12, approved in writing by the Lender;

"asset" includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

"company" includes any partnership, joint venture and unincorporated association;

"consent" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

"contingent liability" means a liability which is not certain to arise and/or the amount of which remains unascertained;

"document" includes a deed; also a letter, fax or telex;

"excess risks" means, in relation to a Ship the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies in respect of that Ship in consequence of its insured value being less than the value at which the Ship is assessed for the purpose of such claims;

"expense" means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable value added or other tax;

"law" includes any order or decree, any form of delegated legislation, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

"legal or administrative action" means any legal proceeding or arbitration and any administrative or regulatory action or investigation;

"liability" includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

"months" shall be construed in accordance with Clause 1.3;

"obligatory insurances" means, in relation to a Ship, all insurances effected, or which the Borrower owning the Ship is obliged to effect, under Clause 12 or any other provision of this Agreement or another Finance Document;

"parent company" has the meaning given in Clause 1.4;

"person" includes any company; any state, political sub-division of a state and local or municipal authority; and any international organisation;

"policy", in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

"protection and indemnity risks" means the usual risks covered by a protection and indemnity association managed in London, including pollution risks and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 1 of the Institute Time Clauses (Hulls) (1/10/83) or clause 8 of the Institute Time Clauses (Hulls) (1/11/1995) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;

"regulation" includes any regulation, rule, official directive, request or guideline whether or not having the force of law of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

"subsidiary" has the meaning given in Clause 1.4;

"tax" includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

"war risks" includes the risk of mines and all risks excluded by clause 23 of the Institute Time Clauses (Hulls) (1/10/83) or clause 24 of the Institute Time Clauses (Hulls) (1/11/1995).

1.3 Meaning of "month". A period of one or more **"months"** ends on the day in the relevant calendar month numerically corresponding to the day of the calendar month on which the period started (**"the numerically corresponding day"**), but:

(a) on the Business Day following the numerically corresponding day if the numerically corresponding day is not a Business Day or, if there is no later Business Day in the same calendar month, on the Business Day preceding the numerically corresponding day; or

(b) on the last Business Day in the relevant calendar month, if the period started on the last Business Day in a calendar month or if the last calendar month of the period has no numerically corresponding day;

and **"month"** and **"monthly"** shall be construed accordingly.

1.4 Meaning of "subsidiary". A company (S) is a subsidiary of another company (P) if:

(a) a majority of the issued shares in S (or a majority of the issued shares in S which carry unlimited rights to capital and income distributions) are directly owned by P or are indirectly attributable to P; or

(b) P has direct or indirect control over a majority of the voting rights attaching to the issued shares of S; or

(c) P has the direct or indirect power to appoint or remove a majority of the directors of S; or

(d) P otherwise has the direct or indirect power to ensure that the affairs of S are conducted in accordance with the wishes of P;

and any company of which S is a subsidiary is a parent company of S.

1.5 General Interpretation. In this Agreement:

(a) references in Clause 1.1 to a Finance Document or any other document being in a particular form include references to that form with any modifications to that form which the Lender approves or reasonably requires;

(b) references to, or to a provision of, a Finance Document or any other document are references to it as amended or supplemented, whether before the date of this Agreement or otherwise;

(c) references to, or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise;

(d) words denoting the singular number shall include the plural and vice versa; and

(e) Clauses 1.1 to 1.5 apply unless the contrary intention appears.

1.6 Headings. In interpreting a Finance Document or any provision of a Finance Document, all clause, sub-clause and other headings in that and any other Finance Document shall be entirely disregarded.

2 FACILITY

2.1 Amount of facility. Subject to the other provisions of this Agreement, the Lender shall make available to the Borrowers a loan facility not exceeding One hundred and three million two hundred thousand United States Dollars ($103,200,000) to be divided into two Tranches.

2.2 Purpose of the Loan. Each Borrower undertakes with the Lender to use the Loan only for the purpose stated in the preamble to this Agreement.

3 DRAWDOWN

3.1 Request for ~~Advance/~~Tranche. Subject to the following conditions, the Borrowers may request a Tranche ~~or an Advance~~ to be advanced by ensuring that the Lender receives a completed Drawdown Notice not later than 11.00 a.m. (London time) 3 Business Days prior to the intended Drawdown Date.

3.2 Availability. The conditions referred to in Clause 3.1 are that:

(a) the Drawdown Date has to be a Business Day during the Availability Period;

(b) each Tranche ~~or, as the case may be, Advance~~ shall be made in a single amount and any amount undrawn under Tranche A ~~or, as the case may be, an Advance~~ shall be cancelled and may not be borrowed by the Borrowers at a later date;

(c) Tranche A shall not exceed, an amount equal to the lesser of (i) $51,600,000 and (ii) 60 per cent, of the Initial Market Value of "FEDERAL MAPLE";

(d) ~~the First~~ Tranche B ~~Advance~~ shall not exceed an amount equal to the lesser of (i) $32,500,000 and (ii) 55 per cent of the Initial Market Value of "IGUANA"; ~~or~~and

~~(e) the Second Tranche B Advance shall not exceed an amount equal to the lesser of (i) $51,600,000 and (ii) 60 per cent. of the Initial Market Value of the Collateral Ship;~~

~~(f) the Second Tranche B Advance may only be made available to the Borrowers not earlier than 2 Business Days after the Borrowers have prepaid in full the First Tranche B Advance in accordance with Clause 7; and~~

(e) ~~(g)~~the aggregate of the Tranches shall not exceed the Commitment.

3.3 Drawdown Notice irrevocable. A Drawdown Notice must be signed by a director, officer or a duly authorised signatory of each Borrower; and once served, a Drawdown Notice cannot be revoked without the prior consent of the Lender.

3.4 Disbursement of Loan. Subject to the provisions of this Agreement, the Lender shall on each Drawdown Date make available the relevant Tranche ~~or Advance~~ to the Borrowers; and payment to the Borrowers shall be made to the account which the Borrowers specify in the relevant Drawdown Notice.

3.5 **Disbursement of Tranche ~~or Advance~~ to third party.** The payment by the Lender under Clause 3.4 shall constitute the making of the Tranche ~~or, as the case may be, Advance~~ and the Borrowers shall at that time become indebted, as principal and direct obligor, to the Lender in an amount equal to the Loan.

4 INTEREST

4.1 **Payment of normal interest.** Subject to the provisions of this Agreement, interest on each Tranche in respect of each Interest Period shall be paid by the Borrowers on the last day of that Interest Period.

4.2 **Normal rate of interest.** Subject to the provisions of this Agreement, the rate of interest applicable to each Tranche in respect of an Interest Period shall be the aggregate (a) the Margin, (b) LIBOR and (c) the Mandatory Cost (if any) for that Interest Period.

4.3 **Payment of accrued interest.** In the case of an Interest Period longer than 3 months, accrued interest shall be paid every 3 months during that Interest Period and on the last day of that Interest Period.

4.4 **Notification of market disruption.** The Lender shall promptly notify the Borrowers if no rate is quoted on Reuters BBA Page LIBOR0I or if for any reason the Lender is unable to obtain Dollars in the London Interbank Market in order to fund the Loan (or any part of it) or a Tranche during any Interest Period, stating the circumstances which have caused such notice to be given.

4.5 **Suspension of drawdown.** If the Lender's notice under Clause 4.4 is served before a Tranche ~~or, as the case may be, Advance~~ is made, the Lender's obligation to make available that Tranche ~~or, as the case may be, Advance~~ shall be suspended while the circumstances referred to in the Lender's notice continue.

4.6 **Negotiation of alternative rate of interest.** If the Lender's notice under Clause 4.4 is served after a Tranche ~~or, as the case may be, Advance~~ is drawndown, the Borrowers and the Lender shall use reasonable endeavours to agree, within 15 days after the date on which the Lender serves its notice under Clause 4.4 (the **"Negotiation Period**"), an alternative interest rate or (as the case may be) an alternative basis for the Lender to fund or continue to fund that Tranche ~~or, as the case may be, Advance~~ during the Interest Period concerned.

4.7 **Application of agreed alternative rate of interest.** Any alternative interest rate or an alternative basis which is agreed during the Negotiation Period shall take effect in accordance with the terms agreed.

4.8 **Alternative rate of interest in absence of agreement.** If an alternative interest rate or alternative basis is not agreed within the Negotiation Period, and the relevant circumstances are continuing at the end of the Negotiation Period, then the Lender shall set an interest period and interest rate representing the cost of funding of the Lender in Dollars or in any available currency of the Tranche or Loan plus the Margin and the Mandatory Cost (if any); and the procedure provided for by this Clause 4.8 shall be repeated if the relevant circumstances are continuing at the end of the interest period so set by the Lender.

4.9 **Notice of prepayment.** If the Borrowers do not agree with an interest rate set by the Lender under Clause 4.8, the Borrowers may give the Lender not less than 10 Business Days' notice of their intention to prepay the Loan (or any part thereof) or Tranche at the end of the interest period set by the Lender.

4.10 **Prepayment.** A notice under Clause 4.9 shall be irrevocable; and on the last Business Day of the interest period set by the Lender, the Borrowers shall prepay (without premium or penalty) the Loan (or any part thereof) or Tranche, together with accrued interest thereon at the applicable rate plus the Margin and the Mandatory Cost (if any).

4.11 **Application of prepayment.** The provisions of Clause 7 shall apply in relation to the prepayment.

5 INTEREST PERIODS

5.1 **Commencement of Interest Periods.** The first Interest Period applicable to a Tranche ~~A or, in the case of Tranche B, the relevant Advance thereof~~ shall commence on the Drawdown Date in respect of that Tranche ~~or, as the case may be, that Advance~~ and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.

5.2 **Duration of normal Interest Periods.** Subject to Clauses 5.3 and 5.4, each Interest Period shall be:

(a) 1, 3, 6 or 12 months as notified by the Borrowers to the Lender not later than 11.00 a.m. (London time) 3 Business Days before the commencement of the Interest Period; or

(b) 3 months, if the Borrowers fail to notify the Lender by the time specified in paragraph (a); or

(c) such other period as the Lender may agree with the Borrowers.

5.3 **Duration of Interest Periods for repayment instalments.** In respect of an amount due to be repaid under Clause 7 on a particular Repayment Date, an Interest Period shall end on that Repayment Date.

5.4 **Non-availability of matching deposits for Interest Period selected.** If, after the Borrowers have selected and the Lender has agreed an Interest Period longer than 6 months, the Lender notifies the Borrowers by 11.00 a.m. (London time) on the third Business Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of 6 months.

6 DEFAULT INTEREST

6.1 **Payment of default interest on overdue amounts.** The Borrowers shall pay interest in accordance with the following provisions of this Clause 6 on any amount payable by the Borrowers under any Finance Document which the Lender does not receive on or before the relevant date, that is:

(a) the date on which the Finance Documents provide that such amount is due for payment; or

(b) if a Finance Document provides that such amount is payable on demand, the date on which the demand is served; or

(c) if such amount has become immediately due and payable under Clause 18.4, the date on which it became immediately due and payable.

6.2 **Default rate of interest.** Interest shall accrue on an overdue amount from (and including) the relevant date until the date of actual payment (as well after as before judgment) at the rate per annum determined by the Lender to be 2 per cent above:

(a) in the case of an overdue amount of principal, the higher of the rates set out at Clauses 6.3(a) and (b); or

(b) in the case of any other overdue amount, the rate set out at Clause 6.3(b).

6.3 Calculation of default rate of interest. The rates referred to in Clause 6.2 are:

(a) the rate applicable to the overdue principal amount immediately prior to the relevant date (but only for any unexpired part of any then current Interest Period);

(b) the aggregate of the Mandatory Cost (if any) and the Margin plus, in respect of successive periods of any duration (including at call) up to 3 months which the Lender may select from time to time:

(i) LIBOR; or

(ii) if the Lender determines that Dollar deposits for any such period are not being made available to it by leading banks in the London Interbank Market in the ordinary course of business, a rate from time to time determined by the Lender by reference to the cost of funds to it from such other sources as the Lender may from time to time determine.

6.4 Notification of interest periods and default rates. The Lender shall promptly notify the Borrowers of each interest rate determined by it under Clause 6.3 and of each period selected by it for the purposes of paragraph (b) of that Clause; but this shall not be taken to imply that the Borrowers are liable to pay such interest only with effect from the date of the Lender's notification.

6.5 Payment of accrued default interest. Subject to the other provisions of this Agreement, any interest due under this Clause shall be paid on the last day of the period by reference to which it was determined.

6.6 Compounding of default interest. Any such interest which is not paid at the end of the period by reference to which it was determined shall thereupon be compounded.

6.7 Application to Master Agreement. For the avoidance of doubt, this Clause 6 does not apply to any amount payable under the Master Agreement in respect of any continuing Transaction as to which section 2(e) (Default Interest; Other Amounts) of the Master Agreement shall apply.

7 REPAYMENT AND PREPAYMENT

7.1 Repayment instalments. The Borrowers shall repay:

(a) Tranche A by 32 consecutive three-monthly instalments of (i) in the case of the first to eighth instalments (inclusive), in the amount of $1,750,000 each, (ii) in the case of the ninth to the sixteenth instalments (inclusive), in the amount of $1,200,000 each, (iii) in the case of the seventeenth to the thirty-second instalments (inclusive) in the amount of $750,000 and (iv) a balloon payment of $16,000,000 (the **"~~Tranche A~~ Balloon Instalment"**); and

(b) Tranche B~~:~~ ~~(i) in the case of the First Tranche B Advance, by~~ 20 consecutive three-monthly instalments (i) in the case of the first to eighth instalments (inclusive), in the amount of $2,000,000 each and (ii) in the case of the ninth to the twentieth instalments (inclusive), in the amount of $1,375,000 each~~; or~~,

~~(ii) in the case of the Second Tranche B Advance, by 32 consecutive three monthly instalments of (i) in the case of the first to eighth instalments (inclusive), in the amount of $1,750,000 each, (ii) in the case of the ninth to the sixteenth instalments (inclusive), in the amount of $1,200,000 each, (iii) in the case of the seventeenth to the thirty second instalments (inclusive) in the amount of $750,000 and (iv) a balloon payment of $16,000,000 (the **"Tranche B Balloon Instalment"**).~~

Provided that if:

(i) a Tranche ~~or, as the case may be, Advance~~ is drawdown in less than the maximum available amount thereof, each repayment instalment applicable to that Tranche ~~or, as the case may be, Advance~~ (including~~–~~, in the ~~relevant~~ case of Tranche A, the Balloon Instalment) shall be reduced pro rata by an amount in aggregate equal to such undrawn amount~~:~~; and

(ii) the Borrowers exercise the Option and the Relevant Amount is subsequently used in acquiring the Collateral Ship, Tranche B shall as from the date on which the Option is exercised continue to be repaid in accordance with Clause 7.1 (b).

7.2 Repayment Dates. The first repayment instalment for each Tranche ~~or, as the case may be, Advance~~ shall be repaid on the date falling 3 months after the Drawdown Date relative to that Tranche ~~or, as the case may be, Advance~~ each subsequent repayment instalment shall be repaid at 3-monthly intervals thereafter and the last instalment shall be repaid:

(a) in the case of Tranche A, together with the Balloon Instalment ~~relative to that Tranche~~, on ~~the earlier of (i) the date falling on the eighth anniversary of the Drawdown Date relative thereto and (ii) 31~~ 26 July 2016; and

(b) in the case of ~~the First~~ Tranche B ~~Advance, on the earlier of (i) the date falling on the fifth anniversary of the Drawdown Date for that Tranche or Advance and (ii) 31 December 2013; and~~, on 24 June 2013.

~~(c) in the case of the Second Tranche B Advance, together with the Balloon Instalment relative to that Advance, on the earlier of (i) the date falling on the eighth anniversary of the Drawdown Date relative thereto and (ii) 31 December 2016.~~

7.3 Final Repayment Date. On the final Repayment Date, the Borrowers shall additionally pay to the Lender all other sums then accrued or owing under any Finance Document.

7.4 Voluntary prepayment. Subject to the following conditions, the Borrowers may prepay the whole or any part of the Loan on the last day of an Interest Period.

7.5 Conditions for voluntary prepayment. The conditions referred to in Clause 7.4 are that:

(a) a partial prepayment shall be $500,000 or a multiple of $500,000;

(b) the Lender has received from the Borrowers at least 5 Business Days' prior written notice specifying the amount to be prepaid and the date on which the prepayment is to be made; and

(c) the Borrowers have provided evidence satisfactory to the Lender that any consent required by the Borrowers or any Security Party in connection with the prepayment has been obtained and remains in force, and that any regulation relevant to this Agreement which affect the Borrowers or any Security Party has been complied with.

7.6 **Effect of notice of prepayment.** A prepayment notice may not be withdrawn or amended without the consent of the Lender and the amount specified in the prepayment notice shall become due and payable by the Borrowers on the date for prepayment specified in the prepayment notice.

7.7 **Mandatory prepayment.** If a Ship is sold or becomes a Total Loss the Borrowers shall be obliged to prepay the Relevant Tranche:

(a) if a Ship is sold, on or before the date on which the sale is completed by delivery of such Ship to the buyer; or

(b) if a Ship becomes a total loss, on the earlier of the date falling 180 days after the Total Loss Date and the date of receipt by the Lender of the proceeds of insurance relating to such Total Loss~~.~~,

Provided that if "IGUANA" is sold at any time during the Relevant Period, the Borrowers will have the option (the "**Option**") exercisable by no later than the date on which the sale of "IGUANA" is completed by delivery thereof to its buyers to deposit the Relevant Amount on the Deposit Account (by satisfying the applicable conditions set out in Clause 11.4(b)) instead of applying such amount in prepayment of Tranche B in accordance with this clause 7.7.

In this Clause 7.7~~.~~ **"ReIevant Tranche"** means the Tranche which has been made available hereunder to finance that Ship.

7.8 **Amounts payable on prepayment.** A prepayment shall be made together with accrued interest (and any other amount payable under Clause 20 or otherwise) in respect of the amount prepaid and, if the prepayment is not made on the last day of an Interest Period, together with any sums payable under Clauses 20.1(b) and 20.2 but without premium or penalty.

7.9 **Application of partial prepayment.** Each partial prepayment made pursuant to Clauses 7.4 or 7.7 shall be applied pro rata against the repayment instalments specified in Clause 7.1 outstanding at the time of the partial prepayment (including in the case of Tranche A, without limitation, the ~~relevant~~ Balloon Instalment).

7.10 **Reborrowing.** ~~Subject to the other terms of this Agreement, if the First Tranche B Advance is prepaid in accordance with this Clause 7 it may be reborrowed to allow the Borrowers to draw down the Second Tranche B Advance~~. No amount which is prepaid ~~in respect of Tranche A or the Second Tranche B Advance~~ may be reborrowed.

8 CONDITIONS PRECEDENT

8.1 **Documents, fees and no default.** The Lender's obligation to make the Loan available is subject to the following conditions precedent:

(a) that, on or before the date of this Agreement, the Lender receives:

(i) the documents described in Part A of Schedule 2 in form and substance satisfactory to it and its lawyers; and

(ii) payment in full of that part of the arrangement fee referred to in Clauses 19.1 (a)(i) and 19.1(a)(ii)(A);

(b) that, on or before the Drawdown Date in respect of Tranche A, the Lender receives:

(i) the documents described in Part B of Schedule 2 in form and substance satisfactory to it and its lawyers (save in the case of the ISSC and SMC referred to in paragraph 3(b) in Part B of Schedule 2 to be delivered by the Borrowers 5 Business Days after the relevant Drawdown Date); and

(ii) all accrued commitment fee payable pursuant to Clause 19.1(b)(A);

(c) that, on or before the Drawdown Date in respect of ~~the First~~ Tranche B ~~Advance~~, the Lender receives the documents described in Part C of Schedule 2 in form and substance satisfactory to it and its lawyers;

~~(d) that on or before the Drawdown Date in respect of the Second Tranche B Advance, the Lender receives:~~

~~(i) the documents described in Part D of Schedule 2 in form and substance satisfactory to it and its lawyers (save in the case of the ISSC and SMC referred to in paragraph 8(b) in Part D of Schedule 2 to be delivered by the Borrowers to the Lender 5 Business Days after the relevant Drawdown Date); and~~

~~(ii) all accrued commitment fee payable pursuant to Clause 19.1(b)(B);~~

(d) ~~(e)~~that both at the date of each Drawdown Notice and at each Drawdown Date:

(i) no Event of Default or Potential Event of Default has occurred and is continuing or would result from the borrowing of the relevant Tranche ~~or Advance~~;

(ii) the representations and warranties in Clause 9 and those of the Borrowers or any Security Party which are set out in the other Finance Documents would be true and not misleading if repeated on each of those dates with reference to the circumstances then existing; and

(iii) none of the circumstances contemplated by Clause 4.4 has occurred and is continuing;

(e) ~~(f)~~that, if the ratio set out in Clause 14.1 were applied immediately following the making of a Tranche ~~or an Advance~~, the Borrowers would not be obliged to provide additional security or prepay part of the Loan under that Clause; and

(f) ~~(g)~~that the Lender has received, and found to be acceptable to it, any further opinions, consents, agreements and documents in connection with the Finance Documents which the Lender may reasonably request by notice to the Borrowers prior to the Drawdown Date.

8.2 Waivers of conditions precedent. If the Lender, at its discretion, permits a Tranche ~~or an Advance~~ to be borrowed before certain of the conditions referred to in Clause 8.1 are satisfied, the Borrowers shall ensure that those conditions are satisfied within 10 Business Days after the Drawdown Date relative thereto (or such longer period as the Lender may specify).

9 REPRESENTATIONS AND WARRANTIES

9.1 General. Each Borrower represents and warrants to the Lender as follows.

9.2 Status. Aegean is duly incorporated, validly existing and in goodstanding under the laws of the Marshall Islands and Iguana is duly incorporated and validly existing and in good standing under the laws of Malta.

9.3 **Share capital and ownership.** Each Borrower has:

(a) in the case of Aegean, an authorised share capital of $10,000 divided into 500 shares of $20 each and the legal title and beneficial ownership of all the Aegean's shares is held, free of any Security Interest or other claim, by Aegean Shareholders Inc. of the Marshall Islands; and

(b) in the case of Iguana, an authorised share capital of LM 500 divided into 500 ordinary shares of LM 1 each, 200 of which are held by Iguana Shipholding One Inc. of the Marshall Islands and the remaining 300 by Iguana Shipholding Two Inc. of the Marshall Islands, free of any Security Interest or other claim.

9.4 **Corporate power.** Each Borrower has the corporate capacity, and has taken all corporate action and obtained all consents necessary for it:

(a) to own its Ship and register it in its name under the relevant Approved Flag;

(b) to execute the Finance Documents and any Approved Charter to which it is a party; and

(c) to borrow under this Agreement and to make all the payments contemplated by, and to comply with, those Finance Documents to which it is a party.

9.5 **Consents in force.** All the consents referred to in Clause 9.4 remain in force and nothing has occurred which makes any of them liable to revocation.

9.6 **Legal validity; effective Security Interests.** The Finance Documents to which each Borrower is a party, do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):

(a) constitute the legal, valid and binding obligations of that Borrower enforceable against the Borrower in accordance with their respective terms; and

(b) create legal, valid and binding Security Interests enforceable in accordance with their respective terms over all the assets to which they, by their terms, relate,

subject to any relevant insolvency laws affecting creditors' rights generally.

9.7 **No third party Security Interests.** Without limiting the generality of Clause 9.6, at the time of the execution and delivery of each Finance Document:

(a) each Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and

(b) no third party will have any Security Interest (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates.

9.8 **No conflicts.** The execution by each Borrower of each Finance Document to which it is a party, and the borrowing by the Borrowers of the Loan, and their compliance with each Finance Document will not involve or lead to a contravention of:

(a) any law or regulation; or

(b) the constitutional documents of the Borrowers; or

(c) any contractual or other obligation or restriction which is binding on the Borrowers or any of their assets.

9.9 **No withholding taxes.** All payments which the Borrowers are liable to make under the Finance Documents may be made without deduction or withholding for or on account of any tax payable under any law of any Pertinent Jurisdiction.

9.10 **No default.** No Event of Default or Potential Event of Default has occurred and is continuing.

9.11 **Information.** All information which has been provided in writing by or on behalf of the Borrowers or any Security Party to the Lender in connection with any Finance Document satisfied the requirements of Clause 10.5; all audited and unaudited accounts which have been so provided satisfied the requirements of Clause 10.7; and there has been no material adverse change in the financial position or state of affairs of any of the Borrowers from that disclosed in the latest of those accounts.

9.12 **No litigation.** No legal or administrative action involving either Borrower (including action relating to any alleged or actual breach of the ISM Code or the ISPS Code) has been commenced or taken or, to either Borrower's knowledge, is likely to be commenced or taken which, in either case, would be likely to have a material adverse effect on either Borrower's financial position or profitability.

9.13 **Compliance with certain undertakings.** At the date of this Agreement, each of the Borrowers is in compliance with Clauses 10.2, 10.4, 10.9 and 10.13.

9.14 **Taxes paid.** Each Borrower has paid all taxes applicable to, or imposed on or in relation to that Borrower, its business or the Ship owned by it.

9.15 **ISM Code and ISPS Code compliance.** All requirements of the ISM Code and the ISPS Code as they relate to the Borrowers, the Approved Manager and the Ships have been complied with.

9.16 **No money laundering.** Without prejudice to the generality of Clause 2.2, in relation to the borrowing by the Borrowers of the Loan, the performance and discharge of its obligations and liabilities under the Finance Documents, and the transactions and other arrangements effected or contemplated by the Finance Documents, each Borrower confirms that it is acting for its own account and that the foregoing will not involve or lead to contravention of any law, official requirement or other regulatory measure or procedure implemented to combat "money laundering" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities).

9.17 **Repetition of representation and warranties.** The representation and warranties in this Clause 9 shall be deemed to be repeated on each Drawdown Date with respect to the facts and circumstances existing at that time.

10 GENERAL UNDERTAKINGS

10.1 **General.** Each Borrower undertakes with the Lender to comply with the following provisions of this Clause 10 at all times during the Security Period, except as the Lender may otherwise permit (in the case of Clause 10.18 such permission not to be unreasonably withheld).

10.2 **Title; negative pledge and pari passu ranking.** Each Borrower will:

(a) hold the legal title to, and own the entire beneficial interest in its Ship, her Insurances and her Earnings, free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents (and the effect of assignments contained in the Finance Documents) and except for Permitted Security Interests;

(b) not create or permit to arise any Security Interest (except for Permitted Security Interests) over any other asset, present or future; and

(c) procure that its liabilities under the Finance Documents to which it is a party do and will rank at least pari passu with all its other present and future liabilities except for liabilities which are mandatorily preferred by law.

10.3 No disposal of assets. Neither Borrower will transfer, lease or otherwise dispose of:

(a) all or a substantial part of its assets, whether by one transaction or a number of transactions, whether related or not; or

(b) any debt payable to it or any other right (present, future or contingent right) to receive a payment, including any right to damages or compensation.

10.4 No other liabilities or obligations to be incurred. Neither Borrower will incur any liability or obligation except liabilities and obligations under the Finance Documents to which it is a party and any MOA to which it is a party and liabilities and obligations reasonably incurred in the ordinary course of operating and chartering its Ship.

10.5 Information provided to be accurate. All financial and other information which is provided in writing by or on behalf of the Borrowers under or in connection with any Finance Document will be true and not misleading and will not omit any material fact or consideration.

10.6 Provision of financial statements. The Borrowers will send or procure there are sent to the Lender:

(a) as soon as possible, but in no event later than 180 days after the end of each financial year of the Borrowers and the Corporate Guarantor (in the case of the management accounts or, if available, the audited financial statements for the Borrowers commencing with the financial year ending on 31 December 2008 and in the case of the audited consolidated financial statements the Corporate Guarantor commencing with the financial year ending on 31 December 2007), the management accounts or, if available, the audited financial statements in respect of each of the Borrowers, and the audited consolidated financial statements in respect of the Corporate Guarantor, in each case for that financial year; and

(b) as soon as possible, but in no event later than 10 days after the end of each calendar month, cash flow statements in respect of each Borrower and the Corporate Guarantor showing income received and the expenditure of that Borrower or the Corporate Guarantor in the previous calendar month.

10.7 Form of financial statements. All accounts (audited and unaudited) delivered under Clause 10.6 will:

(a) be prepared in accordance with all applicable laws and generally accepted accounting principles consistently applied;

(b) give a true and fair view of the state of affairs of each Borrower or, as the case may be, the Corporate Guarantor at the date of those accounts and of profit for the period to which those accounts relate; and

(c) fully disclose or provide for all significant liabilities of each Borrower or, as the case may be, the Corporate Guarantor.

10.8 Shareholders and creditor notices. Each Borrower will send the Lender, at the same time as they are despatched, copies of all communications which are despatched to that Borrower's shareholders or creditors or any class of them.

10.9 Consents. Each Borrower will maintain in force and promptly obtain or renew, and will promptly send certified copies to the Lender of, all consents required:

(a) for each Borrower to perform its obligations under any Finance Document to which it is a party;

(b) for the validity or enforceability of any Finance Document to which it is a party; and

(c) for each Borrower to continue to own and operate its Ship,

and the Borrowers will comply with the terms of all such consents.

10.10 Maintenance of Security Interests. Each Borrower will:

(a) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and

(b) without limiting the generality of paragraph (a) above, authorise and hereby authorises the Lender at the cost of the Borrowers to promptly register, file, record or enroll any Finance Document with any court or authority in all Pertinent Jurisdictions, pay any stamp, registration or similar tax in all Pertinent Jurisdictions in respect of any Finance Document, give any notice or take any other step which may be or become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates.

10.11 Notification of litigation. Each Borrower will provide the Lender with details of any legal or administrative action involving either Borrower, any Security Party, the Approved Manager, any Ship, the Earnings or the Insurances as soon as such action is instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document.

10.12 Principal place of business. Each Borrower will maintain its place of business, and keep its corporate documents and records, at the address stated in Clause 27.2(a) and neither Borrower will establish, or do anything as a result of which it would be deemed to have, a place of business in the United Kingdom or the United States of America.

10.13 Confirmation of no default. Each Borrower will, within 2 Business Days after service by the Lender of a written request, serve on the Lender a notice which is signed by a director of each Borrower and which:

(a) states that no Event of Default or Potential Event of Default has occurred; or

(b) states that no Event of Default or Potential Event of Default has occurred, except for a specified event or matter, of which all material details are given.

10.14 Notification of default. Each Borrower will notify the Lender as soon as either Borrower becomes aware of:

(a) the occurrence of an Event of Default or a Potential Event of Default; or

(b) any matter which indicates that an Event of Default or a Potential Event of Default may have occurred,

and will keep the Lender fully up-to-date with all developments.

10.15 Provision of further information. Each Borrower will, as soon as practicable after receiving the request, provide the Lender with:

(a) any additional financial or other information relating to such Borrower, its Ship, the Earnings, the Insurances, the Approved Manager, the Group or the Corporate Guarantor; or

(b) any additional financial or other information relating to any other matter relevant to, or to any provision of, a Finance Document,

which may be requested by the Lender at any time.

10.16 "Know your customer" requirements. Each Borrower shall provide to the Lender such documentation and evidence as may be required by the Lender from time to time to comply with applicable laws and regulations and its own internal guidelines in relation to the opening of bank accounts and the identification of its customers.

10.17 Time Charter Assignment. If either Borrower enters into any bareboat charter or any Approved Charter in respect of its Ship, such Borrower shall execute in favour of the Lender a Charterparty Assignment in respect of such bareboat charter or Approved Charter and deliver to the Lender any documents in relation thereto which the Lender may require.

10.18 No amendment to MOA. ~~Aegean~~ Neither Borrower will ~~not, and the Borrowers will procure that the Collateral Owner will not,~~ agree to any amendment or supplement to, or waive or fail to enforce, any MOA to which ~~Aegean or the Collateral Owner is~~ that Borrower is or, as the case may be, will become a party or any of its provisions.

10.19 Purchase of other assets. The Borrowers shall not purchase any other assets other than the Ships.

10.20 General and administrative costs. The Borrowers shall ensure that the payment of all ~~the~~ their general and administrative costs ~~of the Owners~~ in connection with the ownership and operation of the Ships (including, without limitation, the payment of the management fees) shall be fully subordinated to the payment obligations of the Borrowers under this Agreement and the other Finance Documents throughout the Security Period.

11 CORPORATE UNDERTAKINGS

11.1 General. Each Borrower also undertakes with the Lender to comply with the following provisions of this Clause 11 at all times during the Security Period except as the Lender may otherwise permit.

11.2 Maintenance of status. Aegean will maintain its separate corporate existence and remain in good standing under the laws of the Marshall Islands and Iguana will maintain its separate corporate existence and remain in good standing under the laws of Malta.

11.3 Negative undertakings. Neither Borrower will:

(a) carry on any business other than the ownership, chartering and operation of the Ship owned by it; or

(b) provide any form of credit or financial ~~assistance (other than any~~ assistance to ~~the Collateral Owner in connection with the financing of the Collateral Ship under this Agreement) to~~:

(i) a person who is directly or indirectly interested in such Borrower's share or loan capital; or

(ii) any company in or with which such a person is directly or indirectly interested or connected,

or enter into any transaction with or involving such a person or company on terms which are, in any respect, less favourable to such Borrower than those which it could obtain in a bargain made at arms' length;

(c) open or maintain any account with any bank or financial institution except accounts with the Lender for the purposes of the Finance Documents;

(d) issue, allot or grant any person a right to any shares in its capital or repurchase or reduce its issued share capital;

(e) acquire any shares or other securities other than US or UK Treasury bills and certificates of deposit issued by major North American or European banks, or enter into any transaction in a derivative; ~~or~~

(f) enter into any form of amalgamation, merger or de-merger or any form of reconstruction or reorganisation~~.~~; or

(g) during the Waiver Period, make any form of investments or capital expenditure other than any Permitted Investment.

11.4 Additional Security. The Borrowers shall:

(a) promptly following the Lender's request, at any time during the Waiver Period, procure that:

(i) an Additional Owner executes or, as the case may be, registers in favour of the Lender as additional security for the obligations of the Borrowers under this Agreement and the other Finance Documents a second priority or as the case may preferred mortgage (and, if applicable, a collateral deed of covenants) over the Additional Ship owned by it together with a second priority assignment of the earnings and insurances of the applicable Additional Ship; or

(ii) if for any reason the registration of the second priority security specified in (a) above is not possible, an Approved Owner executes or, as the case may be, registers in favour of the Lender as additional security for the obligations of the Borrowers under this Agreement and the other Finance Documents a second priority or, as the case may be, preferred mortgage (and, if applicable, a collateral deed of covenants) over the Approved Ship owned by it together with a second priority assignment of the earnings and insurances of the applicable Additional Ship; and

(b) if the Borrowers elect to exercise the Option:

(i) they shall deliver to the Lender:

(A) on or prior to the date on which they exercise the Option the originals of any mandates or other documents required in connection with the opening or operation of the Deposit Account and a duly executed original of the Account Pledge relative to the Deposit Account together with documents equivalent to those referred to in paragraphs 3, 4 and of Schedule 2, Part A in connection with the execution of that Account Pledge by the Borrowers; and

(B) on or prior to the Delivery Date for the Collateral Ship documents equivalent to those referred to in paragraphs 2, 3, 4, 5 and 6 and of Schedule 2, Part B in connection with the delivery of the Collateral Ship to Iguana; and

(ii) procure that Iguana or, as the case may be, the Approved Manager executes or, as the case may be, registers in favour of the Lender on the Delivery Date of the Collateral Ship as security for the obligations of the Borrowers under this Agreement and the other Finance Documents, the Collateral Mortgage and a General Assignment, an Approved Manager's Undertaking and (if applicable) a Charter Assignment, each in respect of that Ship.

11.5 Deposit Account. If the Borrowers exercise the Option pursuant to the proviso of Clause 7.7, the Relevant Amount shall remain on the Deposit Account until the earlier of:

(a) the date on which the Collateral Mortgage is registered over the Collateral Ship in which case the Relevant Amount shall be applied on that date towards the acquisition cost of the Collateral Ship payable pursuant to the MOA relative thereto; or

(b) the last day of the Relevant Period in which case the Relevant Amount shall be applied in fully prepaying Tranche B.

11.6 ~~11.4 Maintenance of Ownership of Owners.~~ ~~Each Borrower shall procure that~~ **Prepayments/provisions of cash security.** The Borrowers shall ensure that if following the Effective Date the Corporate Guarantor ~~shall remain the ultimate legal owner of the entire issued and allotted share capital of each Owner free from any Security Interest;~~and any other member of the Group make prepayments or provide cash (or cash equivalent) security to any other banks or financial institutions (in respect of any Financial Indebtedness owed to such banks or financial institutions) in an amount of more than $15,000,000 in aggregate, the Borrowers shall prepay an equal proportion of the Loan or provide equivalent cash (or cash equivalent) security in favour of the Lender.

12 INSURANCE

12.1 General. Each Borrower also undertakes with the Lender to comply ~~and shall procure that the Collateral Owner complies~~ with the following provisions of this Clause 12 at all times during the Security Period except as the Lender may otherwise permit.

12.2 Maintenance of obligatory insurances. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ keep the Ship owned by it insured at the expense of such ~~Owner~~ Borrower against:

(a) fire and usual marine risks (including hull and machinery and excess risks);

(b) war risks;

(c) protection and indemnity risks; and

(d) any other risks against which the Lender considers, having regard to practices and other circumstances prevailing at the relevant time, it would in the opinion of the Lender be reasonable for such ~~Owner~~ Borrower to insure and which are specified by the Lender by notice to such ~~Owner~~Borrower.

12.3 Terms of obligatory insurances. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ effect such insurances:

(a) in Dollars;

(b) in the case of fire and usual marine risks and war risks, in an amount on an agreed value basis at least the greater of (i) an amount, which when aggregated with the insured value of ~~any~~ the other Ship at the relevant time subject to a Mortgage, is equal to 120 per cent. of the aggregate of (A) the Loan and (B) the Swap Exposure and (ii) the Market Value of such Ship; and

(c) in the case of oil pollution liability risks, for an aggregate amount equal to the highest level of cover from time to time available under basic protection and indemnity club entry and in the international marine insurance market;

(d) in relation to protection and indemnity risks, in respect of the relevant Ship's full tonnage;

(e) on approved terms; and

(f) through approved brokers and with approved insurance companies and/or underwriters or, in the case of war risks and protection and indemnity risks, in approved war risks and protection and indemnity risks associations.

12.4 Further protections for the Lender. In addition to the terms set out in Clause 12.3, each Borrower shall procure that the obligatory insurances shall:

(a) whenever the Lender requires, name (or be amended to name) the Lender as additional named assured for its rights and interests, warranted no operational interest and with full waiver of rights of subrogation against the Lender, but without the Lender thereby being liable to pay (but having the right to pay) premiums, calls or other assessments in respect of such insurance;

(b) name the Lender as loss payee with such directions for payment as the Lender may specify;

(c) provide that all payments by or on behalf of the insurers under the obligatory insurances to the Lender shall be made without set-off, counterclaim or deductions or condition whatsoever;

(d) provide that the insurers shall waive, to the fullest extent permitted by English law, their entitlement (if any) (whether by statute, common law, equity, or otherwise) to be subrogated to the rights and remedies of the Lender in respect of any rights or interests (secured or not) held by or available to the Lender in respect of the Secured Liabilities, until the Secured Liabilities shall have been fully repaid and discharged, except that the insurers shall not be restricted by the terms of this paragraph (d) from making personal claims against persons (other than ~~the relevant Owner or~~ the Lender) in circumstances where the insurers have fully discharged their liabilities and obligations under the relevant obligatory insurances;

(e) provide that such obligatory insurances shall be primary without right of contribution from other insurances which may be carried by the Lender;

(f) provide that the Lender may make proof of loss if the relevant ~~Owner~~ Borrower fails to do so; and

(g) provide that if any obligatory insurance is cancelled, or if any substantial change is made in the coverage which adversely affects the interest of the Lender, or if any obligatory insurance is allowed to lapse for non-payment of premium, such cancellation, charge or lapse shall not be effective with respect to the Lender for 30 days (or 7 days in the case of war risks) after receipt by the Lender of prior written notice from the insurers of such cancellation, change or lapse.

12.5 Renewal of obligatory insurances. Each Borrower shall~~, and shall procure that the Collateral Owner shall~~:

(a) at least 14 days before the expiry of any obligatory insurance:

(i) notify the Lender of the brokers (or other insurers) and any protection and indemnity or war risks association through or with whom such ~~Owner~~ Borrower proposes to renew that obligatory insurance and of the proposed terms of renewal; and

(ii) obtain the Lender's approval to the matters referred to in paragraph (i) above;

(b) at least 14 days before the expiry of any obligatory insurance, renew that obligatory insurance in accordance with the Lender's approval pursuant to paragraph (a) above; and

(c) procure that the approved brokers and/or the war risks and protection and indemnity associations with which such a renewal is effected shall promptly after the renewal notify the Lender in writing of the terms and conditions of the renewal.

12.6 Copies of policies; letters of undertaking. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ ensure that all approved brokers provide the Lender with pro forma copies of all policies relating to the obligatory insurances which they are to effect or renew and of a letter or letters or undertaking in a form required by the Lender and including undertakings by the approved brokers that:

(a) they will have endorsed on each policy, immediately upon issue, a loss payable clause and a notice of assignment complying with the provisions of Clause 12.4;

(b) they will hold such policies, and the benefit of such insurances, to the order of the Lender in accordance with the said loss payable clause;

(c) they will advise the Lender immediately of any material change to the terms of the obligatory insurances;

(d) they will notify the Lender, not less than 14 days before the expiry of the obligatory insurances, in the event of their not having received notice of renewal instructions from the relevant ~~Owner~~ Borrower or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Lender of the terms of the instructions; and

(e) they will not set off against any sum recoverable in respect of a claim relating to the relevant Ship under such obligatory insurances any premiums or other amounts due to them or any other person whether in respect of the relevant Ship or otherwise, they waive any lien on the policies (including, without limitation, any fleet lien), or any sums received under them, which they might have in respect of such premiums or other amounts, and they will not cancel such obligatory insurances by reason of non-payment of such premiums or other amounts, and will arrange for a separate policy to be issued in respect of the relevant Ship forthwith upon being so requested by the Lender.

12.7 Copies of certificates of entry. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ ensure that any protection and indemnity and/or war risks associations in which the Ship owned by it is entered provides the Lender with:

(a) a certified copy of the certificate of entry for such Ship;

(b) a letter or letters of undertaking in such form as may be required by the Lender;

(c) where required to be issued under the terms of insurance/indemnity provided by the Borrower's protection and indemnity association, a certified copy of each United States of America voyage quarterly declaration (or other similar document or documents) made by that ~~Owner~~ Borrower in accordance with the requirements of such protection and indemnity association; and

(d) a certified copy of each certificate of financial responsibility for pollution by oil or other Environmentally Sensitive Material issued by the relevant certifying authority in relation to such Ship.

12.8 Deposit of original policies. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ ensure that all policies relating to obligatory insurances are deposited with the approved brokers through which the insurances are effected or renewed.

12.9 Payment of premiums. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ punctually pay all premiums or other sums payable in respect of the obligatory insurances and produce all relevant receipts when so required by the Lender.

12.10 Guarantees. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ ensure that any guarantees required by a protection and indemnity or war risks association are promptly issued and remain in full force and effect.

12.11 Restrictions on employment. Neither Borrower shall~~, and shall procure that the Collateral Owner shall not,~~ employ the Ship owned by it, nor permit her to be employed, outside the cover provided by any obligatory insurances.

12.12 Compliance with terms of insurances. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ neither do nor omit to do (nor permit to be done or not to be done) any act or thing which would or might render any obligatory insurance invalid, void, voidable or unenforceable or render any sum payable under an obligatory insurance repayable in whole or in part; and, in particular:

(a) each ~~Owner~~ Borrower shall take all necessary action and comply with all requirements which may from time to time be applicable to the obligatory insurances, and (without limiting the obligation contained in Clause 12.7(c)) ensure that the obligatory insurances are not made subject to any exclusions or qualifications to which the Lender has not given its prior approval;

(b) ~~no Owner~~ neither Borrower shall make any changes relating to the classification or classification society or manager or operator of the Ship owned by it unless approved by the underwriters of the obligatory insurances;

(c) each ~~Owner~~ Borrower shall make (and promptly supply copies to the Lender of) all quarterly or other voyage declarations which may be required by the protection and indemnity risks association in which the Ship owned by it is entered to maintain cover for trading to the United States of America and Exclusive Economic Zone (as defined in the United States Oil Pollution Act 1990 or any other applicable legislation); and

(d) ~~no Owner~~ neither Borrower shall employ its Ship, nor allow it to be employed, otherwise than in conformity with the terms and conditions of the obligatory insurances, without first obtaining the consent of the insurers and complying with any requirements (as to extra premium or otherwise) which the insurers specify.

12.13 Alteration to terms of insurances. Neither Borrower shall~~, and shall procure that neither Borrower shall,~~ make or agree to any alteration to the terms of any obligatory insurance nor waive any right relating to any obligatory insurance.

12.14 Settlement of claims. Neither Borrower shall~~, and shall procure that the Collateral Owner will not,~~ settle, compromise or abandon any claim under any obligatory insurance for Total Loss or for a Major Casualty, and shall do all things necessary and provide all documents, evidence and information to enable the Lender to collect or recover any moneys which at any time become payable in respect of the obligatory insurances.

12.15 Provision of copies of communications. Each Borrower shall provide ~~and shall procure that the Collateral Owner provides~~ the Lender, at the time of each such communication, copies of all written communications between the relevant ~~Owner~~ Borrower and:

(a) the approved brokers; and

(b) the approved protection and indemnity and/or war risks associations; and

(c) the approved insurance companies and/or underwriters, which relate directly or indirectly to:

(i) that ~~Owner's~~ Borrower's obligations relating to the obligatory insurances including, without limitation, all requisite declarations and payments of additional premiums or calls; and

(ii) any credit arrangements made between that ~~Owner~~ Borrower and any of the persons referred to in paragraphs (a) or (b) above relating wholly or partly to the effecting or maintenance of the obligatory insurances.

12.16 Provision of information. In addition, each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ promptly provide the Lender (or any persons which it may designate) with any information which the Lender (or any such designated person) requests for the purpose of:

(a) obtaining or preparing any report from an independent marine insurance broker as to the adequacy of the obligatory insurances effected or proposed to be effected; and/or

(b) effecting, maintaining or renewing any such insurances as are referred to in Clause 12.17 below or dealing with or considering any matters relating to any such insurances,

and each Borrower shall, forthwith upon written demand, indemnify the Lender in respect of all fees and other expenses incurred by or for the account of the Lender in connection with any such report as is referred to in paragraph (a) above.

12.17 Mortgagee's interest and additional perils (pollution) insurances. The Lender shall be entitled from time to time to effect, maintain and renew a mortgagee's marine insurance in respect of each Ship and a mortgagee's interest additional perils (pollution) insurance in respect of the Ship, each in an amount equal to 120 per cent, of the aggregate of (i) the Loan and (ii) the Swap Exposure, on such terms, through such insurers and generally in such manner as the Lender may from time to time consider appropriate and the Borrowers shall upon demand fully indemnify the Lender in respect of all premiums and other expenses which are incurred in connection with or with a view to effecting, maintaining or renewing any such insurance or dealing with, or considering, any matter arising out of any such insurance.

12.18 Review of insurance requirements. The Lender shall be entitled to review the requirements of this Clause 12 from time to time in order to take account of any changes in circumstances after the date of this Agreement which are, in the opinion of the Lender, significant and capable of affecting the ~~Owners~~ Borrowers or the Ships and their insurance (including, without limitation, changes in the availability or the cost of insurance coverage or the risks to which the ~~Owners~~ Borrowers may be subject), and may appoint insurance consultants in relation to this review at the cost of the Borrowers.

12.19 Modification of insurance requirements. The Lender shall notify the Borrowers of any proposed modification under Clause 12.18 to the requirements of this Clause 12 which the Lender considers appropriate in the circumstances, and such modification shall take effect on and from the date it is notified in writing to the Borrowers as an amendment to this Clause 12 and shall bind the Borrowers accordingly.

12.20 Compliance with mortgagee's instructions. The Lender shall be entitled (without prejudice to or limitation of any other rights which it may have or acquire under any Finance Document) to require any Ship to remain at any safe port or to proceed to and remain at any safe port designated by the Lender until the ~~Owner of~~ Borrower owning that Ship implements any amendments to the terms of the obligatory insurances and any operational changes required as a result of a notice served under Clause 12.19.

13 SHIP COVENANTS

13.1 General. Each Borrower also undertakes with the Lender to comply~~, and shall procure that the Collateral Owner complies,~~ with the following provisions of this Clause 13 at all times during the Security Period except as the Lender may otherwise permit.

13.2 Ship's name and registration. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ keep the Ship owned by it registered in its ownership under an Approved Flag; shall not do or allow to be done anything as a result of which such registration might be cancelled or imperilled; and shall not change the name or port of registry of a Ship.

13.3 Repair and classification. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ keep the Ship owned by it in a good and safe condition and state of repair:

(a) consistent with first-class ship ownership and management practice;

(b) so as to maintain the highest classification available for vessels of the same age, type and specification as such Ship with s classification society which is a member of IACS acceptable to the Lender, free of overdue recommendations and requirements affecting such Ship's class; and

(c) so as to comply with all laws and regulations applicable to vessels registered at ports in the relevant Approved Flag or to vessels trading to any jurisdiction to which such Ship may trade from time to time, including but not limited to the ISM Code, the ISM Code Documentation and the ISPS Code Documentation.

13.4 Classification society undertaking. The Borrowers shall instruct the classification society referred to in Clause 13.3(a) (and procure that the classification society undertakes with the Security Trustee):

(a) to send to the Lender, following receipt of a written request from the Lender, certified true copies of all original class records held by the classification society in relation to the Ship owned by it;

(b) to allow the Lender (or its agents), at any time and from time to time, to inspect the original class and related records of the relevant ~~Owner~~ Borrower and the Ship owned by it at the offices of the classification society and to take copies of them;

(c) to notify that ~~Owner~~ Borrower immediately in writing if the classification society:

(i) receives notification from that ~~Owner~~ Borrower or any person that the Ship's owned by it classification society is to be changed; or

(ii) becomes aware of any facts or matters which may result in or have resulted in a change, suspension, discontinuance, withdrawal or expiry of that Ship's class under the rules or terms and conditions of that ~~Owner's~~ Borrower's or that Ship's membership of the classification society;

(d) following receipt of a written request from the Lender:

(i) to confirm that each ~~Owner~~ Borrower is not in default of any of its contractual obligations or liabilities to the classification society and, without limiting the foregoing, that it has paid in full all fees or other charges due and payable to the classification society; or

(ii) if ~~an Owner~~ a Borrower is in default of any of its contractual obligations or liabilities to the classification society, to specify to the Lender in reasonable detail the facts and circumstances of such default, the consequences thereof, and any remedy period agreed or allowed by the classification society.

13.5 Modification. Neither Borrower shall~~, and shall procure that the Collateral Owner shall not,~~ make any modification or repairs to, or replacement of, the Ship owned by it or equipment installed on such Ship which would or might materially alter the structure, type or performance characteristics of such Ship or materially reduce its value.

13.6 Removal of parts. Neither Borrower shall~~, and shall procure that the Collateral Owner shall not,~~ remove any material part of the Ship owned by it, or any item of equipment installed on such Ship, unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Lender and becomes on installation on such Ship the property of the relevant Borrower and subject to the security constituted by the Mortgage and if applicable, the Deed of Covenant relative to that Ship **Provided that** ~~an Owner~~ a Borrower may install equipment owned by a third party if the equipment can be removed without any risk of damage to its Ship.

13.7 Surveys. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ submit the Ship owned by it regularly to all periodical or other surveys which may be required for classification purposes and, if so required by the Lender, provide the Lender at the expense of the Borrowers, with copies of all survey reports **Provided that** ~~an Owner~~ a Borrower may install equipment owned by a third party if the equipment can be removed without any risk of damage to that Ship.

13.8 Inspection. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ permit the Lender (by surveyors or other persons appointed by it for that purpose) to board the Ship owned by it at all reasonable times to inspect its condition or to satisfy themselves about proposed or executed repairs and shall afford all proper facilities for such inspections.

13.9 Prevention of and release from arrest. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ promptly discharge:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against the Ship owned by it, her Earnings or her Insurances;

(b) all taxes, dues and other amounts charged in respect of the Ship owned by it, her Earnings or her Insurances; and

(c) all other outgoings whatsoever in respect of the Ship owned by it, the Earnings or the Insurances,

and, forthwith upon receiving notice of the arrest of the Ship owned by it, or of its detention in exercise or purported exercise of any lien or claim, the relevant ~~Owner~~ Borrower shall procure its release by providing bail or otherwise as the circumstances may require.

13.10 Compliance with laws etc. Each of the Borrowers shall~~, and shall procure that the Collateral Owner shall~~:

(a) comply, or procure compliance with the ISM Code, the ISPS Code, all Environmental Laws and all other laws or regulations relating to the Ship owned by it, its ownership, operation and management or to the business of the relevant ~~Owner~~Borrower;

(b) not employ the Ship owned by it, nor allow its employment in any manner contrary to any law or regulation in any relevant jurisdiction including but not limited to the ISM Code and the ISPS Code; and

(c) in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit it to enter or trade to any zone which is declared a war zone by any government or by such Ship's war risks insurers unless the prior written consent of the Lender has been given and the relevant ~~Owner~~ Borrower has (at its expense) effected any special, additional or modified insurance cover which the Lender may require.

13.11 Provision of information. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ promptly provide the Lender with any information which it requests regarding:

(a) the Ship owned by it, its employment, position and engagements;

(b) the Earnings and payments and amounts due to such Ship's master and crew;

(c) any expenses incurred, or likely to be incurred, in connection with the operation, maintenance or repair of such Ship and any payments made in respect of such Ship;

(d) any towages and salvages; and

(e) the relevant ~~Owner's~~Borrower's, the Approved Manager's or such Ship's compliance with the ISM Code and the ISPS Code,

and, upon the Lender's request, provide copies of any current charter relating to such Ship, of any current charter guarantee and of the ISM Code Documentation and ISPS Code Documentation.

13.12 Notification of certain events. Each Borrower ~~shall, and shall procure that the Collateral Owner~~ shall immediately notify the Lender by fax, confirmed forthwith by letter, of:

(a) any casualty which is or is likely to be or to become a Major Casualty;

(b) any occurrence as a result of which the Ship owned by it has become or is, by the passing of time or otherwise, likely to become a Total Loss;

(c) any requirement or recommendation made by any insurer or classification society or by any competent authority which is not immediately complied with;

(d) any arrest or detention of the Ship owned by it, any exercise or purported exercise of any lien on such Ship or its Earnings or any requisition of such Ship for hire;

(e) any intended dry docking of the Ship owned by it;

(f) any Environmental Claim made against the relevant ~~Owner~~ Borrower or in connection with the Ship owned by it, or any Environmental Incident;

(g) any claim for breach of the ISM Code or the ISPS Code being made against the relevant Borrower, the Approved Manager or otherwise in connection with the Ship owned by it; or

(h) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code or the ISPS Code not being complied with,

and each Borrower shall keep the Lender advised in writing on a regular basis and in such detail as the Lender shall require of each ~~Owner's~~Borrower's, the Approved Manager's or any other person's response to any of those events or matters.

13.13 Restrictions on chartering, appointment of managers etc. Neither Borrower shall~~, and shall procure that the Collateral Owner will not~~:

(a) let the Ship owned by it on demise charter for any period;

(b) enter into any time or consecutive voyage charter in respect of the Ship owned by it for a term which exceeds, or which by virtue of any optional extensions may exceed, 24 months;

(c) enter into any charter in relation to the Ship owned by it under which more than 2 months' hire (or the equivalent) is payable in advance;

(d) charter the Ship owned by it otherwise than on bona fide arm's length terms at the time when such Ship is fixed;

(e) appoint a manager of the Ship owned by it other than the Approved Manager or agree to any alteration to the terms of the Approved Manager's appointment;

(f) de-activate or lay up the Ship owned by it; or

(g) put the Ship owned by it into the possession of any person for the purpose of work being done upon her in an amount exceeding or likely to exceed $500,000 (or the equivalent in any other currency) unless that person has first given to the Lender and in terms satisfactory to it a written undertaking not to exercise any lien on such Ship or her Earnings for the cost of such work or for any other reason.

13.14 Notice of Mortgage. Each Borrower shall~~, and shall procure that the Collateral Owner shall,~~ keep the Mortgage registered against the Ship owned by it as a valid first priority mortgage, carry on board such Ship a certified copy of the Mortgage and place and maintain in a conspicuous place in the navigation room and the Master's cabin of such Ship a framed printed notice stating that such Ship is mortgaged by the relevant ~~Owner~~ Borrower to the Lender.

13.15 Sharing of Earnings. Neither Borrower shall~~, and shall procure that the Collateral Owner shall not,~~ enter into any agreement or arrangement for the sharing of any Earnings.

14 SECURITY COVER

14.1 Minimum required security cover. Clause 14.2 applies if the Lender notifies the Borrowers (at any time other than during the Waiver Period) that:

(a) the aggregate Market Value of the Ships; plus

(b) the net realisable value of any additional security previously provided under this Clause 14, is below 135 per cent of the aggregate of (i) the Loan and (ii) the Swap Exposure.

14.2 Provision of additional security; prepayment. If the Lender serves a notice on the Borrowers under Clause 14.1, the Borrowers shall, within 1 month after the date on which the Lender's notice is served, either:

(a) provide, or ensure that a third party provides, additional security which, in the opinion of the Lender, has a net realisable value at least equal to the shortfall and is documented in such terms as the Lender may approve or require; or

(b) prepay such part (at least) of the Loan as will eliminate the shortfall.

14.3 Valuation of Ships. The Market Value of a Ship at any date (other than during the Waiver Period) is that shown by the average of two valuations prepared:

(a) as at a date not more than 14 days previously;

(b) by 2 Approved Brokers which the Lender has appointed or approved for the purpose;

(c) with or without physical inspection of the relevant Ship (as the Lender may require);

(d) on the basis of a sale for prompt delivery for cash on normal arm's length commercial terms as between a willing seller and a willing buyer;

(e) free of any existing charter or other contract of employment (other than in the case of any Approved Charter which has an unexpired duration of at least 24 months, in which such Approved Charter shall be taken into account in determining the Market Value of the relevant Ship); and

(f) after deducting the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale.

14.4 Value of additional vessel security. The net realisable value of any additional security which is provided under Clause 14.2 and which consists of a Security Interest over a vessel shall be that shown by way of a valuation complying with the requirements of Clause 14.3.

14.5 Valuations binding. Any valuation under Clause 14.2, 14.3 or 14.4 shall be binding and conclusive as regards the Borrowers, as shall be any valuation which the Lender makes of any additional security which does not consist of or include a Security Interest.

14.6 Provision of information. Each Borrower shall promptly provide the Lender and any Approved Broker or expert acting under Clause 14.3 with any information which the

Lender or any Approved Broker may request for the purposes of the valuation; and, if a Borrower fails to provide the information by the date specified in the request, the valuation may be made on any basis and assumptions which that Approved Broker or the Lender (or the expert appointed by it) considers prudent.

14.7 Payment of valuation expenses. Without prejudice to the generality of the Borrowers' obligations under Clauses 19.2, 19.3 and 20.3, each Borrower shall, on demand, pay the Lender the amount of the fees and expenses of any Approved Broker instructed by the Lender under this Clause and all legal and other expenses incurred by the Lender in connection with any matter arising out of this Clause **Provided that** prior to an Event of Default or Potential Event of Default the Borrowers shall not be obliged to reimburse the Lender for more than one set of two valuations of the Ship per calendar year and Provided further that such valuations show that the Borrowers comply with the terms of Clause 14.1.

14.8 Application of prepayment. Clause 7 shall apply in relation to any prepayment pursuant to Clause 14.2(b).

15 PAYMENTS AND CALCULATIONS

15.1 Currency and method of payments. All payments to be made by the Borrowers to the Lender under a Finance Document shall be made to the Lender:

(a) by not later than 11.00 a.m. (Athens time) on the due date;

(b) in same day Dollar funds settled through the New York Clearing House Interbank Payments System (or in such other Dollar funds and/or settled in such other manner as the Lender shall specify as being customary at the time for the settlement of international transactions of the type contemplated by this Agreement); and

(c) to the account of the Lender with JP Morgan Chase New York, CHASUS33 A/C WestLB AG London Branch WELAGB2L (Account No. with WestLB AG, London Branch 001-1-352267 SWIFT WELAGB2L), or to such other account with such other bank as the Lender may from time to time notify to the Borrowers.

15.2 Payment on non-Business Day. If any payment by the Borrowers under a Finance Document would otherwise fall due on a day which is not a Business Day:

(a) the due date shall be extended to the next succeeding Business Day; or

(b) if the next succeeding Business Day falls in the next calendar month, the due date shall be brought forward to the immediately preceding Business Day,

and interest shall be payable during any extension under paragraph (a) at the rate payable on the original due date.

15.3 Basis for calculation of periodic payments. All interest and any other payments under any Finance Document which are of an annual or periodic nature shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 360 day year.

15.4 Lender accounts. The Lender shall maintain an account showing the amounts advanced by the Lender and all other sums owing to the Lender from the Borrowers and each Security Party under the Finance Documents and all payments in respect of those amounts made by the Borrowers and any Security Party.

15.5 Accounts prima facie evidence. If the account maintained under Clause 15.4 shows an amount to be owing by the Borrowers or a Security Party to the Lender, that account shall be prima facie evidence, save in the case of manifest error, that amount is owing to the Lender.

16 APPLICATION OF RECEIPTS

16.1 Normal order of application. Except as any Finance Document may otherwise provide, any sums which are received or recovered by the Lender under or by virtue of any Finance Document shall be applied:

(a) FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents (or any of them) and the Master Agreement in the following order and proportions:

(i) first, in or towards satisfaction pro rata of all amounts then due and payable to the Lender under the Finance Documents and the Master Agreement other than those amounts referred to at paragraphs (ii) and (iii) (including, but without limitation, all amounts payable by the Borrowers under Clauses 18, 19 and 20 of this Agreement or by the Borrowers or any Security Party under any corresponding or similar provision in any other Finance Document or in the Master Agreement;

(ii) secondly, in or towards satisfaction pro rata of any and all amounts of interest or default interest payable to the Lender under the Finance Documents and the Master Agreement (and, for this purpose, the expression "interest" shall include any net amount which the Borrowers shall have become liable to pay or deliver under section 2(e) (Obligations) of the Master Agreement but shall have failed to pay or deliver to the Lender at the time of application or distribution under this Clause 16); and

(iii) thirdly, in or towards satisfaction pro rata of the Loan and the Swap Exposure calculated as at the actual Early Termination Date applying to each particular Transaction, or if no such Early Termination Date shall have occurred, calculated as if an Early Termination Date occurred on the date of application or distribution hereunder);

(b) SECONDLY: in retention of an amount equal to any amount not then due and payable under any Finance Document and the Master Agreement but which the Lender, by notice to the Borrowers and the Security Parties, states in its opinion will or may become due and payable in the future and, upon those amounts becoming due and payable, in or towards satisfaction of them in accordance with the provisions of this Clause 16.1; and

(c) THIRDLY: any surplus shall be paid to the Borrowers or to any other person appearing to be entitled to it.

16.2 Variation of order of application. The Lender may, by notice to the Borrowers and the Security Parties, provide for a different manner of application from that set out in Clause 16.1 either as regards a specified sum or sums or as regards sums in a specified category or categories.

16.3 Notice of variation of order of application. The Lender may give notices under Clause 16.2 from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Business Day before the date on which the notice is served.

16.4 Appropriation rights overridden. This Clause 16 and any notice which the Lender gives under Clause 16.3 shall override any right of appropriation possessed, and any appropriation made, by the Borrowers or any other Security Party.

17 APPLICATION OF EARNINGS

17.1 Payment of Earnings. Each Borrower undertakes with the Lender to ensure that, throughout the Security Period (and subject only to the provisions of the General Assignments), all the Earnings in relation to each Ship are paid to the Earnings Account in respect of that Ship.

17.2 Interest accrued on Accounts. Any credit balance on the Accounts shall bear interest at the rate from time to time offered by the Lender to its customers for Dollar deposits of similar amounts.

17.3 Location of accounts. Each Borrower shall promptly:

(a) comply with any requirement of the Lender as to the location or re-location of the Accounts or any of them;

(b) execute any documents which the Lender specifies to create or maintain in favour of the Lender a Security Interest over (and/or rights of set-off, consolidation or other rights in relation to) the Accounts.

17.4 Debits for expenses etc. The Lender shall be entitled (but not obliged) from time to time to debit the Earnings Accounts (or ~~any~~ either of them) with prior notice in order to discharge any amount due and payable (which remains unpaid) to it under Clauses 19 or 20 or payment of which it has become entitled to demand under Clauses 19 or 20.

18 EVENTS OF DEFAULT

18.1 Events of Default. An Event of Default occurs if:

(a) either Borrower or the Corporate Guarantor or any other Security Party fails to pay when due or (if so payable) on demand any sum payable under a Finance Document or under any document relating to a Finance Document; or

(b) any breach occurs of Clauses 8.2, 11.2, 11.3 or 14,2 of this Agreement or clauses 11.11, 11.12, 11.15 and 11.16 of the Corporate Guarantee; or

(c) (subject to any applicable grace period specified in any Finance Document) any breach by either Borrower or any Security Party occurs of any provision of a Finance Document (other than a breach covered by paragraph (a) or (b) above) unless, in the opinion of the Lender, such default is capable of remedy and such default continues unremedied 30 days after the earlier of (i) written notice from the Lender requesting action to remedy the same and (ii) the date on which the relevant Borrower or Security Party becomes aware of the breach; or

(d) any representation, warranty or statement made by, or by an officer of, either Borrower or a Security Party in a Finance Document or in the Drawdown Notice or any other notice or document relating to a Finance Document is untrue or misleading when it is made; or

(e) any of the following occurs in relation to any Financial Indebtedness of a Relevant Person:

(i) any Financial Indebtedness of a Relevant Person is not paid when due or, if so payable, on demand; or

(ii) any Financial Indebtedness of a Relevant Person becomes due and payable or capable of being declared due and payable prior to its stated maturity date as a consequence of any event of default; or

(iii) a lease, hire purchase agreement or charter creating any Financial Indebtedness of a Relevant Person is terminated by the lessor or owner or becomes capable of being terminated as a consequence of any termination event; or

(iv) any overdraft, loan, note issuance, acceptance credit, letter of credit, guarantee, foreign exchange or other facility, or any swap or other derivative contract or transaction, relating to any Financial Indebtedness of a Relevant Person ceases to be available or becomes capable of being terminated as a result of any event of default, or cash cover is required, or becomes capable of being required, in respect of such a facility as a result of any event of default; or

(v) any Security Interest securing any Financial Indebtedness of a Relevant Person becomes enforceable; or

(f) any of the following occurs in relation to a Relevant Person:

(i) a Relevant Person becomes, in the opinion of the Lender, unable to pay its debts as they fall due; or

(ii) any assets of a Relevant Person are subject to any form of execution, attachment, arrest, sequestration or distress in respect of a sum of, or sums aggregating, $500,000 or more or the equivalent in another currency; or

(iii) any administrative or other receiver is appointed over any asset of a Relevant Person; or

(iv) a Relevant Person makes any formal declaration of bankruptcy or any formal statement to the effect that it is insolvent or likely to become insolvent, or a winding up or administration order is made in relation to a Security Party, or the members or directors of a Relevant Person pass a resolution to the effect that it should be wound up, placed in administration or cease to carry on business, save that this paragraph does not apply to a fully solvent winding up of a Relevant Person other than the Borrowers~~, the Collateral Owner~~ or the Corporate Guarantor which is, or is to be, effected for the purposes of an amalgamation or reconstruction previously approved by the Lender and effected not later than 3 months after the commencement of the winding up; or

(v) a petition is presented in any Pertinent Jurisdiction for the winding up or administration, or the appointment of a provisional liquidator, of a Relevant Person unless the petition is being contested in good faith and on substantial grounds and is dismissed or withdrawn within 30 days (or such longer period as the Lender may, in its sole and absolute discretion agree or specify) of the presentation of the petition; or

(vi) a Relevant Person petitions a court, or presents any proposal for, any form of judicial or non judicial suspension or deferral of payments, reorganisation of its debt (or substantial part of its debt) or arrangement with all or a substantial proportion (by number or value) of its creditors or of any class of them (save for, in the case of the Corporate Guarantor, non judicial suspension or deferral of payments, reorganisation of its debt (or substantial part of its debt) or arrangement which occurs in its ordinary course of its business and not as a result of the Corporate Guarantor's inability to meet its obligations and/or liabilities and having been indicated a priori to the Lender) or any such suspension or deferral of payments, reorganisation or arrangement is effected by court order, contract or otherwise; or

(vii) any meeting of the members or directors of a Relevant Person is summoned for the purpose of considering a resolution or proposal to authorise or take any action of a type described in paragraphs (iii), (iv), (v) or (vi) above; or

(viii) in a Pertinent Jurisdiction other than England, any event occurs or any procedure is commenced which, in the opinion of the Lender, is similar to any of the foregoing; or

(g) either Borrower or any Security Party ceases or suspends carrying on its business or a part of its business which, in the opinion of the Lender, is material in the context of this Agreement; or

(h) it becomes unlawful in any Pertinent Jurisdiction or impossible:

(i) for either Borrower or any Security Party to discharge any liability under a Finance Document or to comply with any other obligation which the Lender considers material under a Finance Document; or

(ii) for the Lender to exercise or enforce any right under, or to enforce any Security Interest created by, a Finance Document; or

(i) any consent necessary to enable either Borrower ~~or the Collateral Owner~~ to own, operate or charter the Ship owned by it or to enable either Borrower or any Security Party to comply with any provision which the Lender considers material of a Finance Document is not granted, expires without being renewed, is revoked or becomes liable to revocation or any condition of such a consent is not fulfilled; or

(j) it appears to the Lender that, without its prior consent, a change has occurred or probably has occurred after the date of this Agreement in the ultimate beneficial ownership of any of the shares in either Borrower ~~or the Collateral Owner~~ or in the ultimate control of the voting rights attaching to any of those shares; or

(k) any provision which the Lender considers material of a Finance Document proves to have been or becomes invalid or unenforceable, or a Security Interest created by a Finance Document proves to have been or becomes invalid or unenforceable or such a Security Interest proves to have ranked after, or loses its priority to, another Security Interest or any other third party claim or interest; or

(1) either Borrower or any Security Party repudiates any of the Finance Documents or does or causes or permits to be done any act or thing evidencing an intention to repudiate any of the Finance Documents; or

(m) the security constituted by a Finance Document is in any way imperilled or in jeopardy; or

(n) any Ship ceases to be managed by the Approved Manager unless prior to such cessation the relevant ~~Owner~~ Borrower has appointed a substitute manager acceptable to the Lender; or

(o) an Event of Default (as defined in section 14 of the Master Agreement) occurs; or

(p) the Master Agreement is terminated, cancelled, suspended, rescinded or revoked or otherwise ceases to remain in full force and effect for any reason except with the consent of the Lender; or

(q) any other event occurs or any other circumstances arise or develop including, without limitation:

(i) a change in the financial position, state of affairs or prospects of either Borrower~~, the Collateral Owner~~ or the Corporate Guarantor; or

(ii) any accident or other event involving either of the Ships or another vessel, owned, chartered or operated by a Relevant Person,

in the light of which the Lender considers that there is a significant risk that either Borrower or any Security Party is, or will later become, unable to discharge its liabilities under the Finance Documents as they fall due.

18.2 Actions following an Event of Default. On, or at any time after, the occurrence of an Event of Default the Lender may:

(a) serve on the Borrowers a notice stating that all obligations of the Lender to the Borrowers under this Agreement are terminated; and/or

(b) serve on the Borrowers a notice stating that the Loan, all accrued interest and all other amounts accrued or owing under this Agreement are immediately due and payable or are due and payable on demand; and/or

(c) take any other action which, as a result of the Event of Default or any notice served under paragraph (a) or (b) above, the Lender is entitled to take under any Finance Document or any applicable law.

18.3 Termination of Commitment. On the service of a notice under Clause 18.2(a) the Commitment, and, all other obligations of the Lender to the Borrowers under this Agreement shall terminate.

18.4 Acceleration of Loan. On the service of a notice under Clause 18.2(b), the Loan, all accrued interest and all other amounts accrued or owing from the Borrowers (or either of them) or any Security Party under this Agreement and every other Finance Document shall become immediately due and payable or, as the case may be, payable on demand.

18.5 Multiple notices; action without notice. The Lender may serve notices under Clauses 18.2(a) and (b) simultaneously or on different dates and it may take any action referred to in Clause 18.2 if no such notice is served or simultaneously with or at any time after the service of both or either of such notices.

18.6 Exclusion of Lender liability. Neither the Lender nor any receiver or manager appointed by the Lender, shall have any liability to the Borrowers (or either of them) or any other Security Party:

(a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or

(b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt the Lender or a receiver or manager from liability for losses shown to have been caused directly and mainly by the dishonesty, the gross negligence or the wilful misconduct of the Lender's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

18.7 Relevant Persons. In this Clause 18 a "**Relevant Person**" means each Borrower or any other Security Party.

18.8 Interpretation. In Clause 18.1 (e) references to an event of default or a termination event include any event, howsoever described, which is similar to an event of default in a facility agreement or a termination event in a finance lease; and in Clause 18.1(f) "petition" includes an application.

19 FEES AND EXPENSES

19.1 Arrangement and commitment fees. The Borrowers shall pay to the Lender:

(a) a non-refundable arrangement fee of up to $474,000 as follows:

(i) in the case of Tranche A, $237,000 payable on the date of this Agreement; and

(ii) in the case of Tranche B:

(A) $150,000 payable on the date of this Agreement; and

(B) $87,000 payable on the Drawdown Date of ~~the Second~~ Tranche B ~~Advance~~;

(b) quarterly in arrears during the period from (and including) the date of this Agreement to:

(A)_ in the case of Tranche A, the earlier of (i) the Drawdown Date in respect of Tranche A and (ii) the last day of the relevant Availability Period and on the last day of that period, a non-refundable commitment fee equal to 0.40 per cent. per annum of the undrawn amount of Tranche A; and

(B) in the case of Tranche B, the earlier of (i) the relevant Drawdown Date ~~in respect of the Second Tranche B Advance~~ and (ii) the last day of the relevant Availability Period and on the last day of that period, a non-refundable commitment fee equal to 0.40 per cent. per annum of the undrawn amount of ~~the Second~~ that Tranche B ~~Advance~~.

19.2 Costs of negotiation, preparation etc. The Borrowers shall pay to the Lender on its demand the amount of all expenses incurred by the Lender in connection with the negotiation, preparation, execution or registration of any Finance Document or any related document or with any transaction contemplated by a Finance Document or a related document.

19.3 Costs of variations, amendments, enforcement etc. The Borrowers shall pay to the Lender, within 5 Business Days of the Lender's demand, the amount of all expenses incurred by the Lender in connection with:

(a) any amendment or supplement to a Finance Document, or any proposal for such an amendment to be made;

(b) any consent or waiver by the Lender concerned under or in connection with a Finance Document, or any request for such a consent or waiver;

(c) the valuation of any security provided or offered under Clause 14 or any other matter relating to such security;

(d) the opinions of the independent insurance consultant referred to in paragraph 6 of Schedule 2, Part B, paragraph 6 of Schedule 2, Part C of paragraph 11 of Schedule 2, Part D; or

(e) any step taken by the Lender with a view to the protection, exercise or enforcement of any right or Security Interest created by a Finance Document or for any similar purpose.

There shall be recoverable under paragraph (e) the full amount of all legal expenses, whether or not such as would be allowed under rules of court or any taxation or other procedure carried out under such rules.

19.4 Documentary taxes. The Borrowers shall promptly pay any tax payable on or by reference to any Finance Document, and shall, on the Lender's demand, fully indemnify the Lender against any claims, expenses, liabilities and losses resulting from any failure or delay by the Borrowers (or either of them) to pay such a tax.

19.5 Certification of amounts. A notice which is signed by 2 officers of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 19 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

20 INDEMNITIES

20.1 Indemnities regarding borrowing and repayment of Loan. The Borrowers shall fully indemnify the Lender on its demand in respect of all claims, expenses, liabilities and losses which are made or brought against or incurred by the Lender, or which the Lender reasonably and with due diligence estimates that it will incur, as a result of or in connection with:

(a) the Loan not being borrowed on the date specified in the Drawdown Notice for any reason other than a default by the Lender;

(b) the receipt or recovery of all or any part of the Loan or an overdue sum otherwise than on the last day of an Interest Period or other relevant period;

(c) any failure (for whatever reason) by the Borrowers (or any of them) to make payment of any amount due under a Finance Document on the due date or, if so payable, on demand (after giving credit for any default interest paid by the Borrowers on the amount concerned under Clause 6);

(d) the occurrence and/or continuance of an Event of Default or a Potential Event of Default and/or the acceleration of repayment of the Loan under Clause 18,

and in respect of any tax (other than tax on its overall net income) for which the Lender is liable in connection with any amount paid or payable to the Lender (whether for its own account or otherwise) under any Finance Document.

20.2 Breakage costs. Without limiting its generality, Clause 20.1 covers any claim, expense, liability or loss, including a loss of a prospective profit, incurred by the Lender:

(a) in liquidating or employing deposits from third parties acquired or arranged to fund or maintain all or any part of the Loan and/or any overdue amount (or an aggregate amount which includes the Loan or any overdue amount); and

(b) in terminating, or otherwise in connection with, any interest and/or currency swap or any other transaction entered into (whether with another legal entity or with another office or department of the Lender) to hedge any exposure arising under this Agreement or a number of transactions of which this Agreement is one.

20.3 Miscellaneous indemnities. The Borrowers shall fully indemnify the Lender on its demand in respect of all claims, expenses, liabilities and losses which may be made or brought against or incurred by the Lender, in any country, as a result of or in connection with:

(a) any action taken, or omitted or neglected to be taken, under or in connection with any Finance Document by the Lender or by any receiver appointed under a Finance Document;

(b) any other Pertinent Matter,

other than liability items which are shown to have been caused by the gross negligence or wilful misconduct or by the dishonesty of the officers or employees of the Lender.

Without prejudice to its generality, this Clause 20.3 covers any claims, expenses, liabilities and losses which arise, or are asserted, under or in connection with any law relating to safety at sea, the ISM Code, the ISPS Code or any Environmental Law.

20.4 Currency indemnity. If any sum due from the Borrowers or any Security Party to the Lender under a Finance Document or under any order or judgment relating to a Finance Document has to be converted from the currency in which the Finance Document provided for the sum to be paid (the "**Contractual Currency**") into another currency (the "**Payment Currency**") for the purpose of:

(a) making or lodging any claim or proof against the Borrowers (or either of them) or any Security Party, whether in its liquidation, any arrangement involving it or otherwise; or

(b) obtaining an order or judgment from any court or other tribunal; or

(c) enforcing any such order or judgment,

the Borrowers shall indemnify the Lender against the loss arising when the amount of the payment actually received by the Lender is converted at the available rate of exchange into the Contractual Currency.

In this Clause 20.4, the "**available rate of exchange**" means the rate at which the Lender is able at the opening of business (London time) on the Business Day after it receives the sum concerned to purchase the Contractual Currency with the Payment Currency.

This Clause 20.4 creates a separate liability of the Borrowers which is distinct from their other liabilities under the Finance Documents and which shall not be merged in any judgment or order relating to those other liabilities.

20.5 Certification of amounts. A notice which is signed by 2 officers of the Lender, which states that a specified amount, or aggregate amount, is due to the Lender under this Clause 20 and which indicates (without necessarily specifying a detailed breakdown) the matters in respect of which the amount, or aggregate amount, is due shall be prima facie evidence that the amount, or aggregate amount, is due.

21 NO SET-OFF OR TAX DEDUCTION

21.1 No deductions. All amounts due from the Borrowers under a Finance Document shall be paid:

(a) without any form of set-off, cross-claim or condition; and

(b) free and clear of any tax deduction except a tax deduction which the Borrowers are required by law to make.

21.2 Grossing-up for taxes. If the Borrowers are required by law to make a tax deduction from any payment:

(a) the Borrowers shall notify the Lender as soon as it becomes aware of the requirement;

(b) the Borrowers shall pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises;

(c) the amount due in respect of the payment shall be increased by the amount necessary to ensure that the Lender receives and retains (free from any liability relating to the tax deduction) a net amount which, after the tax deduction, is equal to the full amount which it would otherwise have received.

21.3 Evidence of payment of taxes. Within one month after making any tax deduction, the Borrowers shall deliver to the Lender documentary evidence satisfactory to the Lender that the tax had been paid to the appropriate taxation authority.

21.4 Exclusion of tax on overall net income. In this Clause 21 "**tax deduction**" means any deduction or withholding for or on account of any present or future tax except tax on the Lender's overall net income.

22 ILLEGALITY, ETC

22.1 Illegality. This Clause 22 applies if the Lender notifies the Borrowers that it has become, or will with effect from a specified date, become:

(a) unlawful or prohibited as a result of the introduction of a new law, an amendment to an existing law or a change in the manner in which an existing law is or will be interpreted or applied; or

(b) contrary to, or inconsistent with, any regulation,

for the Lender to maintain or give effect to any of its obligations under this Agreement in the manner contemplated by this Agreement.

22.2 Notification and effect of illegality. On the Lender notifying the Borrowers under Clause 22.1, the Commitment shall terminate; and thereupon or, if later, on the date specified in the Lender's notice under Clause 22.1 as the date on which the notified event would become effective the Borrowers shall prepay the Loan in full in accordance with Clause 7.

22.3 Mitigation. If circumstances arise which would result in a notification under Clause 22.1 then, without in any way limiting the rights of the Lender under Clause 22.2 the Lender shall use reasonable endeavours to transfer its obligations, liabilities and rights under this Agreement and the Finance Documents to another office or financial institution not affected by the circumstances but the Lender shall not be under any obligation to take any such action if, in its opinion, to do would or might:

(a) have an adverse effect on its business, operations or financial condition; or

(b) involve it in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent with, any regulation; or

(c) involve it in any expense (unless indemnified to its satisfaction) or tax disadvantage.

23 INCREASED COSTS

23.1 Increased costs. This Clause 23 applies if the Lender notifies the Borrowers that it considers that as a result of:

(a) the introduction or alteration after the date of this Agreement of a law or an alteration after the date of this Agreement in the manner in which a law is interpreted or applied (disregarding any effect which relates to the application to payments under this Agreement of a tax on the Lender's overall net income); or

(b) the effect of complying with any regulation (including any which relates to capital adequacy or liquidity controls or which affects the manner in which the Lender allocates capital resources to its obligations under this Agreement) which is introduced, or altered, or the interpretation or application of which is altered, after the date of this Agreement,

is that the Lender (or a parent company of it) has incurred or will incur an "increased cost".

23.2 Meaning of "increased costs". In this Clause 23, "**increased costs**" means:

(a) an additional or increased cost incurred as a result of, or in connection with, the Lender having entered into, or being a party to, this Agreement or having taken an assignment of rights under this Agreement, of funding or maintaining the Commitment or performing its obligations under this Agreement, or of having outstanding all or any part of the Loan or other unpaid sums; or

(b) a reduction in the amount of any payment to the Lender under this Agreement or in the effective return which such a payment represents to the Lender or on its capital;

(c) an additional or increased cost of funding all or maintaining all or any of the advances comprised in a class of advances formed by or including the Loan or (as the case may require) the proportion of that cost attributable to the Loan; or

(d) a liability to make a payment, or a return foregone, which is calculated by reference to any amounts received or receivable by the Lender under this Agreement;

but not an item attributable to a change in the rate of tax on the overall net income of the Lender (or a parent company of it) or an item covered by the indemnity for tax in Clause 20.1 or by Clause 21 or an item arising directly out of the implementation by the applicable authorities having jurisdiction over the Notifying Lender of the matters set out in the statement of the Basle Committee on Banking Regulations and Supervisory Practices dated July 1988 and entitled "International Convergence of Capital Measurement and Capital Standards", to the extent and according to the timetable provided for in the statement.

For the purposes of this Clause 23.2 the Lender may in good faith allocate or spread costs and/or losses among its assets and liabilities (or any class of its assets and liabilities) on such basis as it considers appropriate.

23.3 Payment of increased costs. The Borrowers shall pay to the Lender, on its demand, the amounts which the Lender from time to time notifies the Borrowers that it has specified to be necessary to compensate it for the increased cost.

23.4 Notice of prepayment. If the Borrowers are not willing to continue to compensate the Lender for the increased cost under Clause 23.3, the Borrowers may give the Lender not less than 14 days' notice of their intention to prepay the Loan at the end of an Interest Period.

23.5 Prepayment. A notice under Clause 23.4 shall be irrevocable; and on the date specified in its notice of intended prepayment, the Commitment shall terminate and the Borrowers shall prepay (without premium or penalty) the Loan, together with accrued interest thereon at the applicable rate plus the Margin.

23.6 Application of prepayment. Clause 7 shall apply in relation to the prepayment.

24 SET-OFF

24.1 Application of credit balances. The Lender may without prior notice:

(a) apply any balance (whether or not then due) which at any time stands to the credit of any account in the name of the Borrowers (or either of them) at any office in any country of the Lender in or towards satisfaction of any sum then due from the Borrowers (or any of them) to the Lender under any of the Finance Documents; and

(b) for that purpose:

(i) break, or alter the maturity of, all or any part of a deposit of the Borrowers (or either of them);

(ii) convert or translate all or any part of a deposit or other credit balance into Dollars;

(iii) enter into any other transaction or make any entry with regard to the credit balance which the Lender considers appropriate.

24.2 Existing rights unaffected. The Lender shall not be obliged to exercise any of its rights under Clause 24.1; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts, charge, lien or other right or remedy to which the Lender is entitled (whether under the general law or any document).

24.3 No Security Interest. This Clause 24 gives the Lender a contractual right of set-off only, and does not create any equitable charge or other Security Interest over any credit balance of the Borrowers (or any of them).

25 TRANSFERS AND CHANGES IN LENDING OFFICE

25.1 Transfer by Borrowers. Neither Borrower may, without the consent of the Lender, transfer, novate or assign any of its rights, liabilities or obligations under any Finance Document.

25.2 Assignment by Lender. The Lender may assign or transfer all or any of the rights and interests which it has under or by virtue of the Finance Documents without the consent of, but following consultation with, the Borrowers.

25.3 Rights of assignee. In respect of any breach of a warranty, undertaking, condition or other provision of a Finance Document, or any misrepresentation made in or in connection with a Finance Document, a direct or indirect assignee or transferee of any of the Lender's rights or interests under or by virtue of the Finance Documents shall be entitled to recover damages by reference to the loss incurred by that assignee or transferee as a result of the breach or misrepresentation irrespective of whether the Lender would have incurred a loss of that kind or amount.

25.4 Sub-participation; subrogation assignment. The Lender may sub-participate all or any part of its rights and/or obligations under or in connection with the Finance Documents without the consent of, or any notice to, the Borrowers; and the Lender may assign, in any manner and terms agreed by it, all or any part of those rights to an insurer or surety who has become subrogated to them.

25.5 Disclosure of information. The Lender may disclose to a potential assignee or transferee or sub-participant any information which the Lender has received in relation to the Borrowers, any Security Party or their affairs under or in connection with any Finance Document, unless the information is clearly of a confidential nature.

25.6 Change of lending office. The Lender may change its lending office by giving notice to the Borrowers and the change shall become effective on the later of:

(a) the date on which the Borrowers receive the notice; and

(b) the date, if any, specified in the notice as the date on which the change will come into effect.

26 VARIATIONS AND WAIVERS

26.1 Variations, waivers etc. by Lender. A document shall be effective to vary, waive, suspend or limit any provision of a Finance Document, or the Lender's rights or remedies under such a provision or the general law, only if the document is signed, or specifically agreed to by fax by the Borrowers and the Lender and, if the document relates to a Finance Document to which a Security Party is party, by that Security Party.

26.2 Exclusion of other or implied variations. Except for a document which satisfies the requirements of Clause 26.1, no document, and no act, course of conduct, failure or neglect to act, delay or acquiescence on the part of the Lender (or any person acting on its behalf) shall result in the Lender (or any person acting on its behalf) being taken to have varied, waived, suspended or limited, or being precluded (permanently or temporarily) from enforcing, relying on or exercising:

(a) a provision of this Agreement or another Finance Document; or

(b) an Event of Default; or

(c) a breach by the Borrowers (or either of them) or any other Security Party of an obligation under a Finance Document or the general law; or

(d) any right or remedy conferred by any Finance Document or by the general law,

and there shall not be implied into any Finance Document any term or condition requiring any such provision to be enforced, or such right or remedy to be exercised, within a certain or reasonable time.

27 NOTICES

27.1 General. Unless otherwise specifically provided, any notice under or in connection with any Finance Document shall be given by letter or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

27.2 Addresses for communications. A notice shall be sent:

(a) to the Borrowers:

c/o the Approved Manager
Omega Building
80 Kifissias Avenue
151 25 Maroussi
Greece

FaxNo:(+30)210 8090 275
Attn: Mr. Aristidis Ioannidis

(b) to the Lender:

Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
United Kingdom

Fax No: +44 207 020 ~~7820~~8116
Attn: ~~Shipping Transportation~~Carol Street

and

Fax No:+44 207 020 7620
Attn: Mrs. Jutta Brown

or to such other address as the relevant party may notify the other.

27.3 Effective date of notices. Subject to Clauses 27.4 and 27.5:

(a) a notice which is delivered personally or posted shall be deemed to be served, and shall take effect, at the time when it is delivered; and

(b) a notice which is sent by fax shall be deemed to be served, and shall take effect, 2 hours after its transmission is completed.

27.4 Service outside business hours. However, if under Clause 27.3 a notice would be deemed to be served:

(a) on a day which is not a Business Day in the place of receipt; or

(b) on such a Business Day, but after 5 p.m. local time,

the notice shall (subject to Clause 27.5) be deemed to be served, and shall take effect, at 9 a.m. on the next day which is such a business day.

27.5 Illegible notices. Clauses 27.3 and 27.4 do not apply if the recipient of a notice notifies the sender within 1 hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

27.6 Valid notices. A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

(a) the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or

(b) in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

27.7 English language. Any notice under or in connection with a Finance Document shall be in English.

27.8 Meaning of "notice". In this Clause 27 "**notice**" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

28 JOINT AND SEVERAL LIABILITY

28.1 General. All liabilities and obligations of the Borrowers under this Agreement shall, whether expressed to be so or not, be several and, if and to the extent consistent with Clause 28.2, joint.

28.2 No impairment of Borrower's obligations. The liabilities and obligations of each Borrower shall not be impaired by:

(a) this Agreement being or later becoming void, unenforceable or illegal as regards the other Borrower;

(b) the Lender entering into any rescheduling, refinancing or other arrangement of any kind with the other Borrower;

(c) the Lender releasing the other Borrower or any Security Interest created by a Finance Document; or

(d) any combination of the foregoing.

28.3 Principal debtors. Each Borrower declares that it is and will, throughout the Security Period, remain a principal debtor for all amounts owing under this Agreement and the Finance Documents and neither Borrower shall in any circumstances be construed to be a surety for the obligations of the other Borrower under this Agreement.

28.4 Subordination. Subject to Clause 28.5, during the Security Period, neither Borrower shall:

(a) claim any amount which may be due to it from the other Borrower whether in respect of a payment made, or matter arising out of, this Agreement or any Finance Document, or any matter unconnected with this Agreement or any Finance Document; or

(b) take or enforce any form of security from the other Borrower for such an amount, or in any other way seek to have recourse in respect of such an amount against any asset of the other Borrower; or

(c) set off such an amount against any sum due from it to the other Borrower; or

(d) prove or claim for such an amount in any liquidation, administration, arrangement or similar procedure involving the other Borrower or other Security Party; or

(e) exercise or assert any combination of the foregoing.

28.5 Borrower's required action. If during the Security Period, the Lender, by notice to a Borrower, requires it to take any action referred to in paragraphs ((a)) to ((d)) of Clause 28.4, in relation to the other Borrower, that Borrower shall take that action as soon as practicable after receiving the Lender's notice.

29 SUPPLEMENTAL

29.1 Rights cumulative, non-exclusive. The rights and remedies which the Finance Documents give to the Lender are:

(a) cumulative;

(b) may be exercised as often as appears expedient; and

(c) shall not, unless a Finance Document explicitly and specifically states so, be taken to exclude or limit any right or remedy conferred by any law.

29.2 Severability of provisions. If any provision of a Finance Document is or subsequently becomes void, unenforceable or illegal, that shall not affect the validity, enforceability or legality of the other provisions of that Finance Document or of the provisions of any other Finance Document.

29.3 Counterparts. A Finance Document may be executed in any number of counterparts.

29.4 Third party rights. A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

~~30~~30 LAW AND JURISDICTION

~~30.1~~30.1 English law. This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

~~30.2~~30.2 Exclusive English jurisdiction. Subject to Clause 30.3, the courts of England shall have exclusive jurisdiction to settle any ~~disputes which may arise out of or in connection with this Agreement.~~Dispute.

~~30.3~~30.3 Choice of forum for the exclusive benefit of the Lender. Clause 30.2 is for the exclusive benefit of the Lender, which reserves the right:

(a) to commence proceedings in relation to any ~~matter which arises~~ Dispute ~~out of or in connection with this Agreement~~ in the courts of any country other than England and which have or claim jurisdiction to that ~~matter~~Dispute; and

(b) to commence such proceedings in the courts of any such country or countries concurrently with or in addition to proceedings in England or without commencing proceedings in England.

Neither Borrower shall commence any proceedings in any country other than England in relation to a ~~matter which arises~~ Dispute.

~~out of or in connection with this Agreement.~~

~~30.4~~30.4 Process agent. Each Borrower irrevocably appoints Ince Process Agents Ltd. for the time being presently of 5th Floor, International House, 1 St. Katharine's Way, London E1W 1AY, England, to act as its agent to receive and accept on its behalf any process or other document relating to any proceedings in the English courts which are connected with ~~this Agreement.~~a Dispute.

~~30.5Lender's~~30.5 Lender's rights unaffected. Nothing in this Clause 30 shall exclude or limit any right which the Lender may have (whether under the law of any country, an international convention or otherwise) with regard to the bringing of proceedings, the service of process, the recognition or enforcement of a judgment or any similar or related matter in any jurisdiction.

~~30.6~~30.6 **Meaning of "proceedings".** In this Clause 30, "**proceedings**" means proceedings of any kind, including an application for a provisional or protective measure and a "**Dispute**" means any dispute arising out of or in connection with this Agreement ("including a dispute relating to the existence, validity or termination of this Agreement") or any non-contractual obligation arising out of or in connection with this Agreement.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

DRAWDOWN NOTICE

To: WestLB AG, London Branch
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
England

Attention: Shipping-Transportation

2008

DRAWDOWN NOTICE

1 We refer to the loan agreement (the "**Loan Agreement**") dated 2008 and made between us, as joint and several Borrowers, and you, as Lender, in connection with a facility of up to US$103,200,000. Terms defined in the Loan Agreement have their defined meanings when used in this Drawdown Notice.

2 We request to borrow the [Tranche A] [Tranche B~~[] Advance~~] as follows:

(a) Amount of [Tranche A]Tranche B~~[] Advance~~]: US$[•];

(b) Drawdown Date: 2008;

(c) Duration of the first Interest Period shall be [ ] months;

(d) Payment instructions: [ ]

3 We represent and warrant that:

(a) the representations and warranties in Clause 9 of the Loan Agreement would remain true and not misleading if repeated on the date of this notice with reference to the circumstances now existing;

(b) no Event of Default or Potential Event of Default has occurred or will result from the borrowing of the Loan.

4 This notice cannot be revoked without the prior consent of the Lender.

5 [We authorise you to deduct the second instalment of the arrangement fee referred to in Clause 19.1 from the amount of the Loan.]

for and on behalf of
AEGEAN TRADERS INC.
IGUANA SHIPPING COMPANY LIMITED

SCHEDULE 2

CONDITION PRECEDENT DOCUMENTS

PART A

The following are the documents referred to in Clause 8.1(a).

1 A duly executed original of each Finance Document (and of each document required to be delivered under each of them), other than those referred to in Part B, Part C and Part D.

2 Copies of the certificate of incorporation and constitutional documents of each Borrower and each Security Party ~~(save for the Collateral Owner).~~ .

3 Copies of resolutions of the directors (and, in the case of each Borrower additionally, the shareholders) of each Borrower and each Security Party ~~(save for the Collateral Owner~~ authorising the execution of each of the Finance Documents to which that Borrower or that Security Party is a party and, in the case of each Borrower, authorising named officers to execute the Drawdown Notices and any other notices under this Agreement.

4 The original of any power of attorney under which any Finance Document is executed on behalf of either Borrower or a Security Party ~~(save for the Collateral Owner).~~

5 Copies of all consents which each Borrower or any Security Party requires to enter into, or make any payment under, any Finance Document to which it is or is to be a party ~~(save for the Collateral Owner).~~

6 Copies of any Approved Charter.

7 The originals of any mandates or other documents required in connection with the opening or operation of the Earnings Accounts.

8 Evidence satisfactory to the Lender that each Borrower is a direct or indirect wholly-owned subsidiary of the Corporate Guarantor.

9 Documentary evidence that the agent for service of process named in Clause 30.4 has accepted its appointment.

10 All documentation and mandates required by the Lender in relation to the Borrowers and any Security Party pursuant to the Lender's "know your customer" requirements.

11 Copies of the latest audited consolidated financial statements in respect of the Corporate Guarantor.

12 Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the Marshall Islands, Malta and such other relevant jurisdictions as the Lender may require.

13 If the Lender so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Lender.

PART B

The following are the documents referred to in Clause 8.1(b).

1 A duly executed original of the Mortgage, the Deed of Covenant, the General Assignment, the Account Pledge and any Charterparty Assignment (and of each document to be delivered under each of them) in respect of "FEDERAL MAPLE".

2 Documentary evidence that:

(a) "FEDERAL MAPLE" has been unconditionally delivered to, and accepted by, Aegean under the relevant MOA and the full purchase price payable under that MOA (comprising the equity contribution of Aegean and the part financed by Tranche A) has been duly paid;

(b) "FEDERAL MAPLE" is definitively and permanently registered in the name of Aegean under an Approved Flag;

(c) "FEDERAL MAPLE" is in the absolute and unencumbered ownership of Aegean save as contemplated by the Finance Documents;

(d) "FEDERAL MAPLE" maintains the highest available class with such first-class classification society which is a member of IACS as the Lender may approve free of all recommendations and conditions of such classification society;

(e) the Mortgage relative to "FEDERAL MAPLE" has been duly registered against that Ship as a valid first priority ship mortgage in accordance with the laws of the relevant Approved Flag State; and

(f) "FEDERAL MAPLE" is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.

3 Documents establishing that "FEDERAL MAPLE" will, as from its delivery date, be managed by the Approved Manager on terms acceptable to the Lender, together with:

(a) the Approved Manager's Undertaking in respect of "FEDERAL MAPLE"; and

(c) ~~(b)~~copies of the document of compliance (DOC), the safety management certificate (SMC) referred to in paragraph (a) of the definition of the ISM Code Documentation and the ISSC certified as true and in effect by Aegean and the Approved Manager or, if the SMC or ISSC cannot be issued by the Delivery Date, evidence that this document has been applied for, accompanied by a statement from a director or officer of that Borrower and the Approved Manager that none of them is aware of any reason why such application may be refused.

4 Two valuations of "FEDERAL MAPLE" prepared by two Approved Brokers, stated to be for the purposes of this Agreement each prepared in accordance with Clause 14.3 and showing the Market Value of "FEDERAL MAPLE" in an amount acceptable to the Lender.

5 The originals of any mandates or other documents required in connection with the opening of operation of the Earnings Account in respect of "FEDERAL MAPLE" and in relation to the Lender's "know your customer" regulations (whether in connection with the opening of that Account or otherwise).

6 A favourable opinion (at the cost of the Borrowers) from an independent insurance consultant acceptable to the Lender on such matters relating to the insurances of "FEDERAL MAPLE" as the Lender may require.

7 Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the Republic of Malta and such other relevant jurisdictions as the Lender may require.

PART C

The following are the documents referred to in Clause 8.1(c).

1 A duly executed original of the Mortgage, the Deed of Covenant, the General Assignment, the Account Pledge and any Charterparty Assignment (and of each document to be delivered under each of them) in respect of "IGUANA".

2 Documentary evidence that:

(a) "IGUANA" is in the absolute and unencumbered ownership of Iguana save as contemplated by the Finance Documents;

(b) "IGUANA" maintains the highest available class with such first-class classification society which is a member of IACS as the Lender may approve free of all recommendations and conditions of such classification society;

(c) the Mortgage relative to "IGUANA" has been duly registered against that Ship as a valid first priority ship mortgage in accordance with the laws of the Approved Flag State; and

(d) "IGUANA" is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.

3 Documents establishing that "IGUANA" will, as from the Drawdown Date, be managed by the Approved Manager on terms acceptable to the Lender, together with:

(a) the Approved Manager's Undertaking in respect of "IGUANA"; and

(b) copies of the document of compliance (DOC), the safety management certificate (SMC) referred to in paragraph (a) of the definition of the ISM Code Documentation and the ISSC in respect of each Ship certified as true and in effect by Aegean or (as the case may be) the Approved Manager.

4 Two valuations of "IGUANA" prepared by two Approved Brokers, which the Lender has appointed or approved, stated to be for the purposes of this Agreement each prepared in accordance with Clause 14.3 and showing the Market Value of that Ship in an amount acceptable to the Lender.

5 The originals of any mandates or other documents required in connection with the opening of operation of the Earnings Account in respect of "IGUANA" and in relation to the Lender's "know your customer" regulations (whether in connection with the opening of that Account or otherwise).

6 A favourable opinion (at the cost of the Borrowers) from an independent insurance consultant acceptable to the Lender on such matters relating to the insurances of "IGUANA" as the Lender may require.

7 Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the Republic of Malta and such other relevant jurisdictions as the Lender may require.

~~**PART D**~~

~~The following are the documents referred to in Clause 8.1(d).~~

~~**1** A duly executed original of the Collateral Guarantee, the Collateral Mortgage, the Deed of Covenant, the Collateral General Assignment, the Account Pledge and any Charterparty Assignment (and of each document to be delivered under each of them) in respect of the Collateral Ship.~~

~~**2** Copies of the certificate of incorporation and constitutional documents the Collateral Owner.~~

~~**3** Copies of resolutions of the shareholders and directors of the Collateral Owner authorising the execution of each of the Finance Documents to which it is a party.~~

~~**4** The original of any power of attorney under which any Finance Document is executed on behalf of the Collateral Owner.~~

~~**5** Copies of all consents which the Collateral Owner requires to enter into, or make any payment under, any Finance Document to which it is or is to be a party.~~

~~**6** Copies of any Approved Charter in respect of the Collateral Ship.~~

~~**7** Documentary evidence that:~~

~~(a) the Collateral Ship has been unconditionally delivered to, and accepted by, the Collateral Owner under the relevant MOA and the full purchase price payable under that MOA (comprising the equity contribution of the Collateral Owner and the part financed by the Second Tranche B Advance) has been duly paid;~~

~~(b) the Collateral Ship is definitively and permanently registered in the name of the Collateral Owner under an Approved Flag;~~

~~(c) the Collateral Ship is in the absolute and unencumbered ownership of the Collateral Owner save as contemplated by the Finance Documents;~~

~~(d) the Collateral Ship maintains the highest available class with such first class classification society which is a member of IACS as the Agent may approve free of all recommendations and conditions of such classification society;~~

~~(e) the Collateral Mortgage has been duly registered against the Collateral Ship as a valid first priority or preferred ship mortgage in accordance with the laws of the relevant Approved Flag State; and~~

~~(f) the Collateral Ship is insured in accordance with the provisions of this Agreement and all requirements therein in respect of insurances have been complied with.~~

~~**8** Documents establishing that the Collateral Ship will, as from its delivery date, be managed by the Approved Manager on terms acceptable to the Lender, together with:~~

~~(a) the Approved Manager's Undertaking in respect of the Collateral Ship; and~~

~~(b) copies of the document of compliance (DOC), the safety management certificate (SMC) referred to in paragraph (a) of the definition of the ISM Code Documentation and the ISSC certified as true and in effect by the Collateral Owner and the Approved Manager or, if the SMC or ISSC cannot be issued by the Delivery Date, evidence that this document has been applied for, accompanied by a statement from a director or officer of the Collateral Owner and the Approved Manager that none of them is aware of any reason why such application may be refused.~~

~~**9** Two valuations of the Collateral Ship prepared by two Approved Brokers appointed by the Lender, stated to be for the purposes of this Agreement each prepared in accordance with Clause 14.3 and showing the Market Value of the Collateral Ship in an amount acceptable to the Lender.~~

~~The originals of any mandates or other documents required in connection with the opening of operation of the Account in respect of the Collateral Ship and in relation to the Lender's "know your customer" regulations (whether in connection with the opening of that Account or otherwise).~~

~~**11** A favourable opinion (at the cost of the Borrowers) from an independent insurance consultant acceptable to the Lender on such matters relating to the insurances of the Collateral Ship as the Lender may require.~~

~~**12** Evidence satisfactory to the Lender that the Collateral Owner is a direct or indirect wholly owned subsidiary of the Corporate Guarantor.~~

~~**13** Favourable legal opinions from lawyers appointed by the Lender on such matters concerning the laws of the relevant Approved Flag State and such other relevant jurisdictions as the Lender may require.~~

Every copy document delivered under this Schedule shall be certified as a true and up to date copy by a director or the secretary (or equivalent officer) of the relevant ~~Owner~~ Borrower or the lawyers ~~counsel~~ of the Borrowers.

SCHEDULE 3

MANDATORY COST FORMULA

1 The Mandatory Cost is an addition to the interest rate to compensate the Lender for the cost of compliance with (a) the requirements of the Financial Services Authority (or any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.

2 On the first day of each Interest Period (or as soon as possible thereafter) the Lender shall calculate, as a percentage rate, a rate (the "**Additional Cost Rate**") for the Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Lender and will be expressed as a percentage rate per annum.

3 The Additional Cost Rate for the Lender lending from a lending office in a Participating Member State will be the percentage certified by the Lender to be its reasonable determination of the cost of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that lending office.

4 The Additional Cost Rate for the Lender lending from a lending office in the United Kingdom will be calculated by the Lender as follows:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum}$$

Where:

E is designed to compensate the Lender for amounts payable under the Fees Rules and is calculated by the Lender as being the average of the most recent rates of charge supplied to the Lender pursuant to paragraph 6 below and expressed in pounds per £1,000,000.

5 For the purposes of this Schedule:

(a) "**Special Deposits**" has the meaning given to it from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;

(b) "**Fees Rules**" means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;

(a) "**Fee Tariffs**" means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate);

(b) "**Participating Member State**" means any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to European Monetary Union; and

(c) "**Tariff Base**" has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

6 If the Lender is lending from a lending office in the United Kingdom shall, as soon as practicable after publication by the Financial Services Authority, calculate, the rate of charge payable by the Lender to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by the Lender as being the average of the Fee Tariffs applicable to the Lender for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of the Lender.

7 The Lender shall confirm the jurisdiction of its lending office on or prior to the date on which it makes available the Loan:

8 Unless a Lender notifies to the contrary, the Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a lending office in the same jurisdiction as its lending office.

9 Any determination by the Lender pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to the Lender shall, in the absence of manifest error, be conclusive and binding on all parties.

The Lender may from time to time, after consultation with the Borrower determine and notify to all parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on the Borrower.

EXECUTION PAGE

BORROWERS

SIGNED by)
)
for and on behalf of)
AEGEAN TRADERS INC.)
in the presence of:)

SIGNED by)
)
for and on behalf of)
IGUANA SHIPPING COMPANY LIMITED)
in the presence of:)

LENDER

SIGNED by)
)
for and on behalf of)
WESTLB AG, LONDON BRANCH)
in the presence of:)

Exhibit 4.67

SUPPLEMENTAL LETTER

To: Aegean Traders Inc.
Trust Company Complex
Ajeltake Road
Ajeltake Island
Majuro MH 96960
Marshall Islands

-and-

Iguana Shipping Company Limited
5/2 Merchants Street
Valletta
Malta

From: WestLB AG
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
England

10 June 2010

Dear Sirs

Loan agreement dated 20 June 2008 (as amended and supplemented by a supplemental agreement dated 8 October 2009 and as amended and restated by an amending and restating agreement dated 18 January 2010, the "Loan Agreement") made between us as lender (the "Lender") and (ii) you as joint and several borrowers (the "Borrowers") in respect of a facility of (originally) up to US$103,200,000.

We refer to the Loan Agreement.

Words and expressions defined in the Loan Agreement shall have the same meanings when used in this Letter.

We refer to your request that we consent to the extension of the Relevant Period so that it expires on 31 December 2010 instead of 23 May 2010.

We hereby confirm our agreement to your request subject to the terms and conditions of this letter.

1 We confirm that the Loan Agreement shall be amended (with effect from the date on which the Borrowers sign the acknowledgement to this letter) as follows:

(a) by deleting the date "23 May 2010" from the first line of the definition "Relevant Period" in clause 1.1 thereof and replacing it with the date "31 December 2010"; and

(b) by construing all references therein to "this Agreement" where the context admits as being references to "this Agreement as the same is amended and supplemented by the second supplemental letter agreement hereto and as the same may from time to time be further supplemented and/or amended".

2 **Loan Agreement and Finance Documents.** The Borrowers hereby agree with the Lender that other than as amended and/or supplemented by this Letter, the provisions of the Loan Agreement and the Finance Documents shall be and are hereby re-affirmed and remain in full force and effect and the Lender reserves the right at any time to demand repayment in full of all sums made available to the Borrowers under the Loan Agreement.

3 **Representations and Warranties.** The Borrowers hereby represent and warrant to the Lender that:

(a) the representations and warranties contained in the Loan Agreement are true and correct on the date of this letter as if all references therein to "this Agreement" were references to the Loan Agreement as supplemented by this Letter; and

(b) this letter comprises the legal, valid and binding obligations of the Borrowers enforceable in accordance with its terms.

4 **Amendment Fee.** The approval and consent of the Lender to the arrangements set out in this Letter is subject to the payment by the Borrowers to the Lender on the date of this Letter of an a non-refundable arrangement fee of $30,000.

5 **Notices.** Clause 27 (Notices) of the Loan Agreement shall extend and apply to this letter as if the same was (mutatis mutandis) herein expressly set forth.

6 **Law and Jurisdiction** This letter shall be governed by, and construed in accordance with, English law and Clause 29 (Law and Jurisdiction) of the Loan Agreement shall extend and apply to this letter as if the same were (mutatis mutandis) herein expressly set forth.

Please confirm your acceptance to the foregoing terms and conditions by signing the acceptance at the foot of this letter.

Yours faithfully

/s/ Illegible

for and on behalf of
WESTLB AG, LONDON BRANCH

Accepted and agreed

/s/ Dr. Clarissa Cefai
Director
for and on behalf of
AEGEAN TRADERS INC.

/s/ Dr. Clarissa Cefai
Director
for and on behalf of
IGUANA SHIPPING COMPANY LIMITED

Dated 10 June 2010

We hereby confirm and acknowledge that we have read and understood the terms and conditions of the above letter and agree in all respects to the same and confirm that the Finance Documents (as that term is defined in the Loan Agreement) to which we are a party shall remain in full force and effect and shall continue to stand as security for the obligations of the Borrowers under the Loan Agreement.

/s/ George Economou
Director
for and on behalf of
DRYSHIPS INC.

Exhibit 4.69

SUPPLEMENTAL LETTER

To: Cretan Traders Inc.
Trust Company House
Trust Company Complex
Ajeltake Road
Ajeltake Island, Majuro
Marshall Islands

24 July 2009

Loan Agreement dated 23 July 2008 and made between (i) Cretan Traders Inc. as borrower (the "Borrower"), (ii) the banks and financial institutions listed therein as lender (the "Lenders"), (iii) Norddeutsche Landesbank Girozentrale as swap bank, underwriter, mandated lead arranger, bookrunner, agent and security trustee (the "Agent") in respect of a facility of (originally) up to US$126,400,000.

We refer to the Loan Agreement. Words and expressions defined in the Loan Agreement shall have the same meaning when used in this Letter.

The Borrower hereby acknowledges that as at the date hereof, the outstanding principal balance of the Loan is $118,450,000 of which $37,109,355.44 represents the outstanding principal balance of Tranche A and $81,340,664.56 represents the outstanding principal balance of Tranche B.

Pursuant to discussions between us, we have agreed on and subject to the terms of this Letter to increase the Margin applicable to the Loan with effect from 29 July 2009.

We hereby confirm our approval to these arrangements, subject to the following conditions:

1 **Amendments to Loan Agreement and Finance Documents**. The arrangements in this Letter necessitate certain amendments to the Loan Agreement and we confirm that the Loan Agreement shall be amended (with effect from 29 July 2009) as follows:

(a) by construing all references in the Loan Agreement to "this Agreement" and all references in the Finance Documents (other than the Loan Agreement) to the "Loan Agreement" as references to the Loan Agreement as amended and supplemented by this Letter;

(b) by construing all references in the Loan Agreement and in the Finance Documents to the "Mortgage" as references to the Mortgage as amended and supplemented by the Amendment Mortgage;

(c) by adding the following new definition in clause 1.1 of the Loan Agreement:

""Amendment Mortgage" means an amendment to the Mortgage in such form as the Agent may approve or require;";

(d) by deleting the definition of "Margin" in Clause 1.1 thereof in its entirety and substituting the same with:

""Margin" means (but subject to Clause 5.16):

(i) during the period commencing on 29 July 2009 and ending on 29 September 2009, 3.25 per cent. per annum; and

(ii) at all other times:

(A) in relation to Tranche A, 1.25 per cent. per annum; and

(B) in relation to Tranche B, 1.35 per cent. per annum;"

(e) by deleting the words "the date falling on the earlier of (i) 12 months after the Drawdown Date and (ii) 30 August 2009" in Clause 5.16 thereof and replacing with the words and the figures "29 September 2009".

2 Conditions. Our consent to your request is subject to the following conditions:

(a) documents of the kind specified in paragraphs 2, 3 and 4 of Schedule 3, Part A to the Loan Agreement in relation to the Borrower in connection with its execution of this Letter and the Amendment Mortgage updated with appropriate modifications to refer to this Letter;

(b) an original of this Letter duly executed by the parties to it and counter-signed by the Security Parties;

(c) receipt of the original Amendment Mortgage duly signed by the Borrower and evidence satisfactory to the Agent and its lawyers that the same has been registered as a valid amendment to the Mortgage in accordance with the laws of Malta; and

(d) favourable opinions from lawyers appointed by the Agent on such matter concerning the laws of Marshall Islands and Malta and such other relevant jurisdiction as the Agent may require.

3 Representations and Warranties. The Borrower represents and warrants to the Agent that:

(a) the representations and warranties in Clause 10 of the Loan Agreement, as amended and supplemented by this Letter, remain true and not misleading if repeated on the date of this Letter with reference to the circumstances now existing; and

(b) the representations and warranties in the Finance Documents (other than the Loan Agreement) to which it is a party, as amended and supplemented by this Letter remain true and not misleading if repeated on the date of this Letter with reference to the circumstances now existing.

4 Loan Agreement and Finance Documents. The Borrower hereby agrees with the Agent that:

(a) the provisions of the Loan Agreement and the Finance Documents shall be and are hereby re-affirmed and remain in full force and effect and the Agent reserves the right at any time to demand repayment in full of all sums made available to the Borrower under the Loan Agreement in accordance with the terms of the Loan Agreement; and

(b) this Letter should in no way be construed as a waiver or diminution or variation of the rights or claims of the Creditor Parties under or pursuant to the Loan Agreement and that all and any of our rights under the Loan Agreement are hereby expressly reserved (including, without limitation, all our rights in connection with the breaches or potential breaches of covenants which we have discussed with you).

5 Notices. Clause 28 (notices) of the Loan Agreement shall extend and apply to this Letter as if the same were (mutatis mutandis) herein expressly set forth.

6 **Governing law**. This Letter shall be governed by and construed in accordance with English law and Clause 30 (law and jurisdiction) of the Loan Agreement shall extend and apply to this Letter as if the same were (mutatis mutandis) herein expressly set forth.

Please confirm your acceptance to the foregoing terms and conditions by signing the acceptance at the foot of this Letter.

Yours faithfully

/s/ Kerstin Duwe
for and on behalf of
NORDDEUTSCHE LANDESBANK GIROZENTRALE
(in its capacity as Agent for and on behalf
of all the Lenders and the other Creditor Parties)

We hereby acknowledge receipt of the above Letter and confirm our agreement to the terms of the same:

/s/ Eugenia Papapontikou
for and on behalf of
CRETAN TRADERS INC.

Date: 24 July 2009

We hereby confirm and acknowledge that we have read and understood the terms and conditions of the above Letter and agree in all respects to the same and confirm that the Finance Documents (as that term is defined in the Loan Agreement) to which we are a party shall remain in full force and effect and shall continue to stand as security for the obligations of the Borrower under the Loan Agreement

/s/ Eugenia Papapontikou
for and on behalf of
CARDIFF MARINE INC.

/s/ Eugenia Papapontikou
for and on behalf of
DRYSHIPS INC.

Date: 24 July 2009

Exhibit 4.71

SUPPLEMENTAL LETTER

To: Cretan Traders Inc.
Trust Company House
Trust Company Complex
Ajeltake Road
Ajeltake Island, Majuro
Marshall Islands

8 February 2010

Loan Agreement dated 23 July 2008 (as amended and supplemented from time to time) and made between (i) Cretan Traders Inc. as borrower (the "Borrower"), (ii) the banks and financial institutions listed therein as lender (the "Lenders"), (iii) Norddeutsche Landesbank Girozentrale as swap bank, underwriter, mandated lead arranger, bookrunner, agent and security trustee (the "Agent") in respect of a facility of (originally) up to US$126,400,000.

We refer to the Loan Agreement. Words and expressions defined in the Loan Agreement shall have the same meaning when used in this Letter.

The Borrower hereby acknowledges that as at the date hereof, the outstanding principal balance of the Loan is $109,600,000.00 of which $33,718,670.88 represents the outstanding principal balance of Tranche A and $75,881,329.12 represents the outstanding principal balance of Tranche B.

The Borrower has requested that the Creditor Parties agree to waive the Event of Default described in clause 19.1 (n) of the Loan Agreement. Pursuant to discussions between us, we have agreed on and subject to the terms of this Letter to waive clause 19.1(n) of the Loan Agreement with effect from the date of this Letter.

We hereby confirm our approval to those arrangements, subject to the following conditions:

1 **Amendments to Loan Agreement and Finance Documents.** The arrangement in this Letter necessitate certain amendments to the Loan Agreement and we confirm that the Loan Agreement shall be amended (with effect from the date of this Letter) as follows:

(a) by construing all references in the Loan Agreement to "this Agreement" and all references in the Finance Documents (other than the Loan Agreement) to the "Loan Agreement" as references to the Loan Agreement as amended and supplemented by this Letter;

(b) by construing all references in the Loan Agreement and in the Finance Documents to the "Mortgage" as references to the Mortgage as amended and supplemented by the Amendment Mortgage;

(c) by deleting clause 19.1 (n) thereof in its entirety; and

(d) by re-designating the existing paragraphs (o), (p), (q) and (r) of clause 19.1 thereof as paragraphs (n), (o), (p) and (q).

2 **Conditions.** Our consent to your request is subject to the following conditions:

(e) documents of the kind specified in paragraphs 2, 3 and 4 of Schedule 3, Part A to the Loan Agreement in relation to the Borrower in connection with its execution of this Letter and the Amendment Mortgage updated with appropriate modifications to refer to this Letter;

(f) an original of this Letter duly executed by the parties to it and counter-signed by the Security Parties; and

(g) receipt of the original Amendment Mortgage duly signed by the Borrower and evidence satisfactory to the Agent and its lawyers that the same has been registered as a valid amendment to the Mortgage in accordance with the laws of Malta.

3 Representations and Warranties. The Borrower represents and warrants to the Agent that:

(a) the representations and warranties in Clause 10 of the Loan Agreement remain true and not misleading if repeated on the date of this Letter with reference to the circumstances now existing; and

(b) the representations and warranties in the Finance Documents (other than the Loan Agreement) to which it is a party, as amended and supplemented by this Letter remain true and not misleading if repeated on the date of this Letter with reference to the circumstances now existing.

4 Loan Agreement and Finance Documents. The Borrower hereby agrees with the Agent that:

(a) the provisions of the Loan Agreement and the Finance Documents shall be and are hereby re-affirmed and remain in full force and effect and the Agent reserves the right at any time to demand repayment in full of all sums made available to the Borrower under the Loan Agreement in accordance with the terms of the Loan Agreement; and

(b) this Letter should in no way be construed as a waiver or diminution or variation of the rights or claims of the Creditor Parties under or pursuant to the Loan Agreement.

5 Notices. Clause 28 (notices) of the Loan Agreement shall extend and apply to this Letter as if the same were (mutatis mutandis) herein expressly set forth.

6 Governing law. This Letter shall be governed by and construed in accordance with English law and Clause 30 (law and jurisdiction) of the Loan Agreement shall extend and apply to this Letter as if the same were (mutatis mutandis) herein expressly set forth.

Please confirm your acceptance to the foregoing terms and conditions by signing the acceptance at the foot of this Letter.

Yours faithfully

/s/ ERICA LACOMBE
for and on behalf of
NORDDEUTSCHE LANDESBANK GIROZENTRALE
(in its capacity as Agent for and on behalf of all the Lenders and the other Creditor Parties)

We hereby acknowledge receipt of the above Letter and confirm our agreement to the terms of the same:

/s/ Eugenia Papapontikou
for and on behalf of
CRETAN TRADERS INC.

Date: 8 February 2010

We hereby confirm and acknowledge that we have read and understood the terms and conditions of the above Letter and agree in all respects to the same and confirm that the Finance Documents (as that term is defined in the Loan Agreement) to which we are a party shall remain in full force and effect and shall continue to stand as security for the obligations of the Borrower under the Loan Agreement.

/s/ Maria Phylactou
MARIA PHYLACTOU
for and on behalf of
CARDIFF MARINE INC.

/s/ Eugenia Papapontikou
EUGENIA PAPAPONTIKOU
for and on behalf of
ROSCOE MARINE LTD.

/s/ Eugenia Papapontikou
EUGENIA PAPAPONTIKOU
for and on behalf of
MONTEAGLE SHIPPING SA

/s/ Eugenia Papapontikou
EUGENIA PAPAPONTIKOU
for and on behalf of
DRYSHIPS INC.

Date: 8 February 2010

Exhibit 4.78

From: Dryships Inc. and Drillship Skopelos Owners Inc.
c/o Cardiff Marine Inc.
80 Kifissias Avenue
GR-151 25 Amaroussion
Greece

To: Deutsche Bank Luxembourg S.A. as the Facility Agent under the Credit Agreement and the Guarantee (as defined below)
2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

For the attention of: Franz-Josef Ewerhardy / Banu Ozkutan, International Loans and Agency Services

and

Deutsche Bank AG Filiale Deutschlandgeschäft as the Security Trustee under the Credit Agreement and the Guarantee (as defined below)
Ludwig-Erhard Straße 1
20459 Hamburg
Germany

For the attention of: Tilman Stein, Shipfinancing

21 May 2009

Dear Sirs,

(1) US$562,500,000 credit facility agreement dated 18 July 2008 as amended and supplemented by the supplemental agreement dated 17 September 2008 and the supplemental agreement No. 2 dated 18 December 2008 (the **Credit Agreement**) between (among others) Drillship Skopelos Owners Inc. (the **Owner**), the Lenders under the Credit Agreement, Deutsche Bank Luxembourg S.A as Facility Agent and Deutsche Bank AG Filiale Deutschlandgeschäft as Security Trustee; and

(2) Sponsor Construction and Post-Delivery Guarantee dated 18 July 2008 (the **Sponsor Construction and Post-Delivery Guarantee**) between (among others) Dryships Inc. as Guarantor (the **Guarantor**), the Lenders, Deutsche Bank Luxembourg S.A as Facility Agent and Deutsche Bank AG Filiale Deutschlandgeschäft as Security Trustee relating to the Credit Agreement.

1. Interpretation

(a) We refer to the Sponsor Construction and Post-Delivery Guarantee. Capitalised terms defined in the Sponsor Construction and Post-Delivery Guarantee (whether by reference or otherwise) have the same meaning when used in this letter unless expressly defined in this letter.

(b) The provisions of clause 1.2 (Construction) of the Sponsor Construction and Post-Delivery Guarantee apply to this letter as though they were set out in full in this letter except that references to the Sponsor Construction and Post-Delivery Guarantee are to be construed as references to this letter.

2. Request for waiver

(a) Pursuant to Clause 7.14 (Financial covenants) of the Sponsor Construction and Post-Delivery Guarantee, the Guarantor must ensure that:

(i) the Market Adjusted Equity Ratio will not be less than:

(A) in the financial year ending on 31 December 2008, 0.25:1; and

(B) in each subsequent financial year, 0.3:1;

(ii) the Interest Coverage Ratio will not be less than 3:1;

(iii) the Market Value Adjusted Net Worth of the Group will not be less than US$500,000,000; and

(iv) at all times there is available to the Guarantor and all the other members of the Group an aggregate amount of not less than US$40,000,000 in immediately freely available and unencumbered bank or cash balances.

Any breach of the covenants contained in Clause 7.14 of the Sponsor Construction and Post-Delivery Guarantee gives rise to an Event of Default pursuant to Clause 18.3 of the Credit Agreement.

(b) We write to inform you that on the date of the next compliance check pursuant to Clause 7.15 of the Sponsor Construction and Post-Delivery Guarantee, we do not expect to be able to confirm to you that the requirements of the Market Adjusted Equity Ratio and Market Value Adjusted Net Worth of the Group covenants set out in Clauses 7.14 (a) and (c) (being those set out in paragraphs (a)(i) and (a)(iii) above) of the Sponsor Construction and Post-Delivery Guarantee are being met, having regard to the fact that those covenants are to be calculated, among others, by reference to the definition of Insurance Market Value under the Credit Agreement, which means the average of valuations of the Fleet Vessels obtained from the Approved Brokers, which valuations are to be made on a free of any existing charter basis. As a result an Event of Default occurs pursuant to Clause 18.3 of the Credit Agreement.

(c) We would like to point out that if the Market Adjusted Equity Ratio and Market Value Adjusted Net Worth of the Group covenants were calculated using vessel valuations on the basis of the US GAAP rules or by taking into account the cashflow generated from the existing time charters in respect of the Fleet Vessels, we would expect to be able to confirm to you that we would be in full compliance with all of the financial covenants under Clause 7.14 of the Sponsor Construction and Post-Delivery Guarantee on the date of the next compliance check. For illustrative purposes, we attach at Appendix 1 two spreadsheets showing the calculation of the financial covenants tests using vessel valuations on the basis of US GAAP rules and on the basis of the cashflow generated from the existing time charters respectively.

(d) Accordingly, in anticipation of being unable to confirm to you on the date of the next compliance check that we are able to meet the requirements of the Market Adjusted Equity Ratio and Market Value Adjusted Net Worth of the Group covenants, we request you to approach each Lender under the Credit Agreement in order to obtain the Lenders' consent to waive (i) the compliance with the Market Adjusted Equity Ratio and Market Value Adjusted Net Worth of the Group covenants set out in Clauses 7.14 (a) and 7.14 (c) of the Sponsor

Construction and Post-Delivery Guarantee until the Drilling Charter Cut-off Date, being the earlier of (x) 31 January 2010 and (y) the Instalment Loan 2 Utilisation Date and (ii) the Event of Default which occurs under Clause 18.3 of the Credit Agreement as a consequence of such non-compliance.

(e) In consideration of the Lenders agreeing to the waivers requested in paragraph (d) above, we will pay to the Facility Agent (for distribution to each of the Lenders) a waiver fee of US$30,000 for each Lender on the date the waiver becomes effective.

3. Timing

We are keen to finalise this matter as soon as possible and consequently, we would be grateful if you could please circulate this letter to the Lenders at your earliest convenience.

4. Governing law

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

Yours faithfully,

/s/ George Economou
For
DRYSHIPS INC.
as the Guarantor

/s/ Pankaj Khanna
For
DRILLSHIP SKOPELOS OWNERS INC.
as the Owner

APPENDIX 1

COVENANT TEST CALCULATIONS OF DRYSHIPS

4

Exhibit 4.79

From: Dryships Inc. and Drillship Kithira Owners Inc.
c/o Cardiff Marine Inc.
80 Kifissias Avenue
GR-151 25 Amaroussion
Greece

To: Deutsche Bank Luxembourg S.A. as the Facility Agent under the Credit Agreement and the Guarantee (as defined below)
2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

For the attention of: Franz- Josef Ewerhardy / Banu Ozkutan, International Loans and Agency Services

and

Deutsche Bank AG Filiale Deutschlandgeschäft as the Security Trustee under the Credit Agreement and the Guarantee (as defined below)
Ludwig-Erhard Straße 1
20459 Hamburg
Germany

For the attention of: Tilman Stein, Shipfinancing

21 May 2009

Dear Sirs,

(1) US$562,500,000 credit facility agreement dated 18 July 2008 as amended and supplemented by the supplemental agreement dated 17 September 2008 and the supplemental agreement No. 2 dated 18 December 2008 (the **Credit Agreement**) between (among others) Drillship Kithira Owners Inc. (the **Owner**), the Lenders under the Credit Agreement, Deutsche Bank Luxembourg S.A as Facility Agent and Deutsche Bank AG Filiale Deutschlandgeschäft as Security Trustee; and

(2) Sponsor Construction and Post-Delivery Guarantee dated 18 July 2008 (the **Sponsor Construction and Post-Delivery Guarantee**) between (among others) Dryships Inc. as Guarantor (the **Guarantor**), the Lenders, Deutsche Bank Luxembourg S.A as Facility Agent and Deutsche Bank AG Filiale Deutschlandgeschäft as Security Trustee relating to the Credit Agreement.

1. Interpretation

(a) We refer to the Sponsor Construction and Post-Delivery Guarantee. Capitalised terms defined in the Sponsor Construction and Post-Delivery Guarantee (whether by reference or otherwise) have the same meaning when used in this letter unless expressly defined in this letter.

(b) The provisions of clause 1.2 (Construction) of the Sponsor Construction and Post-Delivery Guarantee apply to this letter as though they were set out in full in this letter except that references to the Sponsor Construction and Post-Delivery Guarantee are to be construed as references to this letter.

2. Request for waiver

(a) Pursuant to Clause 7.14 (Financial covenants) of the Sponsor Construction and Post-Delivery Guarantee, the Guarantor must ensure that:

(i) the Market Adjusted Equity Ratio will not be less than:

(A) in the financial year ending on 31 December 2008, 0.25:1; and

(B) in each subsequent financial year, 0.3:1;

(ii) the Interest Coverage Ratio will not be less than 3:1;

(iii) the Market Value Adjusted Net Worth of the Group will not be less than US$500,000,000; and

(iv) at all times there is available to the Guarantor and all the other members of the Group an aggregate amount of not less than US$40,000,000 in immediately freely available and unencumbered bank or cash balances.

Any breach of the covenants contained in Clause 7.14 of the Sponsor Construction and Post-Delivery Guarantee gives rise to an Event of Default pursuant to Clause 18.3 of the Credit Agreement.

(b) We write to inform you that on the date of the next compliance check pursuant to Clause 7.15 of the Sponsor Construction and Post-Delivery Guarantee, we do not expect to be able to confirm to you that the requirements of the Market Adjusted Equity Ratio and Market Value Adjusted Net Worth of the Group covenants set out in Clauses 7.14 (a) and (c) (being those set out in paragraphs (a)(i) and (a)(iii) above) of the Sponsor Construction and Post-Delivery Guarantee are being met, having regard to the fact that those covenants are to be calculated, among others, by reference to the definition of Insurance Market Value under the Credit Agreement, which means the average of valuations of the Fleet Vessels obtained from the Approved Brokers, which valuations are to be made on a free of any existing charter basis. As a result an Event of Default occurs pursuant to Clause 18.3 of the Credit Agreement.

(c) We would like to point out that if the Market Adjusted Equity Ratio and Market Value Adjusted Net Worth of the Group covenants were calculated using vessel valuations on the basis of the US GAAP rules or by taking into account the cashflow generated from the existing time charters in respect of the Fleet Vessels, we would expect to be able to confirm to you that we would be in full compliance with all of the financial covenants under Clause 7.14 of the Sponsor Construction and Post-Delivery Guarantee on the date of the next compliance check. For illustrative purposes, we attach at Appendix 1 two spreadsheets showing the calculation of the financial covenants tests using vessel valuations on the basis of US GAAP rules and on the basis of the cashflow generated from the existing time charters respectively.

(d) Accordingly, in anticipation of being unable to confirm to you on the date of the next compliance check that we are able to meet the requirements of the Market Adjusted Equity Ratio and Market Value Adjusted Net Worth of the Group covenants, we request you to approach each Lender under the Credit Agreement in order to obtain the Lenders' consent to waive (i) the compliance with the Market Adjusted Equity Ratio and Market Value Adjusted Net Worth of the Group covenants set out in Clauses 7.14 (a) and 7.14 (c) of the Sponsor

Construction and Post-Delivery Guarantee until the Drilling Charter Cut-off Date, being the earlier of (x) 31 January 2010 and (y) the Instalment Loan 2 Utilisation Date and (ii) the Event of Default which occurs under Clause 18.3 of the Credit Agreement as a consequence of such non-compliance.

(e) In consideration of the Lenders agreeing to the waivers requested in paragraph (d) above, we will pay to the Facility Agent (for distribution to each of the Lenders) a waiver fee of US$30,000 for each Lender on the date the waiver becomes effective.

3. Timing

We are keen to finalise this matter as soon as possible and consequently, we would be grateful if you could please circulate this letter to the Lenders at your earliest convenience.

4. Governing law

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

Yours faithfully,

/s/ George Economou
For
DRYSHIPS INC.
as the Guarantor

/s/ Pankaj Khanna
For
DRILLSHIP KITHIRA OWNERS INC.
as the Owner

APPENDIX 1

COVENANT TEST CALCULATIONS OF DRYSHIPS

4

Exhibit 4.80

Facility Agent's and Security Trustee's Consent Letter

To: Drillship Skopelos Owners Inc. (the **Owner**)
Dryships Inc. (the **Guarantor**)
c/o Cardiff Marine Inc.
80 Kifissias Avenue
GR-151 Amaroussion
Greece

05 June 2009

Dear Sirs,

(1) US$562,500,000 credit facility agreement dated 18 July 2008 as amended and supplemented by the supplemental agreement dated 17 September 2008 and the supplemental agreement No. 2 dated 18 December 2008 (the **Credit Agreement**) between (among others) Drillship Skopelos Owners Inc. (the **Owner**), the Lenders under the Credit Agreement, Deutsche Bank Luxembourg S.A as Facility Agent and Deutsche Bank AG Filiale Deutschlandgeschäft as Security Trustee; and

(2) Sponsor Construction and Post-Delivery Guarantee dated 18 July 2008 (the **Sponsor Construction and Post-Delivery Guarantee**) between (among others) Dryships Inc. as Guarantor (the **Guarantor**), the Lenders, Deutsche Bank Luxembourg S.A as Facility Agent and Deutsche Bank AG Filiale Deutschlandgeschäft as Security Trustee relating to the Credit Agreement.

1. Interpretation

(a) We refer to the Sponsor Construction and Post-Delivery Guarantee. Capitalised terms defined in the Sponsor Construction and Post-Delivery Guarantee (whether by reference or otherwise) have the same meaning when used in this letter unless expressly defined in this letter.

(b) The provisions of clause 1.2 (Construction) of the Sponsor Construction and Post-Delivery Guarantee apply to this letter as though they were set out in full in this letter except that references to the Sponsor Construction and Post-Delivery Guarantee are to be construed as references to this letter.

2. Request for waiver of certain obligations and request for amendments

(a) Under a letter (the **Guarantor's and Owner's Letter**) dated 21 May 2009 and pursuant to clause 26 (Amendments and waivers) of the Credit Agreement and clause 11 (Amendments and waivers) of the Sponsor Construction and Post-Delivery Guarantee, the Guarantor and the Owner have requested that the Lenders:

(i) waive the compliance with the Market Adjusted Equity Ratio and Market Adjusted Net Worth of the Group covenants set out in clauses 7.14 (a) and 7.14 (c) of the Sponsor Construction and Post-Delivery Guarantee until the Drilling Charter Cut-off Date; and

(ii) waive the Event of Default which occurs under Clause 18.3 of the Credit Agreement as a consequence of such non-compliance with those financial covenants, in each case, as described in the Guarantor's and Owner's Letter.

(b) We write to inform you that the Lenders have consented the Guarantor or the Owner (as the case may be) to (i) waive the compliance with the Market Adjusted Equity Ratio and Market Adjusted Net Worth of the Group covenants set out in clauses 7.14 (a) and 7.14 (c) of the Sponsor Construction and Post-Delivery Guarantee until the Drilling Charter Cut-off Date and (ii) to waive the Event of Default which occurs under Clause 18.3 of the Credit Agreement as a consequence of such non-compliance with those financial covenants.

(c) Accordingly, we are authorised to confirm that the Guarantor and the Owner's waiver requests mentioned in paragraph 2(a) above are consented. However, the consents will be effective only after the receipt by the Facility Agent of (i) a waiver fee of USD 30,000 to each Commercial Lender, (ii) a waiver fee of USD 50,000 to each of KEXIM and Eksportfinans Lenders and (iii) a waiver fee of USD 2,500 to itself.

3. Reservation of rights

Each Finance Party reserves any other right or remedy it may have now or subsequently. This letter does not constitute a waiver of any right or remedy, other than in relation to those breaches of covenants expressly waived under this letter.

4. Miscellaneous

(a) This letter is a Finance Document.

(b) Except as expressly waived by this letter, each Finance Document continues in full force and effect.

(c) Notwithstanding any waivers given in this letter, the Sponsor Construction and Post-Delivery Guarantee continues in full force and effect and the Guarantor acknowledges and confirms this by countersigning this letter.

5. Governing law and jurisdiction

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

If you agree to the terms of this letter, please sign where indicated below.

Yours faithfully,

/s/ Illegible
For
DEUTSCHE BANK LUXEMBOURG S.A.
as Facility Agent

For
DEUTSCHE BANK AG FILIALE DEUTSCHLANDGESCHÄFT
as Security Trustee

ACKNOWLEDGEMENT

We agree to the terms of this letter.

/s/ Alexandros Mylonas
For
DRILLSHIP SKOPELOS OWNERS INC.

Date: 5 June 2009

/s/ Alexandros Mylonas
For
DRYSHIPS INC.

Date: 5 June 2009

Exhibit 4.81

Facility Agent's and Security Trustee's Consent Letter

To: Drillship Kithira Owners Inc. (the **Owner**)
Dryships Inc. (the **Guarantor**)
c/o Cardiff Marine Inc.
80 Kifissias Avenue
GR-151 Amaroussion
Greece

05 June 2009

Dear Sirs,

(1) US$562,500,000 credit facility agreement dated 18 July 2008 as amended and supplemented by the supplemental agreement dated 17 September 2008 and the supplemental agreement No. 2 dated 18 December 2008 (the **Credit Agreement**) between (among others) Drillship Kithira Owners Inc. (the **Owner**), the Lenders under the Credit Agreement, Deutsche Bank Luxembourg S.A as Facility Agent and Deutsche Bank AG Filiale Deutschlandgeschäft as Security Trustee; and

(2) Sponsor Construction and Post-Delivery Guarantee dated 18 July 2008 (the **Sponsor Construction and Post-Delivery Guarantee**) between (among others) Dryships Inc. as Guarantor (the **Guarantor**), the Lenders, Deutsche Bank Luxembourg S.A as Facility Agent and Deutsche Bank AG Filiale Deutschlandgeschäft as Security Trustee relating to the Credit Agreement.

1. Interpretation

(a) We refer to the Sponsor Construction and Post-Delivery Guarantee. Capitalised terms defined in the Sponsor Construction and Post-Delivery Guarantee (whether by reference or otherwise) have the same meaning when used in this letter unless expressly defined in this letter.

(b) The provisions of clause 1.2 (Construction) of the Sponsor Construction and Post-Delivery Guarantee apply to this letter as though they were set out in full in this letter except that references to the Sponsor Construction and Post-Delivery Guarantee are to be construed as references to this letter.

2. Request for waiver of certain obligations and request for amendments

(a) Under a letter (the **Guarantor's and Owner's Letter**) dated 21 May 2009 and pursuant to clause 26 (Amendments and waivers) of the Credit Agreement and clause 11 (Amendments and waivers) of the Sponsor Construction and Post-Delivery Guarantee, the Guarantor and the Owner have requested that the Lenders:

(i) waive the compliance with the Market Adjusted Equity Ratio and Market Adjusted Net Worth of the Group covenants set out in clauses 7.14 (a) and 7.14 (c) of the Sponsor Construction and Post-Delivery Guarantee until the Drilling Charter Cut-off Date; and

(ii) waive the Event of Default which occurs under Clause 18.3 of the Credit Agreement as a consequence of such non-compliance with those financial covenants, in each case, as described in the Guarantor's and Owner's Letter.

(b) We write to inform you that the Lenders have consented the Guarantor or the Owner (as the case may be) to (i) waive the compliance with the Market Adjusted Equity Ratio and Market Adjusted Net Worth of the Group covenants set out in clauses 7.14 (a) and 7.14 (c) of the Sponsor Construction and Post-Delivery Guarantee until the Drilling Charter Cut-off Date and (ii) to waive the Event of Default which occurs under Clause 18.3 of the Credit Agreement as a consequence of such non-compliance with those financial covenants.

(c) Accordingly, we are authorised to confirm that the Guarantor and the Owner's waiver requests mentioned in paragraph 2(a) above are consented. However, the consents will be effective only after the receipt by the Facility Agent of (i) a waiver fee of USD 30,000 to each Commercial Lender, (ii) a waiver fee of USD 50,000 to each of KEXIM and Eksportfinans Lenders and (iii) a waiver fee of USD 2,500 to itself.

3. Reservation of rights

Each Finance Party reserves any other right or remedy it may have now or subsequently. This letter does not constitute a waiver of any right or remedy, other than in relation to those breaches of covenants expressly waived under this letter.

4. Miscellaneous

(a) This letter is a Finance Document.

(b) Except as expressly waived by this letter, each Finance Document continues in full force and effect.

(c) Notwithstanding any waivers given in this letter, the Sponsor Construction and Post-Delivery Guarantee continues in full force and effect and the Guarantor acknowledges and confirms this by countersigning this letter.

5. Governing law and jurisdiction

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

If you agree to the terms of this letter, please sign where indicated below.

Yours faithfully,

/s/ Illegible
For
DEUTSCHE BANK LUXEMBOURG S.A.
as Facility Agent

/s/ Illegible

For
DEUTSCHE BANK AG FILIALE DEUTSCHLANDGESCHÄFT
as Security Trustee

ACKNOWLEDGEMENT

We agree to the terms of this letter.

/s/ Alexandros Mylonas

For
DRILLSHIP KITHIRA OWNERS INC.

Date: 5 June 2009

/s/ Alexandros Mylonas

For
DRYSHIPS INC.

Date: 5 June 2009

Exhibit 4.84

Deutsche Bank Luxembourg

Drillship Skopelos Owners Inc. (the **Owner**)
Dryships Inc. (the **Sponsor**)
c/o Cardiff Marine Inc.
80 Kifissias Avenue
GR-151 Amaroussion
Greece

Deutsche Bank Luxembourg S.A.
International Loans & Agency Services
PO Box 5 86
L-2015 Luxembourg

2, Boulevard Konrad Adenauer
L-1115 Luxembourg

Franz-Josef Ewerhardy
Direct Line: (+352) 4 21 22 - 552
Direct Fax: (+352) 4 21 22 - 95771
franz-josef.ewerhardy@db.com

23 June 2010

For the attention of: Mr. Ziadh Nakhleh

Facility Agent's Consent Letter

Dear Sirs,

US$562,500,000 credit facility agreement dated 18 July 2008 as amended and supplemented by the supplemental agreement dated 17 September 2008, the supplemental agreement no. 2 dated 18 December 2008 and the supplemental agreement no. 3 dated 29 January 2010 (the Credit Agreement) between (among others) Drillship Skopelos Owners Inc. (the Owner), certain Lenders referred to in the Credit Agreement, Deutsche Bank Luxembourg S.A as Facility Agent and Deutsche Bank AG Filiale Deutschlandgeschäft as Security Trustee.

1. Interpretation

(a) We refer to the Credit Agreement. Capitalised terms defined in the Credit Agreement have the same meaning when used in this letter unless expressly defined in this letter.

(b) The provisions of clause 1.2 (Construction) of the Credit Agreement apply to this letter as though they were set out in full in this letter except that references to the Credit Agreement are to be construed as references to this letter.

2. Request for consent

(a) Pursuant to Clause 16.17(b)(iv) of the Credit Agreement, the Owner may not without the consent of the Facility Agent (acting on the instructions of the Majority Lenders acting reasonably), permit (and will procure that the Other Owner shall not permit) any amendments, changes or variations to, or assignments, transfers, termination, suspension or abandonment of any of the Other Shipbuilding Contract (and to the extent necessary it will procure the Other Owner will withhold its or their consent to any such amendment, change, variation, assignment, transfer, termination, suspension or abandonment) other than an amendment of a non-material or administrative nature.

(b) The Owner has approached us and notified us that the Other Owner (being Drillship Hydra Owners Inc.) intends to finance the acquisition of the Other Vessel (being the drillship with hull number 1837) from the Builder by way of a bond (the **Bond**) which will be offered to potential investors. It is contemplated that the repayment of the Bond by the Other Owner would be secured by, amongst other things, an assignment by way of security of the Other Owner's rights under the Other Shipbuilding Contract and, upon delivery of the Other Vessel, a mortgage over the Other Vessel (together, the **Security**). The Security would be created in favour of, and held by a bondholder security trustee (the **Bondholder Trustee**) on behalf of the Bond investors.

(c) Consequently and pursuant to Clause 16.17(b)(iv) of the Credit Agreement, the Owner has requested that the Lenders consent to the Owner permitting the Other Owner to assign its rights under the Other Shipbuilding Contract to the Bondholder Trustee by way of security.

(d) In considering the requested consent referred to in Clause 2(c) above, the Owner has noted that under the terms of the acknowledgements of the assignments of the Shipbuilding Contract and the Sister Shipbuilding Contract, each dated 8 August 2008, the Builder has also undertaken directly to the Security Trustee not to agree to any amendments to the terms of the Other Shipbuilding Contract without the prior written consent of the Security Trustee.

(e) The Lenders have consented to the Owner permitting the Other Owner to assign its rights under the Other Shipbuilding Contract to the Bondholder Trustee by way of security.

(f) Accordingly, we are authorised to confirm that the Owner may permit the Other Owner to assign its rights under the Other Shipbuilding Contract to the Bondholder Trustee by way of security.

3. Reservation of rights

Each Finance Party reserves any other right or remedy it may have now or subsequently. This letter does not constitute a waiver of any right or remedy.

4. Miscellaneous

(a) This letter is a Finance Document.

(b) Except as expressly waived by this letter, each Finance Document continues in full force and effect.

(c) Notwithstanding any consents given in this letter and the Owner to permit the Other Owner to assign its rights under the Other Shipbuilding Contract to the Bondholder Trustee by way of security (including, without limitation, Clause 2(e)), the Sponsor Construction and Post-Delivery Guarantee continues in full force and effect and the Sponsor acknowledges and confirms this by countersigning this letter.

5. Governing law and jurisdiction

(a) This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

(b) Clause 36 of the Credit Agreement shall apply to this letter as if set out in full herein and as if reference to the Owner were references to the Owner and the Sponsor.

If you agree to the terms of this letter, please sign where indicated below.

Yours faithfully,

/s/ Ewerhardy
For
DEUTSCHE BANK LUXEMBOURG S.A.
as Facility Agent

FORM OF ACKNOWLEDGEMENT

We agree to the terms of this letter.

/s/ Dimitrios Glynos
For
DRILLSHIP SKOPELOS OWNERS INC.

Date: 24 June 2010

/s/ Ziad Nakhleh
For
DRYSHIPS INC.

Date: 24 June 2010

Exhibit 4.85

Deutsche Bank Luxembourg

Drillship Kithira Owners Inc. (the **Owner**)
Dryships Inc. (the **Sponsor**)
c/o Cardiff Marine Inc.
80 Kifissias Avenue
GR-151 Amaroussion
Greece

Deutsche Bank Luxembourg S.A.
International Loans & Agency Services
PO Box 5 86
L-2015 Luxembourg

2, Boulevard Konrad Adenauer
L-1115 Luxembourg

Franz-Josef Ewerhardy
Direct Line: (+352) 4 21 22 - 552
Direct Fax: (+352) 4 21 22 - 95771
franz-josef.ewerhardy@db.com

23 June 2010

For the attention of: Mr. Ziadh Nakhleh

Facility Agent's Consent Letter

Dear Sirs,

US$562,500,000 credit facility agreement dated 18 July 2008 as amended and supplemented by the supplemental agreement dated 17 September 2008, the supplemental agreement no. 2 dated 18 December 2008 and the supplemental agreement no. 3 dated 29 January 2010 (the Credit Agreement) between (among others) Drillship Kithira Owners Inc. (the Owner), certain Lenders referred to in the Credit Agreement, Deutsche Bank Luxembourg S.A as Facility Agent and Deutsche Bank AG Filiale Deutschlandgeschäft as Security Trustee.

1. Interpretation

(a) We refer to the Credit Agreement. Capitalised terms defined in the Credit Agreement have the same meaning when used in this letter unless expressly defined in this letter.

(b) The provisions of clause 1.2 (Construction) of the Credit Agreement apply to this letter as though they were set out in full in this letter except that references to the Credit Agreement are to be construed as references to this letter.

2. Request for consent

(a) Pursuant to Clause 16.17(b)(iv) of the Credit Agreement, the Owner may not without the consent of the Facility Agent (acting on the instructions of the Majority Lenders acting reasonably), permit (and will procure that the Other Owner shall not permit) any amendments, changes or variations to, or assignments, transfers, termination, suspension or abandonment of any of the Other Shipbuilding Contract (and to the extent necessary it will procure the Other Owner will withhold its or their consent to any such amendment, change, variation, assignment, transfer, termination, suspension or abandonment) other than an amendment of a non-material or administrative nature.

(b) The Owner has approached us and notified us that the Other Owner (being Drillship Hydra Owners Inc.) intends to finance the acquisition of the Other Vessel (being the drillship with hull number 1837) from the Builder by way of a bond (the **Bond)** which will be offered to potential investors. It is contemplated that the repayment of the Bond by the Other Owner would be secured by, amongst other things, an assignment by way of security of the Other Owner's rights under the Other Shipbuilding Contract and, upon delivery of the Other Vessel, a mortgage over the Other Vessel (together, the **Security).** The Security would be created in favour of, and held by a bondholder security trustee (the **Bondholder Trustee)** on behalf of the Bond investors.

(c) Consequently and pursuant to Clause 16.17(b)(iv) of the Credit Agreement, the Owner has requested that the Lenders consent to the Owner permitting the Other Owner to assign its rights under the Other Shipbuilding Contract to the Bondholder Trustee by way of security.

(d) In considering the requested consent referred to in Clause 2(c) above, the Owner has noted that under the terms of the acknowledgements of the assignments of the Shipbuilding Contract and the Sister Shipbuilding Contract, each dated 8 August 2008, the Builder has also undertaken directly to the Security Trustee not to agree to any amendments to the terms of the Other Shipbuilding Contract without the prior written consent of the Security Trustee.

(e) The Lenders have consented to the Owner permitting the Other Owner to assign its rights under the Other Shipbuilding Contract to the Bondholder Trustee by way of security.

(f) Accordingly, we are authorised to confirm that the Owner may permit the Other Owner to assign its rights under the Other Shipbuilding Contract to the Bondholder Trustee by way of security.

3. Reservation of rights

Each Finance Party reserves any other right or remedy it may have now or subsequently. This letter does not constitute a waiver of any right or remedy.

4. Miscellaneous

(a) This letter is a Finance Document.

(b) Except as expressly waived by this letter, each Finance Document continues in full force and effect.

(c) Notwithstanding any consents given in this letter and the Owner to permit the Other Owner to assign its rights under the Other Shipbuilding Contract to the Bondholder Trustee by way of security (including, without limitation, Clause 2(e)), the Sponsor Construction and Post-Delivery Guarantee continues in full force and effect and the Sponsor acknowledges and confirms this by countersigning this letter.

5. Governing law and jurisdiction

(a) This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

(b) Clause 36 of the Credit Agreement shall apply to this letter as if set out in full herein and as if reference to the Owner were references to the Owner and the Sponsor.

If you agree to the terms of this letter, please sign where indicated below.

Yours faithfully,

/s/ Ewerhardy
For
DEUTSCHE BANK LUXEMBOURG S.A.
as Facility Agent

FORM OF ACKNOWLEDGEMENT

We agree to the terms of this letter.

/s/ Dimitrios Glynos
For
DRILLSHIP KITHIRA OWNERS INC.

Date: 24 June 2010

/s/ Ziad Nakhleh
For
DRYSHIPS INC.
Date: 24 June 2010

Exhibit 4.97

Drillship Hydra Owners Inc. & Drillship Paros Owners Inc.
(as joint and several borrowers)
c/o Dryships Inc.
80. Kifissias Avenue
151 25 Amaroussion, Greece
Fax no: +30 210 809 0585
Ziad Nakhleh

Offshore Drilling Group
Phone: +47 23 01 22 03
Fax: +47 23 01 22 63
Sjur Agdestein@dvbbank.com
Philip.Froyland@dvbbank.com

16th of April, 2010

DVB Bank S.E.
Haakon VII's gate 1
Postbox 1999 Vika
0125 Oslo, Norway
Sjur Agdestein and Philip Frøyland

Re: Loan Agreement dated 10 September 2007, as amended by a First Supplemental Agreement dated 10 January 2008 and as further amended by a Second Supplemental Agreement dated 23 January 2009, made between (1) Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. as joint and several borrowers, (2) the banks listed in schedule 1 thereto as lenders, (3) the banks listed in schedule 1 thereto *as* arrangers and (4) DVB Bank SE (formerly known as DVB Bank AG ("DVB") as agent, underwriter and security agent, in respect of a loan facility of up to US$230,000,000, (the "Loan Agreement").

Dear Sirs,

With reference to our recent correspondence regarding the above mentioned Loan Agreement, we herewith confirm that we as Lenders, subject to points 1 – 6 below and your formal acceptance of same through signing this letter, approve to waive the following covenants from today until the 15th of June 2010:

(i) The finalized business plan for the Vessels employment (clause 12.1.3) and

(ii) The USD 200 m Minimum Net Fair Market Value threshold for nine Collateral Vessels (clause 10.11)

Terms & conditions of waiver:

1. Dryships Inc. (or designated subsidiary) to place a Cash Deposit of minimum USD 105 milt on an account nominated and pledged to lenders from Monday 19th of April until Tuesday June 15th 2010. (Such Cash Deposit to be evidenced prior to distribution of the attached letter.) Details of the account have been provided to you directly from Nord LB.
2. In case Dryships Inc. (or designated subsidiary) issues a high yield bond, Dryships Inc. shall ensure that the respective party whom issues the high yield bond undertakes to provide the funds from the high yield bond issue with first priority for full repayment of the USD 230 mill facility.
3. In the event that Dryships Inc. (or designated subsidiary), whichever will issue the high yield bond, will not be able to close the high yield bond transaction and the USD 230 mill facility has not been prepaid within the waiver period ending 15th June 2010, the waived covenants will remain in full force and effect again and any incurring potential Event of Default shall be cured on short notice in accordance with the Loan Agreement.

4. Dryships Inc. through signing this letter confirms that the USD 105 mill specified in point 1 (above) will not require a release prior to June 15th 2010 for any reason whatsoever.
5. Dryships Inc. (or designated subsidiary), will pay to Lenders the equivalent of 100 bps interest in addition to any interest payments already made dating back to 1st of January 2010 and until 15th of April 2010 as was requested and agreed on the 8th of December 2009. (Such interest payment to be evidenced prior to our distribution of the attached letter). An invoice for the correct amount will follow subsequent to this letter.
6. A waiver fee equivalent to USD 120,000 to be split between DVB Bank and Nord LB.

This waiver automatically expires on June 15th, 2010 whereupon all covenants as per the Loan Agreement (and as later amended / supplemented as the case might be) will be back in full force and effect.

	/s/ Sjur Agdestein	/s/ Philip Frøyland
Signed:	Sjur Agdestein	Philip Frøyland
Signed:	DRYS (authorized signatory 1)	DRYS (authorized signatory 2)
	/s/ PANKAJ KHANNA	/s/ ZIAD NAKHLEH
	PANKAJ KHANNA COO	ZIAD NAKHLEH CFO

Attachment: Compliance Confirmation Letter

DVB Bank SE Nordic Branch

Strandgaten 18 | Postbox 701 Sentrum | Phone +47 55 30 94 00 | Norway | Enterprise no.:
5013 Bergen | 5807 Bergen | Fax +47 55 30 94 50 | www.dvbbank.com | 993 205 699

To whom it might concern:

From: DVB Bank and Nord LB

Date: 16 April 2010

Re: Compliance Confirmation Letter

We herewith in our capacity as Agent acting on behalf of the Lenders in the Loan Agreement dated 10 September 2007, as amended by a First Supplemental Agreement dated 10 January 2008 and as further amended by a Second Supplemental Agreement dated 23 January 2009, made between (1) Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. as joint and several borrowers, (2) the banks listed in schedule 1 thereto as lenders, (3) the banks listed in schedule 1 thereto as arrangers and (4) DVB Bank SE (formerly known as DVB Bank AC ("DVB") as agent, underwriter and security agent, in respect of a loan facility of up to US$230,000,000, (the "Loan Agreement"), herewith confirm that as of today Dryships Inc. (and defined Borrowing entities) are in full compliance with the Loan Agreement (as supplemented / addended from time during the duration of the loan).

This Compliance Confirmation is valid from today until June 15th, 2010.

Signed:

/s/ Sjur Agdestein
Sjur Agdestein
Managing Director
DVB Bank SE

/s/ Philip Frøyland
Philip Frøyland
Vice President
DVB Bank SE

DVB Bank SE Nordic Branch

Strandgaten 18 | Postbox 701 Sentrum | Phone +47 55 30 94 00 | Norway | Enterprise no.:
5013 Bergen | 5807 Bergen | Fax +47 55 30 94 50 | www.dvbbank.com | 993 205 699

Exhibit 4.98

To whom it might concern:

From: DVB Bank SE (acting as Agent on behalf of the Lenders)

Date: 16th of June 2010

Re: Compliance Confirmation Letter

We herewith in our capacity as Lenders in Loan Agreement dated 10 September 2007, as amended by a First Supplemental Agreement dated 10 January 2008 and as further amended by a Second Supplemental Agreement dated 23 January 2009, made between (1) Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. as joint and several borrowers, (2) the banks listed in schedule 1 thereto as lenders, (3) the banks listed in schedule 1 thereto as arrangers and (4) DVB Bank SE (formerly known as DVB Bank AG ("DVB") as agent, underwriter and security agent, in respect of a loan facility of up to US$230,000,000, (the "Loan Agreement"), herewith confirm that Dryships Inc. (and defined Borrowing entities) are in full compliance with the Loan Agreement (as supplemented / addended from time during the duration of the loan).

This Compliance Confirmation is valid until August 15th, 2010.

Signed:

/s/ Sjur Agdestein	/s/ Philip Frøyland
Sjur Agdestein	Philip Frøyland
Managing Director	Vice President
Offshore Drilling	Offshore Drilling

DVB Bank SE Nordic Branch

Strandgaten 18	Postbox 701 Sentrum	Phone +47 55 30 94 00	Norway	Enterprise no. :
5013 Bergen	5807 Bergen	Fax +47 55 30 94 50	www.dvbbank.com	993 205 699

Exhibit 4.99

To whom it might concern:

From: DVB Bank SE (acting as Agent on behalf of the Lenders)

Date: 3rd of September 2010

Re: Compliance Confirmation Letter

We herewith in our capacity as Lenders in Loan Agreement dated 10 September 2007, as amended by a First Supplemental Agreement dated 10 January 2008 and as further amended by a Second Supplemental Agreement dated 23 January 2009, made between (1) Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. as joint and several borrowers, (2) the banks listed in schedule 1 thereto as lenders, (3) the banks listed in schedule 1 thereto as arrangers and (4) DVB Bank SE (formerly known as DVB Bank AG ("DVB") as agent, underwriter and security agent, in respect of a loan facility of up to US$230,000,000, (the "Loan Agreement"), herewith confirm that Dryships Inc. (and defined Borrowing entities) are in full compliance with the Loan Agreement (as supplemented / addended from time during the duration of the loan).

This Compliance Confirmation is valid until December 1st 2010.

Signed:

/s/ Jonas Gunstad
Jonas Gunstad
Senior Vice President

/s/ Philip Froyland
Philip Froyland
Vice President

DVB Bank SE Nordic Branch

Strandgaten 18 | Postbox 701 Sentrum | Phone +47 55 30 94 00 | Norway | Enterprise no. :
5013 Bergen | 5807 Bergen | Fax +47 55 30 94 50 | www.dvbbank.com | 993 205 699

Exhibit 4.100

Attachment: Compliance Confirmation Letter

To whom it might concern:

From: DVB Bank SE (acting as Agent on behalf of the Lenders)

Date: 25th of November 2010

Re: Compliance Confirmation Letter

We herewith in our capacity as Lenders in Loan Agreement dated 10 September 2007, as amended by a First Supplemental Agreement dated 10 January 2008 and as further amended by a Second Supplemental Agreement dated 23 January 2009, made between (1) Drillship Hydra Owners Inc. and Drillship Paros Owners Inc. as joint and several borrowers, (2) the banks listed in schedule 1 thereto as lenders, (3) the banks listed in schedule 1 thereto as arrangers and (4) DVB Bank SE (formerly known as DVB Bank AG ("DVB") as agent, underwriter and security agent, in respect of a loan facility of up to US$230,000,000, (the "Loan Agreement"), herewith confirm that Dryships Inc. (and defined Borrowing entities) are in full compliance with the Loan Agreement (as supplemented / addended from time during the duration of the loan).

This Compliance Confirmation is valid until December 31st 2010.

Signed:

/s/ Sjur Agdestein
Sjur Agdestein
Managing Director

/s/ Philip Freyland
Philip Freyland
Vice President

DVB Bank SE Nordic Branch

Strandgaten 18	Postbox 701 Sentrum	Phone	+47 55 30 94 00	Norway	Enterprise no:
5013 Bergen	5807 Bergen	Fax	+47 55 30 94 50	www.dvbbank.com	993 205 699

1. Date of Agreement
1st January 2011

Vessel's Name:

THE BALTIC AND INTERNATIONAL MARITIME COUNCIL (BIMCO)
STANDARD SHIP MANAGEMENT AGREEMENT
CODE NAME: "SHIPMAN 98"

Part I

2. Owners (name, place of registered office and law of registry) (Cl. 1)

Name

Place of registered office

Law of registry

3. Managers (name, place of registered office and law of registry) (Cl. 1)

Name
TMS BULKERS LTD.

Place of registered office
Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960

Law of registry
Republic of Marshall Islands

4. Day and year of commencement of Agreement (Cl. 2)
DATE OF PRESENT AGREEMENT AS PER BOX 1

5. Crew Management (state "yes" or "no" as agreed) (Cl. 3.1)
YES

6. Technical Management (state "yes" or "no" as agreed) (Cl. 3.2)
YES

7. Commercial Management (state "yes" or "no" as agreed) (Cl. 3.3)
YES

8. Insurance Arrangements (state "yes" or "no" as agreed) (Cl. 3.4)
YES

9. Accounting Services (state "yes" or "no" as agreed) (Cl. 3.5)
YES

10. Sale or purchase of the Vessel (state "yes" or "no" as agreed) (Cl. 3.6)
YES

11. Provisions (state "yes" or "no" as agreed) (Cl. 3.7)
YES

12. Bunkering (state "yes" or "no" as agreed) (Cl. 3.8)
YES

13. Chartering Services Period (only to be filled in if "yes" stated in Box 7) (Cl. 3.3(i))
Five Years from date indicated in Box 4

14. Owners' Insurance (state alternative (i), (ii) or (iii) of Cl. 6.3)
6.3(ii)

15. Annual Management Fee (state annual amount) (Cl. 8.1)
Daily Management Fee: Euro 1,500

16. Severance Costs (state maximum amount) (Cl. 8.4(ii))
As per applicable Collective Bargaining Agreement (CBA)

17. Day and year of termination of Agreement (Cl. 17)
Five Years from date indicated in Box 4

18. Law and Arbitration (state alternative 19.1, 19.2 or 19.3; if 19.3 place of arbitration must be stated) (Cl. 19)
19.1

19. Notices (state postal and cable address, telex and telefax number for serving notice and communication to the Owners) (Cl. 20)
c/o CEFAI & ASSOCIATES
5/2 Merchants Street
Valletta, Malta
Tel: (+356) 2122 2097
Fax: (+356) 2129 9950
Email:info@cefaiadvocates.com

20. Notices (state postal and cable address, telex and telefax number for serving notice and communication to the Managers) (Cl. 20)
TMS BULKERS LTD. Athens Shipmanagement Office
Ag. Konstantinou 58 & Kifisias Avenue 151 24 Marousi, Greece
Tel: +30 210 3440600
Fax: +30 210 3440655
Email: management@tms-bulkers.com

It is mutually agreed between the party stated in Box 2 and the party stated in Box 3 that this Agreement consisting of PART I and PART II as well as Annexes "A" (Details of Vessel), "B" (Details of Crew), "C" (Budget) and "D" (Associated vessels) attached hereto, shall be performed subject to the conditions contained herein. In the event of a

conflict of conditions, the provisions of PART l and Annexes "A", "B", "C" and "D" shall prevail over those of (PART II to the extent of such conflict but no further.

Signature(s) (Owners) Signature(s) (Managers)

ANNEX "A" (DETAILS OF VESSEL OR VESSELS) TO
THE BALTIC AND INTERNATIONAL MARITIME COUNCIL (BIMCO)
STANDARD SHIP MANAGEMENT AGREEMENT – CODE NAME: "SHIPMAN 98"

Date of Agreement:

Name of Vessel(s):

Particulars of Vessel(s):

ANNEX "B" (DETAILS OF CREW) TO
THE BALTIC AND INTERNATIONAL MARITIME COUNCIL (BIMCO)
STANDARD SHIP MANAGEMENT AGREEMENT - CODE NAME: "SHIPMAN 98"

Date of Agreement:

Details of Crew:
N/A

~~Numbers~~ ~~Rank~~ ~~Nationality~~

ANNEX "C" (BUDGET) TO
THE BALTIC AND INTERNATIONAL MARITIME COUNCIL (BIMCO)
STANDARD SHIP MANAGEMENT AGREEMENT – CODE NAME: "SHIPMAN 98"

See Box 15 and Clause 9

Managers' Budget for the first year with effect from the Commencement Date of this Agreement:

NOTE:

1. Prices basis at average of Singapore, Continent & China, otherwise, to be charged at actual
2. Crew change basis Asia, Australia and Continent ports, otherwise, to be adjusted
3. Spares costs are for routine maintenance (excluding major items)
4. Parity Euro / USD at 1,35
5. The budget for Superintendent expenses is based on 5 visits per year of 4 days per each visit, i.e. 20 Superintendent days. Any additional attendance will be charged extra by the day at a standard rate of Euro 500 per day.

ANNEX "D" (ASSOCIATED VESSELS) TO
THE BALTIC AND INTERNATIONAL MARITIME COUNCIL (BIMCO)
STANDARD SHIP MANAGEMENT AGREEMENT - CODE NAME: "SHIPMAN 98"

NOTE: PARTIES SHOULD BE AWARE THAT BY COMPLETING THIS ANNEX "D" THEY WILL BE SUBJECT TO THE PROVISIONS OF SUB-CLAUSE 18.1(i) OF THIS AGREEMENT.

Date of Agreement:

Details of Associated Vessels:

PART II
"SHIPMAN 98" Standard Ship Management Agreement

1. Definitions

In this Agreement save where the context otherwise requires, the following words and expressions shall have the meanings hereby assigned to them.

"*Owners*" means the party identified in Box 2.

"*Managers*" means the party identified in Box 3.

"*Vessel*" means the vessel or vessels details of which are set out in Annex "A" attached hereto.

"*Crew*" means the Master, officers and ratings of the numbers, rank and nationality specified in Annex "B" attached hereto.

"*Crew Support Costs*" means all expenses of a general nature which are not particularly referable to any individual vessel for the time being managed by the Managers and which are incurred by the Managers for the purpose of providing an efficient and economic management service and, without prejudice to the generality of the foregoing, shall include the cost of crew standby pay, training schemes for officers and ratings, cadet training schemes, sick pay, study pay, recruitment and interviews.

"*Severance Costs*" means the costs which the employers are legally obliged to pay to or in respect of the Crew as a result of the early termination of any employment contract for service on the Vessel.

"*Crew Insurances*" means insurances against crew risks which shall include but not be limited to death, sickness, repatriation, injury, shipwreck unemployment indemnity and loss of personal effects.

"*Management Services*" means the services specified in sub-clauses 3.1 to 3.8 as indicated affirmatively in Boxes 5 to 12.

"*ISM Code*" means the International Management Code for the for the duties for which they are engaged and are in possession of valid medical certificates issued in accordance with appropriate flag State requirements. In the absence of applicable flag State requirements the medical certificate shall be dated not more than three months prior to the respective Crew members leaving their country of domicile and maintained for the duration of their service on board the Vessel;

(iv) ensuring that the Crew shall have a command of the English language of a sufficient standard to enable them to perform their duties safely;

(v) arranging transportation of the Crew, including repatriation;

(vi) training of the Crew and supervising their efficiency;

(vii) conducting union negotiations;

(viii) operating the Managers' drug and alcohol policy unless otherwise agreed.

3.2 Technical Management
(only applicable if agreed according to Box 6)

The Managers shall provide technical management which includes, but is not limited to, the following functions:

(i) provision of competent personnel to supervise the maintenance and general efficiency of the Vessel;

(ii) arrangement and supervision of dry dockings, repairs, alterations and the upkeep of the Vessel to the standards required by the Owners provided that the Managers shall be entitled to incur the necessary expenditure to ensure that the Vessel will comply with the law of the flag of the Vessel and of the places where she trades, and all requirements and recommendations of the classification society;

Safe Operation of Ships and for Pollution Prevention as adopted by the International Maritime Organization (IMO) by resolution A.741(18) or any subsequent amendment thereto.

"*STCW 95*" means the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978, as amended in 1995 or any subsequent amendment thereto.

2. Appointment of Managers

With effect from the day and year stated in Box 4 and continuing unless and until terminated as provided herein, the Owners hereby appoint the Managers and the Managers hereby agree to act as the Managers of the Vessel.

3. Basis of Agreement

Subject to the terms and conditions herein provided, during the period of this Agreement, the Managers shall carry out Management Services in respect of the Vessel as agents for and on behalf of the Owners. The Managers shall have authority to take such actions as they may from time to time in their absolute discretion consider to be necessary to enable them to perform this Agreement in accordance with sound ship management practice.

3.1 Crew Management
(only applicable if agreed according to Box 5)

The Managers shall provide suitably qualified Crew for the Vessel as required by the Owners in accordance with the STCW 95 requirements, provision of which includes but is not limited to the following functions:

(i) selecting and engaging the Vessel's Crew, including payroll arrangements, pension administration, and insurances for the Crew other than those mentioned in Clause 6;

(ii) ensuring that the applicable requirements of the law of the flag of the Vessel are satisfied in respect

(iii) arrangement of the supply of necessary stores, spares and lubricating oil;

(iv) appointment of surveyors and technical consultants as the Managers may consider from time to time to be necessary;

(v) development, implementation and maintenance of a Safety Management System (SMS) in accordance with the ISM Code (see sub-clauses 4.2 and 5.3).

(vi) supervision of vessels under construction at the specific request of the Owners and after approval by the Owner of the relevant budget submitted by the Managers.

3.3 Commercial Management
(only applicable if agreed according to Box 7)

The Managers shall provide the commercial operation of the Vessel, as required by the Owners, which includes, but is not limited to, the following functions:

(i) providing chartering services in accordance with the Owners' instructions which include, but are not limited to, seeking and negotiating employment for the Vessel and the conclusion (including the execution thereof) of charter parties or other contracts relating to the employment of the Vessel. If such a contract exceeds the period stated in Box 13, consent thereto in writing shall first be obtained from the Owners.

(ii) arranging of the proper payment to Owners or their nominees of all hire and/or freight revenues or other moneys of whatsoever nature to which Owners may be entitled arising out of the employment of or otherwise in connection with the Vessel.

(iii) providing voyage estimates and accounts and calculating of hire, freights, demurrage and/or despatch moneys due from or due to the charterers of the Vessel;

(iv) issuing of voyage instructions;

(v) appointing agents;

of manning levels,
rank, qualification and certification of the Crew and
employment regulations including Crew's tax, social
insurance, discipline and other requirements;

(iii) ensuring that all members of the Crew have passed a medical examination with a qualified doctor certifying that they are fit

(vi) appointing stevedores;

(vii) arranging surveys associated with the commercial operation of the Vessel.

3.4 Insurance Arrangements'
(only applicable if agreed according to Box 8)

The Managers shall arrange insurances in accordance with

PART II
"SHIPMAN 98" Standard Ship Management Agreement

Clause 6, on such terms and conditions as the Owners shall have instructed or agreed, in particular regarding conditions, insured values, deductibles and franchises.

3.5 Accounting Services
(only applicable if agreed *according to Box 9)*

The Managers shall:

(i) establish an accounting system which meets the reasonable requirements of the Owners and provide regular accounting services, supply regular reports and records,

(ii) maintain the records of all costs and expenditure incurred as well as data necessary or proper for the settlement of accounts between the parties.

3.6 Sale or Purchase of the Vessel
(only applicable if agreed according to Box 10)

The Managers shall, in accordance with the Owners' instructions, supervise the sale or purchase of the Vessel, including the performance of any sale or purchase agreement, including ~~but not~~ negotiation of the same.

3.7 Provisions *(only applicable if agreed according to Box 11)*

The Managers shall arrange for the supply of provisions.

3.8 Bunkering *(only applicable if agreed according to Box 12)*

The Managers shall arrange for the provision of bunker fuel of the quality specified by the Owners as required for the Vessel's trade.

4. Managers' Obligations

4.1 The Managers undertake to use their best endeavors ~~endeavours to~~ provide the agreed Management Services as agents for and on behalf of the Owners in accordance with sound ship management practice and to protect and promote the interests of the Owners in all matters relating to the provision of services hereunder.

6. Insurance Policies

The Owners shall procure, whether by instructing the Managers under sub-clause 3.4 or otherwise, that throughout the period of this Agreement:

6.1 at the Owners' expense, the Vessel is insured for not less then her sound market value or entered for her full gross tonnage, as the case may be for:

(i) usual hull and machinery marine risks (including crew negligence) and excess liabilities;

(ii) protection and indemnity risks (including pollution risks and Crew Insurances); and

(iii) war risks (including protection and indemnity and crew risks) in accordance with the best practice of prudent owners of vessels of a similar type to the Vessel, with first class insurance companies, underwriters or associations ("the Owners' insurances");

(iv) Freight, Demurrage and Defense Insurance

(v) Certificate of Financial Responsibility

(vi) Crew Personal Accident and Sundries insurance cover

(vii) Any other insurance required by law

(viii) Any insurance that can be arranged and not included in the above but is requested by the Owners in writing

6.2 all premiums, deductibles, supplementary calls and/or excess supplementary calls and release calls on the Owners' Insurances are paid promptly by their due date,

6.3 the Owners' Insurances name the Managers and, subject to underwriters' agreement, any third party designated by the Managers as a joint assured, with full cover, with the Owners obtaining cover in respect of each of the insurances specified in sub-clause 6.1:

~~(i) on terms whereby the Managers and~~

Provided, however, that the Managers in the performance of their management responsibilities under this Agreement shall be entitled to have regard to their overall responsibility in relation to all vessels as may from time to time be entrusted to their management and in particular, but without prejudice to the generality of the foregoing, the Managers shall be entitled to allocate available supplies, manpower and services in such manner as in the prevailing circumstances the Managers in their absolute discretion consider to be fair and reasonable.

4.2 Where the Managers are providing Technical Management in accordance with sub-clause 3.2, they shall procure that the requirements of the law of the flag of the Vessel are satisfied and they shall in particular be deemed to be the "Company" as defined by the ISM Code, assuming the responsibility for the operation of the Vessel and taking over the duties and responsibilities imposed by the ISM Code when applicable.

5. Owners' Obligations

5.1 The Owners shall pay all sums due to the Managers punctually in accordance with the terms of this Agreement.

5.2 Where the Managers are providing Technical Management in accordance with sub-clause 3.2, the Owners shall:

(i) procure that all officers and ratings supplied by them or on their behalf comply with the requirements of STCW 95;

(ii) instruct such officers and ratings to obey all reasonable orders of the Managers in connection with the operation of the Managers' safety management system.

5.3 Where the Managers are not providing Technical Management in accordance with sub-clause 3.2, the Owners shall procure that the requirements of the law of the flag of the Vessel are satisfied and that they, or such other entity as may be appointed by them

~~any such third party~~ ~~are liable in respect of premiums or calls arising in connection with the Owners' Insurances; or~~

(ii) if reasonably obtainable, on terms such that neither the Managers nor any such third party shall be under any liability in respect of premiums or calls arising in connection with the Owners' Insurances; or

(iii) on such other terms as may be agreed in writing.
indicate alternative (i), (ii) or (iii) in Box 14, if Box 14 is left blank then (i) applies.

6.4 written evidence is provided, to the reasonable satisfaction of the Managers, of their compliance with their obligations under Clause 6 within a reasonable time of the commencement of the Agreement, and of each renewal date and, if specifically requested, of each payment date of the Owners' Insurances

7. Income Collected and Expenses Paid on Behalf of Owners

7.1 All moneys collected by the Managers under the terms of this Agreement (other than moneys payable by the Owners to the Managers) and any interest thereon shall be held to the credit of the Owners in a separate bank account

7.2 All expenses incurred by the Managers under the terms of this Agreement on behalf of the Owners (including expenses as provided in Clause 8) may be debited against ~~the Owners~~ ~~in~~ the account referred to under sub-clause 7.1 but shall in any event remain payable by the Owners to the Managers on demand.

8. Management Fee

8.1(a) The Owners shall pay to the Managers for their services as Managers under this Agreement ~~an annual~~ a daily management fee as stated in Box 15 which shall be payable by equal monthly installments in advance, the first

and identified to the Managers, shall be deemed to be the "Company" as defined by the ISM Code assuming the responsibility for the operation of the Vessel and taking over the duties and responsibilities imposed by the ISM Code when applicable.

installment being payable on the commencement of this Agreement (see Clause 2 and Box 4) and subsequent installments being payable every month.

PART II
"SHIPMAN 98" Standard Ship Management Agreement

8.1(b) The Owners shall place with the Manager for the duration of this Agreement an amount equal to three months of management fee stated in Box 15 as security.

Upon termination of this Agreement, all moneys remaining within the security or any portion thereof, if the amounts due to the Manager pursuant with the obligations set forth in the management agreement and their addenda (if any) is less than the security amount paid as per above shall be returned to the Owner subject to the terms and conditions of this agreement. It is being understood that in event of default from the part of the Owner is forfeited in favor of the Manager without prejudice to any rights which the Manager may have against the Owner in law or in equity.

8.2 The management fee shall be subject to ~~an annual~~ a review ~~on the anniversary date of the Agreement and~~ for each calendar year and will be automatically adjusted to the Greek CPI index for the previous year. It is understood that any such increase will not be less than 3% and not more than 5%. (The proposed fee shall be presented in the ~~annual~~ budget referred to in sub-~~clause 9.1.~~ clause 9.1.

8.3 The Managers shall, at no extra cost to the Owners, provide their own office accommodation, office staff, facilities and stationery. Without limiting the generality of Clause 7 the Owners shall reimburse the Managers for postage and communication expenses, travelling expenses, and other out of pocket expenses property incurred by the Managers in pursuance of the Management Services.

8.4 In the event of the appointment of the Managers being terminated for any reason other than Clause 19.2 ~~by the Owners or the Managers in accordance with less than three months before the anniversary date of the commencement of this Agreement (see Clause 2 and~~ Box 4~~)~~

9.2 The Owners shall indicate to the Managers their acceptance and approval of the ~~annual~~ budget within one month of presentation and in the absence of any such indication the Managers shall be entitled to assume that the Owners have accepted the proposed budget.

9.3 The Owner shall place with the Manager for the duration of this Agreement an amount equal to three months running expenses as working capital reserve. For calculation purposes the reserve will be based on the agreed budgeted daily average cost as per the respective management agreement. Upon termination of this Agreement all moneys remaining within the working capital reserve shall be returned to the Owner subject to the terms and conditions of this agreement. ~~Following the agreement of the budget, the Managers shall prepare and present to the Owners their estimate of the working capital requirement of the Vessel and the Managers shall each month up date this estimate. Based thereon, the Managers shall each month request the Owners in writing for the funds required to run the Vessel for the ensuing month, including the payment of any occasional or extraordinary item of expenditure, such as emergency repair costs, additional insurance premiums, bunkers or provisions. Such funds shall be received by the Managers within ten running days after the receipt by the Owners of the Managers' written request and shall be held to the credit of the Owners in a separate bank account.~~

9.4 The Managers shall produce a comparison between budgeted and actual income and expenditure of the Vessel in such form as required by the Owners ~~monthly~~

~~the provisions of Clauses~~ 17 ~~and~~ 18 ~~other than by reason of default by the Managers, or if the Vessel is lost, sold or otherwise disposed of,~~ the "management fee" shall be payable to the Managers ~~according to the provisions of sub clause~~ 8.1~~; shall continue to be payable~~ for a further period of three (3) calendar months as from the termination date. In addition, provided that the Managers provide Crew for the Vessel in accordance with sub-clause 3.1:

(i) the Owners shall continue to pay Crew Support Costs during the said further period of three (3) calendar months and

(ii) the Owners shall pay an equitable proportion of any Severance Costs which may materialize, not exceeding the amount stated in Box 16.

8.5 If the Owners decide to lay-up the Vessel whilst this Agreement remains in force and such lay-up lasts for more than three months, an appropriate reduction of the management fee for the period exceeding three months until one month before the Vessel is again put into service shall be mutually agreed between the parties.

8.6 Unless otherwise agreed in writing all discounts and commissions obtained by the Managers in the course of the management of the Vessel shall be credited to the Owners. For the avoidance of any doubt, it is understood that insurance is charged on a gross rate basis.

8.7 In case of vessels under construction, no management fee will be charged by the Managers until the vessel's delivery to the Owners. However, in case Owners instruct the Managers to supervise vessels under construction as per Clause 3.2(vi) then the Managers will be due an upfront fee equal to 10% of the budget approved by the Owners. Such fee, will be payable in USD. For the avoidance of any doubt the rest on a yearly basis or at such other intervals as mutually agreed.

9.5 Notwithstanding anything contained herein to the contrary, the Managers shall in no circumstances be required to use or commit their own funds to finance the provision of the Management Services.

10. Managers' Right to Sub-Contract

The Managers shall ~~not~~ have the right to sub-contract any of their obligations hereunder, including those mentioned in sub-clause 3.1, ~~without the prior written consent of the Owners which shall not be unreasonably withheld~~. In the event of such a sub-contract the Managers shall remain fully liable for the due performance of their obligations under this Agreement.

11. Responsibilities

11.1 ***Force Majeure*** - Neither the Owners nor the Managers shall be under any liability for any failure to perform any of their obligations hereunder by reason of any cause whatsoever of any nature or kind beyond their reasonable control. For the avoidance of any doubt financial force majeure does not apply.

11.2 ***Liability to Owners*** - (i) Without prejudice to sub-clause 11.1, the Managers shall be under no liability whatsoever to the Owners for any loss, damage, delay or expense of whatsoever nature, whether direct or indirect, (including but not limited to loss of profit arising out of or in connection with detention of or delay to the Vessel) and howsoever arising in the course of performance of the Management Services UNLESS same is proved to have resulted solely from the negligence, gross negligence or wilful default of the Managers or their employees, or agents or sub-contractors employed by them in connection with the Vessel, in which case (save where loss, damage, delay

of the paragraphs of Clause 8 to remain in force.

9. Budgets and Management of Funds

9.1 On or before November 30 of each calendar year ~~T~~the Managers shall present to the Owners ~~annually a~~ budget (see Annex "C") for the ~~following twelve months~~ next calendar year in such form as the Owners reasonably require. ~~The budget for the first year hereof is set out in~~ Annex "C" ~~hereto, Subsequent annual budgets shall be prepared by the Managers and submitted to the Owners not~~ or expense has resulted from the Managers' personal act or omission committed with the intent to cause same or recklessly and with knowledge that such loss, damage, delay or expense would probably result) the Managers' liability for each incident or series of incidents giving rise to a claim or claims shall never exceed a total of ten times the annual management fee payable hereunder.

(ii) Notwithstanding anything that may appear to the contrary in this Agreement, the Managers shall not be liable for any of the

actions of the Crew, even if such actions are negligent, grossly negligent or wilful, except only to the extent that they are shown to have resulted from a failure by the Managers to discharge their obligations under sub-clause 3.1, in which case their liability shall be limited in accordance with the terms of this Clause 11.

11.3 ***Indemnity*** - Except to the extent and solely for the amount therein set out that the Managers would be liable under sub-clause 11.2, the Owners hereby undertake to keep the Managers and their employees, agents and sub-contractors indemnified and to hold them harmless against all actions, proceedings, claims, demands or liabilities whatsoever or howsoever arising which may be brought against them or incurred or suffered by them arising out of or in connection with the performance of the Agreement, and against and in respect of all costs, losses, damages and expenses (including legal costs and expenses on a full indemnity basis) which the Managers may suffer or incur (either directly or indirectly) in the course of the performance of this Agreement.

11.4 ***"Himalaya"*** - It is hereby expressly agreed that no employee or agent of the Managers (including every sub-contractor from time to time employed by the Managers) shall in any circumstances whatsoever be under any liability whatsoever to the Owners for any loss, damage or delay of whatsoever kind arising or resulting directly or indirectly from any act, neglect or default on his part while acting in the course of or in connection with his employment and, without prejudice to the generality of the foregoing provisions in this Clause 11, every exemption, limitation, condition and liberty herein contained and every right, exemption from liability, defence and

14. Auditing

The Managers shall at all times maintain and keep true and correct accounts in accordance with sound accounting practice and an adequate and effective system of internal controls and procedures and shall make the same available for permit the inspection and auditing by the Owners and their Auditors at such times as may be mutually agreed. On the termination, for whatever reasons, of this Agreement, the Managers shall release to the Owners, if so requested, the originals where possible, or otherwise certified copies, of all such accounts and all documents specifically relating to the Vessel and her operation.

15. Inspection of Vessel

The Owners shall have the right at any time after giving reasonable notice to the Managers to inspect the Vessel for any reason they consider necessary.

16. Compliance with Laws and Regulations

The Managers will not do or permit to be done anything which might cause any breach or infringement of the laws and regulations of the Vessel's flag, or of the places where she trades.

17. Duration of the Agreement

This Agreement shall come into effect on the day and year stated in Box 4 and shall continue until the date stated in Box 17. Thereafter it shall automatically renew for a five-year period and shall thereafter be extended in additional five-year Increments if notice of termination is not provided by the Owners in the fourth quarter of the year immediately preceding the end of the respective term. ~~continue until terminated by either party giving to the other notice in writing, in which event the Agreement shall~~

immunity of whatsoever
nature applicable to the Managers or to which the Managers are
entitled hereunder shall also be available and shall extend to
protect every such employee or agent of the Managers acting
as aforesaid and for the purpose of all the foregoing provisions
of this Clause 11 the Managers are or shall be deemed to be
acting as agent or trustee on behalf of and for the benefit of all
persons who are or might be their servants or agents from time
to time (including sub-contractors as aforesaid) and all such
persons shall to this extent be or be deemed to be parties to this
Agreement

12. Documentation

Where the Managers are providing Technical Management in
accordance with sub-clause 3.2 and/or Crew Management in
accordance with sub-clause 3.1, they shall make available,
upon Owners' request, all documentation and records related
to the Safety Management System (SMS) and/or the Crew
which the Owners need in order to demonstrate compliance
with the ISM Code and STCW 95 or to defend a claim against
a third party.

13. General Administration

13.1 The Managers shall handle and settle all claims arising
out of the Management Services hereunder and keep the Owners
informed regarding any incident of which the Managers become
aware which gives or may give rise to claims or disputes involving
third parties.

13.2 The Managers shall, as instructed by the Owners, bring
or defend actions, suits or proceedings in connection with matters
entrusted to the Managers according to this Agreement.

13.3 The Managers shall also have power to obtain legal or
technical or other outside expert advice in relation to the handling

~~terminate upon the expiration of a period of two months~~
~~from the date upon which such notice was given.~~

18. Termination

18.1 ***Owners' default***

(i) The Managers shall be entitled to terminate the Agreement
with immediate effect by notice in writing if any moneys
payable by the Owners under this Agreement and/or the
owners of any associated vessel, details of which are listed
in Annex "D", shall not have been received in the Managers'
nominated account within ten (10) running days of receipt by
the Owners of the Managers written request or if the Vessel
is repossessed by the Mortgagees.

(ii) If the Owners:

(a) fail to meet their obligations under sub-clauses 5.2
and 5.3 of this Agreement for any reason within their
control, or

(b) proceed with the employment of or continue to employ
the Vessel in the carriage of contraband, blockade
running, or in an unlawful trade, or on a voyage which
in the reasonable opinion of the Managers is unduly
hazardous or improper,

the Managers may give notice of the default to the Owners,
requiring them to remedy it as soon as practically possible.
In the event that the Owners fail to remedy it within a
reasonable time to the satisfaction of the Managers, the
Managers shall be entitled to terminate the Agreement
with immediate effect by notice in writing.

18.2 ***Managers' Default***

If the Managers fail to meet their obligations under Clauses 3
and 4 of this Agreement for any reason within the control of the
Managers, the Owners may give notice to the Managers of the

and settlement of claims and disputes or all other matters affecting the interests of the Owners in respect of the Vessel.

13.4 The Owners shall arrange for the provision of any necessary guarantee bond or other security.

13.5 Any costs reasonably incurred by the Managers in carrying out their obligations according to Clause 13 shall be reimbursed by the Owners.

default, requiring them to remedy it as soon as practically possible. In the event that the Managers fail to remedy it within a reasonable time to the satisfaction of the Owners, the Owners shall be entitled to terminate the Agreement with immediate effect by notice in writing.

18.3 ***Extraordinary Termination***

This Agreement shall be deemed to be terminated in the case of the sale of the Vessel or if the Vessel becomes a total loss or is declared as a constructive or compromised or arranged total loss or is requisitioned.

18.4 For the purpose of sub-clause 18.3 hereof

(i) the date upon which the Vessel is to be treated as having been sold or otherwise disposed of shall be the date on which the Owners cease to be registered as Owners of the Vessel;

(ii) the Vessel shall not be deemed to be lost unless either she has become an actual total loss or agreement has been reached with her underwriters in respect of her constructive, compromised or arranged total loss or if such agreement with her underwriters is not reached it is adjudged by a competent tribunal that a constructive loss of the Vessel has occurred.

18.5 This Agreement shall terminate forthwith in the event of an order being made or resolution passed for the winding up, dissolution, liquidation or bankruptcy of either party (otherwise than for the purpose of reconstruction or amalgamation) or if a receiver is appointed, or if it suspends payment, ceases to carry on business or makes any special arrangement or composition with its creditors.

18.6 The termination of this Agreement shall be without prejudice to all rights accrued due between the parties prior to the date of termination.

18.7 Termination After Change of Control
This Agreement will terminate automatically immediately after a change of control (as defined below) of the Owners and/or of the Owners ultimate parent. Upon such party requiring the other party to appoint its own arbitrator within 14 calendar days or that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the 14 days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both parties as if he had been appointed by agreement.

Nothing herein shall prevent the parties agreeing in writing to vary these provisions to provide for the appointment of a sole arbitrator.

In cases where neither the claim nor any counterclaim exceeds the sum of USD50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

19.2 This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the Maritime Law of the United States and any dispute arising out of or in connection with this Agreement shall be referred to three persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgement may be entered on an award by any court of

termination, the Owners will be required to pay the Manager the Termination Payment in a single Installment.

For the purpose of this Agreement "Change of Control" means the occurrence of any of the following:

(i) The acquisition by any individual, entity or group of beneficial ownership of fifty (50) percent (%) or more of either

(A) the then-outstanding shares of stock of the Owner and/or the Owners ultimate parent or (B) the combined voting power of the then-outstanding voting securities of the Owner and/or the Owners ultimate parent entitled to vote generally in the election of directors;

(ii) The consummation of a reorganization, merger or consolidation of Owner and/or the Owners ultimate parent or the sale or other disposition of all or substantially all of the assets of Owner and/or Owners ultimate parent.

(iii) The approval by the shareholders of Owner and/or the Owners ultimate parent of a complete liquidation or dissolution of Owner and/or the Owners ultimate parent.

Further, for the purpose of this Agreement "Termination Payment" means a payment to be received by the Manager in the event of a Change of Control. Such payment shall be equal to the estimated remaining fees payable to the Manager under the then current term of the agreement but in any case shall not be less than for a period of 36 months and not more than a period of 48 months.

19. Law and Arbitration

19.1 This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.

In cases where neither the claim nor any counterclaim exceeds the sum of USD50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc. current at the time when the arbitration proceedings are commenced.

19.3 This Agreement shall be governed by and construed in accordance with the laws of the place mutually agreed by the parties and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at a mutually agreed place, subject to the procedures applicable there.

19.4 If Box 18 in Part I is not appropriately filled in, sub-clause 19.1 of this Clause shall apply.

Note: 19.1, 19.2 and 19.3 are alternatives; indicate alternative agreed in Box 18.

20. Notices

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

20.2 The address of the Parties for service of such communication shall be as stated in Boxes 19 and 20. respectively.

21. Other Fees

21.1 Incentive Fee

At their sole discretion the Owners on an annual basis in order to provide the Managers with a performance incentive, may make a payment to the Managers of an incentive fee in addition

thereof save to the extent necessary to give effect to the provisions of this Clause.

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

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other

to the management fee.

22.2 Chartering

One and a quarter percent (1.25%) of all monies earned by the Vessel. Such fee will be payable in USD. For the avoidance of any doubt and regardless of Clause 8.5, chartering commissions shall survive the termination of this agreement under all circumstances until the termination of the charter party in force at the time or termination of any other employment arranged

previous to the termination date.

22.3 Sale and Purchase

One percent (1%) of any sale of the Vessel including 1% for the initial purchase of the Vessel, including vessels under construction. Such fee will be payable in USD.

1. Date of Agreement
28th December 2010
Vessel's Name:

THE BALTIC AND INTERNATIONAL MARITIME COUNCIL (BIMCO)
STANDARD SHIP MANAGEMENT AGREEMENT
CODE NAME: "SHIPMAN 98"

Part I

2. Owners (name, place of registered office and law of registry) (Cl. 1)

Name

Place of registered office

Law of registry

3. Managers (name, place of registered office and law of registry) (Cl. 1)

Name
TMS TANKERS LTD.

Place of registered office
Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960

Law of registry
Republic of Marshall Islands

4. Day and year of commencement of Agreement (Cl. 2)
1st January 2011

5. Crew Management (state "yes" or "no" as agreed) (Cl. 3.1)
YES

6. Technical Management (state "yes" or "no" as agreed) (Cl. 3.2)
YES

7. Commercial Management (state "yes" or "no" as agreed) (Cl. 3.3)
YES

8. Insurance Arrangements (state "yes" or "no" as agreed) (Cl. 3.4)
YES

9. Accounting Services (state "yes" or "no" as agreed) (Cl. 3.5)
YES

10. Sale or purchase of the Vessel (state "yes" or "no" as agreed) (Cl. 3.6)
YES

11. Provisions (state "yes" or "no" as agreed) (Cl. 3.7)
YES

12. Bunkering (state "yes" or "no" as agreed) (Cl. 3.8)
YES

13. Chartering Services Period (only to be filled in if "yes" stated in Box 7) (Cl. 3.3(i))
Five Years from date indicated in Box 4

14. Owners' Insurance (state alternative (i), (ii) or (iii) of Cl. 6.3(ii)
6.3(ii)

15. ~~Annual~~ Daily Management Fee (state ~~annual~~ daily amount) (Cl. 8.1)
EUR0 1,700

16. Severance Costs (state maximum amount) (Cl. 8.4(ii))
As per applicable Collective Bargaining Agreement (CBA)

17. Day and year of termination of Agreement (Cl. 17)
Five Years from date indicated in Box 4

18. Law and Arbitration (state alternative 19.1, 19.2 or 19.3; if 19.3 place of arbitration must be stated) (Cl. 19)
19.1

19. Notices (state postal and cable address, telex and telefax number for serving notice and communication to the Owners) (Cl. 20)
c/o CEFAI & ASSOCIATES
5/2 Merchants Street
Valletta, Malta
Tel: (+356) 2122 2097
Fax: (+356) 2129 9950
Email:info@cefaiadvocates.com

20. Notices (state postal and cable address, telex and telefax number for serving notice and communication to the Managers) (Cl. 20)
TMS TANKERS LTD.
80 KIFISIAS AVENUE, GR 15125, Marousi, Athens, Greece
Tel: (+30) 210 8090400
Fax: (+30) 210 8090405
Email: management@tms-tankers.com

It is mutually agreed between the party stated in Box 2 and the party stated in Box 3 that this Agreement consisting of PART I and PART II as well as Annexes "A" (Details of Vessel), "B" (Details of Crew), "C" (Budget) and "D" (Associated vessels) attached hereto, shall be performed subject to the conditions contained herein. In the event of a conflict of conditions, the provisions of PART I and Annexes "A", "B", "C" and "D" shall prevail over those of PART II

to the extent of such conflict but no further.

Signature(s) (Owners) Signature(s) (Managers)

ANNEX “A” (DETAILS OF VESSEL OR VESSELS) TO THE BALTIC AND INTERNATIONAL MARITIME COUNCIL (BIMCO) STANDARD SHIP MANAGEMENT AGREEMENT - CODE NAME: “SHIPMAN 98”

Hull Number:

Particulars of vessel:

ANNEX "B" (DETAILS OF CREW) TO
THE BALTIC AND INTERNATIONAL MARITIME COUNCIL (BIMCO)
STANDARD SHIP MANAGEMENT AGREEMENT - CODE NAME: "SHIPMAN 98"

N/A
Date of Agreement:

Details of Crew:

Numbers	Rank	Nationality

Note:

The above is based on a core supervision of ten (10) people and duration of twelve (12) months.

Annual Budget to be provided before delivery of the vessel

ANNEX "D" (ASSOCIATED VESSELS) TO
THE BALTIC AND INTERNATIONAL MARITIME COUNCIL (BIMCO)
STANDARD SHIP MANAGEMENT AGREEMENT - CODE NAME: "SHIPMAN 98"

NOTE: PARTIES SHOULD BE AWARE THAT BY COMPLETING THIS ANNEX "D" THEY WILL BE SUBJECT TO THE PROVISIONS OF SUB-CLAUSE 18.1(i) OF THIS AGREEMENT.

Date of Agreement:

Details of Associated Vessels:

PART II
"SHIPMAN 98" Standard Ship Management Agreement

1. Definitions

In this Agreement save where the context otherwise requires, the following words and expressions shall have the meanings hereby assigned to them.

"Owners" means the party identified in Box 2.

"Managers" means the party identified in Box 3.

"Vessel" means the vessel or vessels details of which are set out in Annex "A" attached hereto.

"*Crew"* means the Master, officers and ratings of the numbers, rank and nationality specified in Annex "B" attached hereto.

"Crew Support Costs" means all expenses of a general nature which are not particularly referable to any individual vessel for the time being managed by the Managers and which are incurred by the Managers for the purpose of providing an efficient and economic management service and, without prejudice to the generality of the foregoing, shall include the cost of crew standby pay, training schemes for officers and ratings, cadet training schemes, sick pay, study pay, recruitment and interviews.

"Severance Costs" means the costs which the employers are legally obliged to pay to or in respect of the Crew as a result of the early termination of any employment contract for service on the Vessel.

"Crew Insurances" means insurances against crew risks which shall include but not be limited to death, sickness, repatriation, injury, shipwreck unemployment indemnity and loss of personal effects.

"Management Services" means the services specified in sub-clauses 3.1 to 3.8 as indicated affirmatively in Boxes 5 to 12.

"ISM Code" means the International Management Code for the for the duties for which they are engaged and are in possession of valid medical certificates issued in accordance with appropriate flag State requirements. In the absence of applicable flag State requirements the medical certificate shall be dated not more than three months prior to the respective Crew members leaving their country of domicile and maintained for the duration of their service on board the Vessel;

(iv) ensuring that the Crew shall have a command of the English language of a sufficient standard to enable them to perform their duties safely;

(v) arranging transportation of the Crew, including repatriation;

(vi) training of the Crew and supervising their efficiency;

(vii) conducting union negotiations;

(viii) operating the Managers' drug and alcohol policy unless otherwise agreed.

3.2 Technical Management
(only applicable if agreed according to Box 6)

The Managers shall provide technical management which includes, but is not limited to, the following functions:

(i) provision of competent personnel to supervise the maintenance and general efficiency of the Vessel;

(ii) arrangement and supervision of dry dockings, repairs, alterations and the upkeep of the Vessel to the standards required by the Owners provided that the Managers shall be entitled to incur the necessary expenditure to ensure that the Vessel will comply with the law of the flag of the Vessel and of the places where she trades, and all requirements and recommendations of the classification society;

Safe Operation of Ships and for Pollution Prevention as adopted by the International Maritime Organization (IMO) by resolution A.741(18) or any subsequent amendment thereto.

"STCW 95" means the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978, as amended in 1995 or any subsequent amendment thereto.

2. Appointment of Managers

With effect from the day and year stated in Box 4 and continuing unless and until terminated as provided herein, the Owners hereby appoint the Managers and the Managers hereby agree to act as the Managers of the Vessel.

3. Basis of Agreement

Subject to the terms and conditions herein provided, during the period of this Agreement, the Managers shall carry out Management Services in respect of the Vessel as agents for and on behalf of the Owners. The Managers shall have authority to take such actions as they may from time to time in their absolute discretion consider to be necessary to enable them to perform this Agreement in accordance with sound ship management practice.

3.1 Crew Management
(only applicable if agreed according to Box 5)

The Managers shall provide suitably qualified Crew for the Vessel as required by the Owners in accordance with the STCW 95 requirements, provision of which includes but is not limited to the following functions:

(i) selecting and engaging the Vessel's Crew, including payroll arrangements, pension administration, and insurances for the Crew other than those mentioned in Clause 6;

(ii) ensuring that the applicable requirements of the law of the flag of the Vessel are satisfied in respect

(iii) arrangement of the supply of necessary stores, spares and lubricating oil;

(iv) appointment of surveyors and technical consultants as the Managers may consider from time to time to be necessary;

(v) development, implementation and maintenance of a Safety Management System (SMS) in accordance with the ISM Code (see sub-clauses 4.2 and 5.3).

(vi) supervision of vessels under construction at the specific request of the Owners and after approval by the Owner of the relevant budget submitted by the Managers.

3.3 Commercial Management
(only applicable if agreed according to Box 7

The Managers shall provide the commercial operation of the Vessel, as required by the Owners, which includes, but is not limited to, the following functions;

(i) providing chartering services in accordance with the Owners' instructions which include, but are not limited to, seeking and negotiating employment for the Vessel and the conclusion (including the execution thereof) of charter parties or other contracts relating to the employment of the Vessel. If such a contract exceeds the period stated in Box 13, consent thereto in writing shall first be obtained from the Owners.

(ii) arranging of the proper payment to Owners or their nominees of all hire and/or freight revenues or other moneys of whatsoever nature to which Owners may be entitled arising out of the employment of or otherwise in connection with the Vessel.

(iii) providing voyage estimates and accounts and calculating of hire, freights, demurrage and/or despatch moneys due from or due to the charterers of the Vessel;

(iv) issuing of voyage instructions;

(v) appointing agents;

of manning levels,
rank, qualification and certification of the Crew and
employment regulations including Crew's tax, social
insurance, discipline and other requirements;

(iii) ensuring that all members of the Crew have passed a medical examination with a qualified doctor certifying that they are fit

(vi) appointing stevedores;

(vii) arranging surveys associated with the commercial operation of the Vessel.

3.4 Insurance Arrangements'
(only applicable if agreed according to Box 8)

The Managers shall arrange insurances in accordance with

PART II
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Clause 6, on such terms and conditions as the Owners shall have instructed or agreed, in particular regarding conditions, insured values, deductibles and franchises.

3.5 Accounting Services
(only applicable if agreed according to Box 9)

The Managers shall:

(i) establish an accounting system which meets the reasonable requirements of the Owners and provide regular accounting services, supply regular reports and records,

(ii) maintain the records of all costs and expenditure incurred as well as data necessary or proper for the settlement of accounts between the parties.

3.6 Sale or Purchase of the Vessel
(only applicable if agreed according to Box 10)

The Managers shall, in accordance with the Owners' instructions, supervise the sale or purchase of the Vessel, including the performance of any sale or purchase agreement, including negotiation of the same.

3.7 Provisions *(only applicable if agreed according to Box 11)*

The Managers shall arrange for the supply of provisions.

3.8 Bunkering *(only applicable if agreed according to Box 12)*

The Managers shall arrange for the provision of bunker fuel of the quality specified by the Owners as required for the Vessel's trade.

4. Managers' Obligations

4.1 The Managers undertake to use their best endeavors ~~endeavours~~ to provide the agreed Management Services as agents for and on behalf of the Owners in accordance with sound ship management practice and to protect and promote the interests of the Owners in all matters relating to the provision of services

6. Insurance Policies

The Owners shall procure, whether by instructing the Managers under sub-clause 3.4, or otherwise, that throughout the period of this Agreement:

6.1 at the Owners' expense, the Vessel is insured for not less than her sound market value or entered for her full gross tonnage, as the case may be for:

(i) usual hull and machinery marine risks (including crew negligence) and excess liabilities;

(ii) protection and indemnity risks (including pollution risks and Crew insurances); and

(iii) war risks (including protection and indemnity and crew risks)

in accordance with the best practice of prudent owners of vessels of a similar type to the Vessel, with first class insurance companies, underwriters or associations ("the Owners' Insurances");

(iv) Freight, Demurrage and Defense insurance

(v) Certificate of Financial Responsibility

(vi) Crew Personal Accident and Sundries insurance cover

(vii) Any other insurance required by law

(viii) Any insurance that can be arranged and not included in the above but is requested by the Owners in writing

6.2 all premiums, deductibles, supplementary calls and/or excess supplementary calls and release calls on the Owners' insurances are paid promptly by their due date,

6.3 the Owners' insurances name the Managers and, subject to underwriters' agreement, any third party designated by the Managers as a joint assured, with full cover, with the Owners obtaining cover in respect of each of the insurances specified in sub-clause 6.1;

~~(i) on terms whereby the Managers and~~

hereunder.
Provided, however, that the Managers in the performance of their management responsibilities under this Agreement shall be entitled to have regard to their overall responsibility in relation to all vessels as may from time to time be entrusted to their management and in particular, but without prejudice to the generality of the foregoing, the Managers shall be entitled to allocate available supplies, manpower and services in such manner as in the prevailing circumstances the Managers in their absolute discretion consider to be fair and reasonable.

4.2 Where the Managers are providing Technical Management in accordance with sub-clause 3.2, they shall procure that the requirements of the law of the flag of the Vessel are satisfied and they shall in particular be deemed to be the "Company" as defined by the ISM Code, assuming the responsibility for the operation of the Vessel and taking over the duties and responsibilities imposed by the ISM Code when applicable.

5. Owners' Obligations

5.1 The Owners shall pay all sums due to the Managers punctually in accordance with the terms of this Agreement.

5.2 Where the Managers are providing Technical Management in accordance with sub-clause 3.2, the Owners shall:

(i) procure that all officers and ratings supplied by them or on their behalf comply with the requirements of STCW 95;

(ii) instruct such officers and ratings to obey all reasonable orders of the Managers in connection with the operation of the Managers' safety management system.

5.3 Where the Managers are not providing Technical Management in accordance with sub-clause 3.2, the Owners shall procure that the requirements of the law of the flag of the Vessel are satisfied and that they, or such other entity as may be ~~any such third party~~ ~~are liable in respect of premiums or calls arising in connection with the Owners' insurances; or~~

(ii) if reasonably obtainable, on terms such that neither the Managers nor any such third party shall be under any liability in respect of premiums or calls arising in connection with the Owners' insurances; or

(iii) on such other terms as may be agreed in writing.

Indicate alternative (i), (ii) or (iii) in Box 14. If Box 14 is left blank then (i) applies.

6.4 written evidence is provided, to the reasonable satisfaction of the Managers, of their compliance with their obligations under Clause 6 within a reasonable time of the commencement of the Agreement, and of each renewal date and, if specifically requested, of each payment date of the Owners' Insurances.

7. Income Collected and Expenses Paid on Behalf of Owners

7.1 All moneys collected by the Managers under the terms of this Agreement (other than moneys payable by the Owners to the Managers) and any interest thereon shall be held to the credit of the Owners in a separate bank account.

7.2 All expenses incurred by the Managers under the terms of this Agreement on behalf of the Owners (including expenses as provided in Clause 8) may be debited against ~~the Owners~~ ~~in~~ the account referred to under sub-clause 7.1 but shall in any event remain payable by the Owners to the Managers on demand.

8. Management Fee

8.1(a) The Owners shall pay to the Managers for their services as Managers under this Agreement ~~an annual~~ a daily management fee as stated in Box 15 which shall be payable by equal monthly installments in advance, the first

appointed by them and identified to the Managers, shall be deemed to be the "Company" as defined by the ISM Code assuming the responsibility for the operation of the Vessel and taking over the duties and responsibilities imposed by the ISM Code when applicable.

installment being payable on the commencement of this Agreement (see Clause 2 and Box 4) and subsequent installments being payable every month.

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8.1(b) The Owners shall place with the Manager for the duration of this Agreement an amount equal to three months of management fee stated in Box 15 as security.

Upon termination of this Agreement, all moneys remaining within the security or any portion thereof, if the amounts due to the Manager pursuant with the obligations set forth in the management agreement and their addenda (If any) is less than the security amount paid as per above shall be returned to the Owner subject to the terms and conditions of this agreement. It is being understood that in event of default from the part of the Owner is forfeited in favor of the Manager without prejudice to any rights which the Manager may have against the Owner in law or in equity.

8.2 The management fee shall be subject to ~~an annual~~ a review ~~on the anniversary date of the Agreement and~~ for each calendar year and will be automatically adjusted to the Greek CPI index for the previous year. It is understood that any such increase will not be less than 3% and not more than 5%. (The proposed fee shall be presented in the annual-budget referred to in sub-~~clause 9.1.~~ clause 9.1.

8.3 The Managers shall, at no extra cost to the Owners, provide their own office accommodation, office staff, facilities and stationery. Without limiting the generality of Clause 7 the Owners shall reimburse the Managers for postage and communication expenses, travelling expenses, and other out of pocket expenses property incurred by the Managers in pursuance of the Management Services.

8.4 In the event of the appointment of the Managers being terminated for any reason other than Clause 18.2 ~~by the Owners or the Managers in accordance with less than three months before the anniversary date of the commencement of this Agreement (see Clause 2 and Box 4~~

9.2 The Owners shall indicate to the Managers their acceptance and approval of the annual-budget within one month of presentation and in the absence of any such indication the Managers shall be entitled to assume that the Owners have accepted the proposed budget.

9.3 The Owner shall place with the Manager for the duration of this Agreement an amount equal to three months running expenses as working capital reserve. For calculation purposes the reserve will be based on the agreed budgeted dally average cost as per the respective management agreement. Upon termination of this Agreement all moneys remaining within the working capital reserve shall be returned to the Owner subject to the terms and conditions of this agreement. ~~Following the agreement of the budget, the Managers shall prepare and present to the Owners their estimate of the working capital requirement of the Vessel and the Managers shall each month up date this estimate, Based thereon, the Managers shall each month request the Owners in writing for the funds required to run the Vessel for the ensuing month, including the payment of any occasional or extraordinary item of expenditure such as emergency repair costs, additional insurance premiums, bunkers Or provisions. Such funds shall be received by the Managers within ten running days after the receipt by the Owners of the Managers' written request and shall be held to the credit of the Owners In a corporate bank account.~~

9.4 The Managers shall produce a comparison between budgeted and actual income and expenditure of the Vessel in such form as required by the Owners ~~monthly~~

~~the previsions of Clauses 17 and 18 other than by reason of~~ default by the Managers, or if the Vessel is ~~lost sold or otherwise disposed of~~, the "management fee" shall be payable to the Managers ~~according to the provisions of sub clause~~ 8.1~~; shall continue to be payable~~ for a further period of three (3) calendar months as from the termination date. In addition, provided that the Managers provide Crew for the Vessel in accordance with sub-clause 3.1:

(i) the Owners shall continue to pay Crew Support Costs during the said further period of three (3) calendar months and

(ii) the Owners shall pay an equitable proportion of any Severance Costs which may materialize, not exceeding the amount stated in Box 16.

8.5 If the Owners decide to lay-up the Vessel whilst this Agreement remains in force and such lay-up lasts for more than three months, an appropriate reduction of the management fee for the period exceeding three months until one month before the Vessel is again put into service shall be mutually agreed between the parties.

8.6 Unless otherwise agreed in writing all discounts and commissions obtained by the Managers in the course of the management of the Vessel shall be credited to the Owners. For the avoidance of any doubt, it is understood that insurance is charged on a gross rate basis.

8.7 In case of vessels under construction, no management fee will be charged by the Managers until the vessel's delivery to the Owners. However, in case Owners instruct the Managers to supervise vessels under construction as per Clause 3.2(vi) then the Managers will be due an upfront fee equal to 10% of the budget approved by the Owners. Such fee, will be payable in on a yearly basis or at such other intervals as mutually agreed.

9.5 Notwithstanding anything contained herein to the contrary, the Managers shall in no circumstances be required to use or commit their own funds to finance the provision of the Management Services.

10. Managers' Right to Sub-Contract

The Managers shall net-have the right to sub-contract any of their obligations hereunder, including those mentioned in sub-clause 3.1, ~~without the prior written consent of the Owners which shall not be unreasonably withheld~~. In the event of such a sub-contract the Managers shall remain fully liable for the due performance of their obligations under this Agreement.

11. Responsibilities

11.1 ***Force Majeure*** - Neither the Owners nor the Managers shall be under any liability for any failure to perform any of their obligations hereunder by reason of any cause whatsoever of any nature or kind beyond their reasonable control. For the avoidance of any doubt financial force majeure does not apply.

11.2 ***Liability to Owners*** - (i) Without prejudice to sub-clause 11.1, the Managers shall be under no liability whatsoever to the Owners for any loss, damage, delay or expense of whatsoever nature, whether direct or indirect, (including but not limited to loss of profit arising out of or in connection with detention of or delay to the Vessel) and howsoever arising in the course of performance of the Management Services UNLESS same is proved to have resulted solely from the negligence, gross negligence or wilful default of the Managers or their employees, or agents or sub-contractors employed by them in connection with the Vessel, in which case (save where loss, damage, delay

USD. For the avoidance of any doubt the rest of the paragraphs of Clause 8 to remain in force.

9. Budgets and Management of Funds

9.1 On or before November 30 of each calendar year ~~T~~the Managers shall present to the Owners ~~annually a~~ budget (see Annex "C") for the ~~following twelve months~~next calendar year in such form as the Owners reasonably require. ~~The budget for the first year hereof is set out In Annex "C" hereto, Subsequent annual budgets shall be prepared by the Managers and submitted to the Owners not~~ or expense has resulted from the Managers' personal act or omission committed with the intent to cause same or recklessly and with knowledge that such loss, damage, delay or expense would probably result) the Managers' liability for each incident or series of incidents giving rise to a claim or claims shall never exceed a total of ten times the annual management fee payable hereunder.

(ii) Notwithstanding anything that may appear to the contrary in this Agreement, the Managers shall not be liable for any of the

actions of the Crew, even if such actions are negligent, grossly. negligent or wilful, except only to the extent that they are shown to have resulted from a failure by the Managers to discharge their obligations under sub-clause 3.1, in which case their liability shall be limited in accordance with the terms of this Clause 11.

11.3 ***Indemnity*** - Except to the extent and solely for the amount therein set out that the Managers would be liable under sub-clause 11.2, the Owners hereby undertake to keep the Managers and their employees, agents and sub-contractors indemnified and to hold them harmless against all actions, proceedings, claims, demands or liabilities whatsoever or howsoever arising which may be brought against them or incurred or suffered by them arising out of or in connection with the performance of the Agreement, and against and in respect of all costs, losses, damages and expenses (including legal costs and expenses on a full indemnity basis) which the Managers may suffer or incur (either directly or indirectly) in the course of the performance of this Agreement.

11.4 ***"Himalaya"***- It is hereby expressly agreed that no employee or agent of the Managers (including every sub-contractor from time to time employed by the Managers) shall in any circumstances whatsoever be under any liability whatsoever to the Owners for any loss, damage or delay of whatsoever kind arising or resulting directly or indirectly from any act, neglect or default on his part while acting in the course of or in connection with his employment and, without prejudice to the generality of the foregoing provisions in this Clause 11, every exemption, limitation, condition and liberty herein contained and every right, exemption from liability, defence and

14. Auditing

The Managers shall at all times maintain and keep true and correct accounts in accordance with sound accounting practice and an adequate and effective system of internal controls and procedures and shall make the same available for permit the inspection and auditing by the Owners and their Auditors at such times as may be mutually agreed. On the termination, for whatever reasons, of this Agreement, the Managers shall release to the Owners, if so requested, the originals where possible, or otherwise certified copies, of all such accounts and all documents specifically relating to the Vessel and her operation.

15. Inspection of Vessel

The Owners shall have the right at any time after giving reasonable notice to the Managers to inspect the Vessel for any reason they consider necessary.

16. Compliance with Laws and Regulations

The Managers will not do or permit to be done anything which might cause any breach or infringement of the laws and regulations of the Vessel's flag, or of the places where she trades.

17. Duration of the Agreement

This Agreement shall come into effect on the day and year stated in Box 4 and shall continue until the date stated in Box 17.

Thereafter it shall automatically renew for a five-year period and shall thereafter be extended in additional five-year increments if notice of termination is not provided by the Owners in the fourth quarter of the year immediately preceding the end of the respective term. ~~continue until terminated by either party giving to the other notice in writing, in which event the Agreement shall terminate upon the expiration of a period of two months from the date upon which such notice was given.~~

18. Termination

immunity of whatsoever
nature applicable to the Managers or to which the Managers are
entitled hereunder shall also be available and shall extend to
protect every such employee or agent of the Managers acting
as aforesaid and for the purpose of all the foregoing provisions
of this Clause 11 the Managers are or shall be deemed to be
acting as agent or trustee on behalf of and for the benefit of all
persons who are or might be their servants or agents from time
to time (including sub-contractors as aforesaid) and all such
persons shall to this extent be or be deemed to be parties to this
Agreement.

12. Documentation

Where the Managers are providing Technical Management in
accordance with sub-clause 3.2 and/or Crew Management in
accordance with sub-clause 3.1, they shall make available,
upon Owners' request, all documentation and records related
to the Safety Management System (SMS) and/or the Crew
which the Owners need in order to demonstrate compliance
with the ISM Code and STCW 95 or to defend a claim against
a third party.

13. General Administration

13.1 The Managers shall handle and settle all claims arising
out of the Management Services hereunder and keep the Owners
informed regarding any incident of which the Managers become
aware which gives or may give rise to claims or disputes involving
third parties.

13.2 The Managers shall, as instructed by the Owners, bring
or defend actions, suits or proceedings in connection with matters
entrusted to the Managers according to this Agreement.

13.3 The Managers shall also have power to obtain legal or
technical or other outside expert advice in relation to the handling

18.1 ***Owners' default***

(i) The Managers shall be entitled to terminate the Agreement
with immediate effect by notice in writing if any moneys
payable by the Owners under this Agreement and/or the
owners of any associated vessel, details of which are listed
in Annex "D", shall not have been received in the Managers'
nominated account within ten (10) running days of receipt by
the Owners of the Managers written request or if the Vessel
is repossessed by the Mortgagees.

(ii) If the Owners:

(a) fail to meet their obligations under sub-clauses 5.2
and 5.3 of this Agreement for any reason within their
control, or

(b) proceed with the employment of or continue to employ
the Vessel in the carriage of contraband, blockade
running, or in an unlawful trade, or on a voyage which
in the reasonable opinion of the Managers is unduly
hazardous or improper,

the Managers may give notice of the default to the Owners,
requiring them to remedy it as soon as practically possible.
In the event that the Owners fail to remedy it within a
reasonable time to the satisfaction of the Managers, the
Managers shall be entitled to terminate the Agreement
with immediate effect by notice in writing.

18.2 ***Managers' Default***

If the Managers fail to meet their obligations under Clauses 3
and 4 of this Agreement for any reason within the control of the
Managers, the Owners may give notice to the Managers of the
default, requiring them to remedy it as soon as practically
possible. In the event that the Managers fail to remedy it within a
reasonable time to the satisfaction of the Owners, the Owners

and settlement of claims and disputes or all other matters affecting the interests of the Owners in respect of the Vessel.

13.4 The Owners shall arrange for the provision of any necessary guarantee bond or other security.

13.5 Any costs reasonably incurred by the Managers in carrying out their obligations according to Clause 13 shall be reimbursed by the Owners.

shall be entitled to terminate the Agreement with immediate effect by notice in writing.

18.3 ***Extraordinary Termination***

This Agreement shall be deemed to be terminated in the case of the sate of the Vessel or if the Vessel becomes a total loss or is declared as a constructive or compromised or arranged total loss or is requisitioned.

18.4 For the purpose of sub-clause 18.3 hereof

(i) the date upon which the Vessel is to be treated as having been sold or otherwise disposed of shall be the date on which the Owners cease to be registered as Owners of the Vessel;

(ii) the Vessel shall not be deemed to be lost unless either she has become an actual total loss or agreement has been reached with her underwriters in respect of her constructive, compromised or arranged total loss or if such agreement with her underwriters is not reached it is adjudged by a competent tribunal that a constructive loss of the Vessel has occurred.

18.5 This Agreement shall terminate forthwith in the event of an order being made or resolution passed for the winding up, dissolution, liquidation or bankruptcy of either party (otherwise than for the purpose of reconstruction or amalgamation) or if a receiver is appointed, or if it suspends payment, ceases to carry on business or makes any special arrangement or composition with its creditors.

18.6 The termination of this Agreement shall be without prejudice to all rights accrued due between the parties prior to the date of termination.

18.7 Termination After Change of Control

This Agreement will terminate automatically immediately after a change of control (as defined below) of the Owners and/or of the Owners' ultimate parent. Upon such and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within 14 calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the 14 days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both parties as if he had been appointed by agreement.

Nothing herein shall prevent the parties agreeing in writing to vary these provisions to provide for the appointment of a sole arbitrator.

In cases where neither the claim nor any counterclaim exceeds the sum of USD50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

19.2 This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the Maritime Law of the United States and any dispute arising out of or in connection with this Agreement shall be referred to three persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award,

termination, the Owners will be required to pay the Manager the Termination Payment in a single installment.

For the purposes of this Agreement "Change of Control" means the occurrence of any of the following:

(i) The acquisition by any individual, entity or group of beneficial ownership of fifty (50) percent (%) or more of either (A) the then-outstanding shares of stock of the Owners and/or the Owners' ultimate parent or (B) the combined voting power of the then-outstanding voting securities of the Owners and/or the Owners' ultimate parent entitled to vote generally in the election of directors;

(ii) The consummation of a reorganization, merger or consolidation of the Owners and/or the Owners' ultimate parent or the sale or other disposition of all or substantially all of the assets of the Owners and/or the Owners' ultimate parent;

(iii) The approval by the shareholders of the Owners and/or the Owners' ultimate parent of a complete liquidation or dissolution of the Owners and/or the Owners' ultimate parent

Further, for the purpose of this Agreement "Termination Payment" means a payment to be received by the Manager in the event of Change of Control. Such payment shall be equal to the estimated remaining fees payable to the Manager under the then current term of the agreement but in any case shall not be less than for a period of thirty-six (36) months and not more than a period of forty-eight (48) months.

19. Law and Arbitration

19.1 This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or judgment be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.

In cases where neither the claim nor any counterclaim exceeds the sum of USD50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc. current at the time when the arbitration proceedings are commenced.

19.3 This Agreement shall be governed by and construed in accordance with the laws of the place mutually agreed by the parties and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at a mutually agreed place, subject to the procedures applicable there.

19.4 If Box 18 in Part I is not appropriately filled in, sub-clause 19.1 of this Clause shall apply.

Note: 19.1, 19.2 and 19.3 are alternatives; indicate alternative agreed in Box 18.

20. Notices

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

20.2 The address of the Parties for service of such communication shall be as stated in Boxes 19 and 20, respectively.

21. Other Fees

21.1 Incentive Fee

At their sole discretion the Owners on an annual basis in order to provide the Managers with a performance incentive, may

any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

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

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator

make a payment to the Managers of an Incentive fee In addition to the management fee.

21.2 Chartering

One and a quarter per cent (1.25%) of all monies earned by the Vessel. Such fee will be payable in USD. For the avoidance of any doubt and regardless of Clause 8.5, chartering commissions shall survive the termination of this agreement under all circumstances until the termination of the charter party in force

at the time or termination of any other employment arranged previous to the termination date.

21.3 Sale and Purchase

One percent (1%) of any sale of the Vessel Including 1% for the initial purchase of the Vessel, including vessels under construction. Such fee will be payable in USD.

Addendum No. 1
dated 13th January 2011
(the "**Addendum**")
to the Management Agreement for m/t "VILAMOURA" dated 28th December 2010
(the "**Management Agreement**")

This Addendum No. 1 is entered into by and between:

a) TMS TANKERS LTD., a company organized and existing under the laws of the Republic of Marshall Islands, having its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "**Manager**"); and

b) , a company organized and existing under the laws of the , having its registered address at (the "**Buyer**")

(collectively the "**Parties**")

WHEREAS:

A. The Buyer is the buyer of m/t (the "**Vessel**") currently under construction by Samsung Heavy Industries Co., Ltd. of Seoul, Korea (the "**Builder**");

B. The Vessel is scheduled to be delivered from the Builder to the Buyer in (the "**Delivery**");

C. The Parties have entered into the Management Agreement pursuant to the terms of which the Buyer engaged the Manager to assist the Buyer in all aspects of a project involving the building and operation of the Vessel;

D. The Parties wish to enter into this Addendum in order to amend/supplement certain provisions of the Management Agreement relating to the supervision by the Manager of the construction of the Vessel.

E. Pursuant to Clause 3.2(vi) of Part II of the Management Agreement, the Manager shall supervise the construction of the Vessel prior to delivery, at the specific request of the Buyer and following approval by the Buyer of the relevant budget for supervision costs submitted by the Manager, attached to the Management Agreement in the form of Annex C (the "**Construction Budget**").

F. Clauses 8 and 9 of Part II of the Management Agreement regulate, inter alia, certain matters relating to the management fee and supervision costs payable by the Buyer to the Manager before the Delivery of the Vessel from the Builder to the Buyer;

G. With regard to the period prior to the Delivery of the Vessel from the Builder to the Buyer, Clauses 8 and 9 of Part II of Management Agreement provide inter alia, that during the construction stage and always subject to the Buyers' specific request for supervision by the Manager of the construction of the Vessel as well as approval by the Buyer of the Construction Budget, the Manager shall be entitled to the following payments:

   a. An upfront management fee equal to 10% of the Construction Budget approved by the Buyer; and

   b. The supervision costs, as per the Construction Budget, payable by the Buyer to the Manager.

H. Clause 9.3 further provides that the Buyer shall place with the Manager an amount equal to three (3) months running expenses as working capital reserve based on the agreed budgeted daily average cost as per the Construction Budget (the "**Construction Working Capital Reserve**").

I. Pursuant to Clause 9, the Construction Budget shall be presented by the Manager to the Buyer on or before November 30th each calendar year.

THE PARTIES HERETO AGREE AS FOLLOWS:

1. **THAT** the Manager shall supervise the construction of the Vessel.
2. **THAT** no Construction Working Capital Reserve shall be placed with the Manager but the Buyer shall make payments related to supervision as requested by the Manager, always supported by adequate documentation.
3. **THAT** the reconciliation of actual/budget supervision expenses shall take place thirty (30) days after the delivery of the Vessel from the Builder to the Buyer.
4. **THAT** the budget for the operating expenses of the Vessel, relating to the period after the Delivery of the Vessel from the Builder to the Buyer, shall be submitted by the Manager for Buyer's approval before the Delivery of the Vessel from the Builder to the Buyer.

All other terms of the Management Agreement remain in full force and effect.

This 2011.

For and on behalf of
TMS TANKERS LTD.

Name:
Title:

For and on behalf of

Name:
Title:

Exhibit 4.115

GLOBAL SERVICES AGREEMENT DATED 1st DECEMBER 2010

THIS AGREEMENT by and between **DRYSHIPS INC.** a Marshall Islands corporation having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "Company") and **CARDIFF MARINE INC.** a company having its registered office at 80 Broad Street, Monrovia, Liberia (the "Consultant").

BY WHICH, in consideration of the mutual covenants and agreements set forth herein, the parties hereto agree as follows with Effective Date as described in Clause 15 hereof:

1. The Company. The Company has been engaged directly or through subsidiaries in the ownership, operation and management of offshore drilling units. The common shares of the Company are listed on the NASDAQ Global Market and as such the Company is subject to U.S. securities laws and regulations.

2. Engagement. The Company hereby engages the Consultant to act as consultant on matters of financing for the Company and for any affiliates, direct or indirect subsidiaries (the "Affiliates") as directed by the Company, and to provide the services set forth herein below to this Agreement (the "Services") as defined in the Scope of Works but without any obligation on the part of the Affiliates to accept the Services and the Consultant hereby accepts such engagement.

3. SCOPE OF WORKS

Services provided by the Consultant shall consist of consulting services related to:

(i) Identifying, sourcing, negotiating and arranging new employment for the Company's offshore drilling assets.

(ii) Identifying, sourcing, negotiating and arranging the sale or purchase of offshore drilling assets

4. FEES

In consideration of such services the Consultant shall receive fee from the Company of 1% in connection with employment arrangements and 0.75% in connection with sale and purchase activities.

5. DUTIES

The Consultant shall provide the Services, using all its experience, resources and due diligence. The Consultant undertakes to use all reasonable endeavors to provide the Services in accordance with Clause 3 hereof and to protect and promote the interests of the Company in all matters relating to the provision of the Services.

6. THE CONSULTANT'S RIGHT TO SUB-CONTRACT

6.1 The Consultant shall be entitled to procure performance of the Consultant's obligations hereunder by its parent, subsidiary or associated companies or (in the case of other services) third parties (hereinafter collectively called the "Sub-Consultant") in accordance with the following provisions of this Clause 6.1:

(i) The Company hereby agrees with the Consultant that insofar as Sub- Consultant performs the obligations of the Consultant, the Sub-Consultant shall be entitled to the benefits of the provisions of Clause 9; and

(ii) Any performance of the Consultant's obligations by the Sub-Consultant shall be without prejudice to the rights of the Company hereunder for any failure by the Consultant in performance of the Consultant's duties and obligations hereunder and notwithstanding performance by the Sub-Consultant, the Consultant shall remain solely responsible to the Company for performance of its obligations hereunder.

6.2 The provision of Clause 6.1 shall remain in force notwithstanding termination of this Agreement.

7 . RESPONSIBILITIES

7.1 FORCE MAJEURE

Neither the Company nor the Consultant shall be liable to the other for loss or damage resulting from delay or failure to perform its respective obligations under this Agreement, or any contract hereunder, either in whole or in part, when any such delay or failure shall be due to causes beyond its control due to civil war, insurrections, strikes, riots, fires, floods, explosions, earthquakes, serious accidents, or any acts of God, failure of transportation, epidemics, quarantine restrictions, or labor trouble causing cessation, slow down, or interruption of work.

In the event that a situation giving rise to force majeure which prevents a party from performing under this Agreement, the parties shall confer as to the further fulfillment or termination of this Agreement.

7.2 INDEMNITY – GENERAL

The Company hereby undertakes to indemnify and hold harmless the Consultant and its employees, agents and subcontractors against all actions, proceedings, claims, demands or liabilities whatsoever or howsoever arising out of or in connection with the performance of this Agreement, and against and in respect of all costs, loss, damages and expenses on a full indemnity basis) which the Consultant may suffer or incur (either directly or indirectly) in the course of the performance of this Agreement other than arising from the gross negligence or willful misconduct of the Consultant.

7.3 INDEMNITY – TAX

Without prejudice to the general indemnity set out in Clause 7.2, the Company hereby undertakes to indemnify and hold harmless the Consultant, its employees, agents and subcontractors against all taxes, imposts and duties levied by any government, other than income taxes, as a result of the trading or other activities of the Company and/or the Company's vessels whether or not such taxes, imposts and duties are levied on the Company or the Consultant.

7.4 "HIMALAYA"

It is hereby expressly agreed that no employee or agent of the Consultant (including every subcontractor from time to time employed by the Consultant and the employees of such subcontractors) shall in any circumstances whatsoever be under any liability whatsoever to the Company for any loss, damage or delay of whatsoever kind arising or resulting directly or indirectly from any act neglect or default on his part while acting in the course of or in connection with his employment and, without prejudice to the generality of the foregoing provisions in this Clause, every exemption, limitation, condition and liberty herein contained and every right, exemption from liability, defense and immunity of whatsoever nature applicable to the Consultant or to which the Consultant is entitled hereunder shall also be available and shall extend to protect every such employee or agent of the Consultant acting as aforesaid.

7.5 The provisions of Clause 7 shall remain in force notwithstanding termination of this Agreement.

8. DURATION

The term of this Agreement shall commence on the Effective Date of this agreement as per Clause 15 and continue for a period of five (5) years.

9. TERMINATION OF AGREEMENT

Unless otherwise agreed in writing between the parties this Agreement may be terminated as follows:

9.1 At the end of its term unless extended by mutual agreement

9.2 The parties by mutual agreement may terminate this Agreement at any time

9.3 The Company may opt to terminate this Agreement by written notice to the Consultant prior to actual termination date by observing a prior written notice period of thirty (30) days

9.4 **TERMINATION BY DEFAULT – THE COMPANY**

(i) The Consultant shall be entitled to terminate the Agreement with immediate effect by notice in writing if any moneys due to the Consultant from the Company shall not have been received in the Consultant's nominated account within ten (10) days of payment having been requested in writing by the Consultant or if the Company fails to comply with the requirements of Clauses 4 and 7.

(ii) If the Company fails to meet its obligations hereunder in any material respect for reasons within its control.

9.5 **TERMINATION BY DEFAULT – THE CONSULTANT**

If the Consultant fails to meet its obligations under this Agreement in any material respect, the Company may give a written notice to the Consultant specifying the default and requiring it to remedy the default as soon as practically possible. In the event that the Consultant fails to remedy such default, if remediable, within a reasonable time to the reasonable satisfaction of the Company, the Company shall be entitled to terminate this Agreement with immediate effect by notice in writing.

10. CONFIDENTIALITY

10.1 Save for the purpose of the enforcing or carrying out as may be necessary their respective rights or obligations, each party agrees to maintain and to use all reasonable endeavors to procure that their respective officers and employees maintain confidentiality and secrecy in respect of all information relating to the other's business received by it directly or indirectly pursuant to this Agreement.

10.2 As between the Company and the Consultant, the Company hereby agrees and acknowledges that all title and property in and to the management manuals of the Consultant and other written material of the Consultant concerning management functions and activities developed by the Consultant is vested in the Consultant and the Company agrees not to disclose the same to any third party except as required by law or applicable regulation or rule and, on the termination of this Agreement, to return all such manuals and other materials to the Consultant. For the purposes of this Clause reference to "the Consultant" includes the parent, subsidiary and associated companies of the Consultant and any third parties providing services to the Company under this Agreement.

11. LAW AND ARBITRATION

11.1 This Agreement shall be governed by English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof for the time being in force.

11.2 The arbitration shall be conducted in accordance with the London Maritime Arbitrators' (LMAA) Terms current at the time when the arbitration is commenced.

11.3 Save as mentioned below, the reference shall be to three arbitrators, one to be appointed by each party and the third by the two so appointed. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment to the other party requiring the other party to appoint its arbitrator within 14 days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and give notice that it has done so within the 14 days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 days specified, the party referring the dispute to arbitration may, without the requirement of any further prior notice to the other party accordingly. The award of a sole arbitrator shall be as binding as if he had been appointed by agreement.

11.4 In cases where neither the claim nor any counterclaim exceeds the sum of USD 50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

12. NOTICES

12.1 Any notice or other communication required to be given or made hereunder shall be in writing and may be served by sending same by registered airmail, electronic- mail, telex, facsimile or by delivering the same (against receipt) to the address of the party to be served to such address as may from time to time be notified by the party for the purpose.

12.2 Any notice served by post as aforesaid shall be deemed conclusively duly served five days after the same shall have posted. Notices served by telex or facsimile as aforesaid shall be deemed conclusively to have been served on the day following of the same, provided evidence of transmission appears on the particular notice.

Notices to the Consultant shall be made as follows:

CARDIFF MARINE INC.
C/O Deverakis Law Office
80 Kifissias Avenue
Amaroussion, GR-15125
Athens – Greece
Attn: Mr. Stelios Deverakis
Phone: (+30) 210 6140810
Fax: (+30) 210 6140267
Email: lawsgr@hol.gr

Notice to Company shall be made as follows:

DRYSHIPS INC.
80 Kifissias Avenue
Amaroussion, GR-15125
Athens – Greece
Attn: Mr. Ziad Nakhleh, CFO
Phone: (+30) 210 809 0551
Fax: (+30) 210 809 0575
Email: management@dryships.com

13. CHANGE OF CONTROL

13.1 In the event of a "Change of Control" during the term of this Agreement, the Consultant may terminate this Agreement and cease providing the abovementioned services to the Company within three (3) months following such Change in Control.

13.2 For the purposes of this Agreement, the term "Change of Control" shall mean the:

(i) Acquisition by any individual, entity or group of beneficial ownership of fifty percent (50%) or more of either (A) the then-outstanding shares of common stock of the Company or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors;

(ii) Consummation of a reorganization, merger or consolidation of the Company or the sale or other disposition of all or substantially all of the assets of the Company and /or of the Affiliates; or

(iii) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

14. ENTIRE AGREEMENT

14.1 This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter of the Agreement; and (in relation to such subject matter) supersedes all prior discussions, understandings and agreements between the parties and all prior representations and expressions of opinion by the parties.

14.2 Each of the parties acknowledges that it is not relying on any statements, warranties, representations or understandings (whether negligently or innocently made) given or made by or on behalf of the other in relation to the subject matter hereof and that it shall have no rights or remedies with respect to such subject matter otherwise than under this Agreement. The only remedy available shall be for breach of

contract under the terms of this Agreement without consequential, special or punitive damages. Nothing in this clause shall, however, operate to limit or exclude any liability for willful cause of loss.

14.3 For the avoidance of doubt it is noted that the provisions of this Agreement take precedence and prevail over any other provisions in any earlier agreement between the parties.

15. EFFECTIVE DATE

This Agreement shall become effective (the "Effective Date") only upon the closing of the Norwegian/U.S. initial public offering/private placement of the common shares of OCR UDW Inc. currently expected to take place in December 2010.

For the avoidance of any doubt, this Agreement will cover the Vanco/Lukoil contract for HI837138 and the Cairn LOI for H1837, if the latter materializes into a contract but will not be applicable for the Petrobras LOI for the Leiv Eiriksson, if it materializes into a contract, the Eirik Raude contract with Borders and the Leiv Eiriksson LOI with Cairn, if the latter materializes into a contract. It will apply however to any contracts otherwise entered after the Effective Date. If the Effective Date has not occurred by December 31st , 2010, then this Agreement shall be rescinded and of no effect.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the day and year first above written.

ON BEHALF OF THE COMPANY

/s/ Mr. Ziad Nakhleh
By: Mr. Ziad Nakhleh
Title: Chief Financial Officer

ON BEHALF OF CARDIFF MARINE INC.

/s/ Mr. Haris Alivizatos
By: Mr. Haris Alivizatos
Title: Legal Representative in Greece

Exhibit 4.116

DRILLSHIP MASTER AGREEMENT

THIS DRILLSHIP MASTER AGREEMENT (this "Agreement") is entered into this 22nd day of November 2010.

BETWEEN

(1) **DRYSHIPS INC.**, a corporation incorporated and existing under the laws of the Marshall Islands and maintaining an office at 80 Kifissias Avenue, 151 25 Amaroussion, Greece (hereinafter referred to as "Dryships"); and

(2) **SAMSUNG HEAVY INDUSTRIES CO., LTD,** a corporation incorporated and existing under the laws of the Republic of Korea and having its registered office at 34th Floor, Samsung Life Insurance Seocho Tower 1321-15, Seocho-Dong, Seocho-Gu, Seoul, Korea 137-857 (hereinafter referred to as "Samsung");

(collectively referred to as "Parties", and individually as "Party")

WHEREAS:

Samsung have agreed to grant Dryships the contractual right to enter into up to four contracts (together the "Contracts", and each a "Contract") whereby Samsung shall construct and Dryships (or its nominated subsidiaries, whose performance shall be guaranteed by Dryships) shall purchase up to four drillships (together the "Drillships", each a "Drillship") on the same contract terms, conditions and specification as for hull no. 1865 ("HN1865") which is being constructed by Samsung and purchased by Drillship Kithira Owners Inc. pursuant to a contract dated 24 January 2008 (as supplemented, amended, changed or modified as agreed from time to time, including the drilling package Supply Contract Agreement dated 24 January 2008, Addendum no. 1 dated 21 March 2008, Supplemental Agreement dated 31 August 2009, Addendum No 2 dated 25 May 2010, and Addendum No 3 dated 9 November 2010) (the "HN1865 Contract").

NOW THEREFORE, in consideration of the recitals, the mutual covenants hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Effective Date**

This Agreement shall become effective upon the date of this Agreement as recorded above (the "Effective Date").

The Contract(s) for each Drillship shall become effective upon the date that each Contract is signed, or otherwise in accordance with the terms of each Contract.

2. **The Construction of the Drillships**

Samsung shall, on a turn key basis in accordance with and subject to the terms and conditions of the Contract to be made based on HN1865 Contract with logical amendments and Specifications, design, construct, launch, equip, test, commission, complete and deliver, and Dryships shall arrange for a respective number of its subsidiary companies to purchase, the Drillships, each to be constructed on the same contract terms, conditions and specification as for HN1865 and the HN1865 Contract, and the provisions of the HN1865 Contract shall apply mutatis mutandis (with logical amendments thereto to incorporate the terms of this Agreement and including all extras/change orders up to 10 October 2010) to each of the Contracts.

3. **Contract Price**

3.1 The price payable by Dryships to Samsung for each Drillship (the "Contract Price") shall be US$570,000,000 (Five hundred and seventy million U.S. Dollars). The Contract Price includes the approved Change Orders of HN1865 up to 10 October 2010.

3.2 For the period from the Effective Date until 15 January 2011, Samsung shall negotiate in good faith with Dryships the additional cost and other terms (including any adjustment to be made the Contract Price) for upgrading the Hull and Topside (Drilling Package) so that the Drillship(s) are capable of drilling in a water depth up to 12,000 feet.

3.3 Until the date(s) upon which Dryships exercise their contractual right in accordance with Clause 4 hereof, every three months, starting with the date falling three months after the Effective Date, the Parties shall review the Vessel Element of the Contract Price and shall mutually agree an increase or decrease of the Contract Price to reflect (i) movement of the applicable exchange rate, and (ii) changes in steel price and major hull equipment, since the Effective Date. For the purposes of such review Samsung shall provide all information and supporting documentation reasonably requested by Dryships to the extent such information and documentation requested by Dryships are available.

3.4 Until the date(s) upon which Dryships exercise their contractual right in accordance with Clause 4 hereof, every one month, starting with the date falling one month after the Effective Date, the Parties shall review the price of the Drilling Equipment Package of the Contract Price (as defined in the HN1865 Contract and which is, as at the date of this Agreement, US$232,000,000) and shall mutually agree an increase or decrease of the Contract Price to reflect any changes in the cost of the Drilling Equipment Package since the Effective Date. For the purposes of such review Samsung shall provide all information and supporting documentation reasonably requested by Dryships, including the quotes provided to Samsung by National Oilwell Varco (NOV).

4. **The Purchase Right(s)**

Samsung hereby grants Dryships a contractual right until 22 November 2011 to purchase the Drillship(s) for the Contract Price (as provided for in Clause 3 above) and for delivery on the Delivery Date(s) set out in Clause 5 below, subject to the other terms and conditions herein.

Dryships may exercise its right to purchase each Drillship by giving notice in writing to Samsung.

Dryships shall not be obliged to proceed to purchase all four Drillships and may purchase one, two, three or four Drillship(s) in accordance with their requirements. Dryships shall not be required to exercise its contractual right at the same time, but shall in any event be required to exercise such right on or before 22 November 2011.

Such written notice shall be irrevocable and shall oblige Samsung as sellers and Dryships through its nominated subsidiary company (whose performance shall be guaranteed by Dryships) as buyers to enter into a Contract on the same terms as the HN1865 Contract mutatis mutandis, with logical amendments thereto to incorporate the terms of this Agreement.

5. **Delivery Date(s)**

The delivery date(s) of each Drillship are set out in the table below and shall depend upon the date upon which Dryships shall have exercised its right to proceed with each Contract:

Option Exercise Date	**Prior to 22 Feb 2011**	**Prior to 22 May 2011**	**Prior to 22 Aug 2011**	**Prior to 22 Nov 2011**
Vessel	Delivery Date	Delivery Date	Delivery Date	Delivery Date
1st Drillship	Oct.31 2013	Dec.31 2013	Mar.31 2014	Jun.30 2014
2nd Drillship	Dec.31 2013	Mar.31 2014	Jun.30 2014	TBA
3rd Drillship	Mar.31 2014	Jun.30 2014	TBA	TBA
4th Drillship	Jun.30 2014	TBA	TBA	TBA

Where the delivery date(s) are not recorded in the above table, such delivery dates shall be determined by Samsung at its reasonable discretion declaring the earliest available date(s) based on their production schedule, always acting in good faith when doing so.

6. **Payment of the Contract Price**

Subject to Clause 3 above, Dryships shall pay the Contract Price of US$570,000,000 (Five hundred and seventy million U.S. Dollars) or any other amount to be adjusted in accordance with Clause 3 as follows:

6.1 Dryships shall pay to Samsung the sum of US$24,756,000 (Twenty four million seven hundred and fifty six thousand U.S. Dollars) as a non-refundable pre payment in respect of each Drillship on or before 22 November 2010;

6.2 Dryships shall pay the sum of US$174,744,000 (One hundred and seventy four million seven hundred and forty four thousand U.S. Dollars) in respect of each Drillship upon the signing of each Contract and provision of original of a Refundment Guarantee from a first class reputable Korean Bank for the above amount;

6.3 Dryships shall pay the sum of US$370,500,000 (Three hundred and seventy million five hundred thousand U.S. Dollars), together with any adjustment(s) to the Contract Price in accordance with Clause 3 hereof, in respect of each Drillship upon the delivery of each Vessel.

7. **Notices**

Every notice given under this Agreement shall be in writing and shall be deemed given when delivered personally, by registered or certified mail or by telefax or e-mail to the address of the Party receiving such notice stated below. Any notice sent by telefax shall be confirmed by prepaid first class letter posted as soon as practicable thereafter but the failure of the addressee to receive such letter shall not prejudice the validity or effect of such telefax notice.

Except as otherwise provided hereunder the addresses of the Parties for the purposes of notices under this Agreement shall be:

Dryships Inc c/o Deverakis Law Offices
80 Kifissias Avenue, 151 25 Amaroussion, Greece

Fax no.: (+30) 210 6140267
E-mail: lawsgr@hol.gr
Att: Mr. Stelios Deverakis

Samsung Heavy Industries Co. Ltd
32th Floor, Samsung Life Insurance Seocho Tower 1321-15,
Seocho-Dong, Seocho-Gu, Seoul, Korea, 137-857

Fax no: (+82) 2 3458 7369
E-mail: danielcd.cho@samsung.com
Att: Mr. Daniel Cho

8. **Confidentiality**

The Parties hereto undertake to keep the existence of this Agreement and the terms hereof strictly confidential, and shall not disclose same to any third parties without express prior written consent from the other party unless disclosing party demonstrates that such disclosure is required to comply with the applicable laws and regulations.

9. **Governing Law and Jurisdiction**

The Parties hereto agree that the validity and interpretation of this Agreement shall be governed by and construed in accordance with the laws of England. Any dispute or difference of any kind whatsoever between the Buyers and the Builder relating to this Agreement or their obligations hereunder shall be referred to and finally resolved by arbitration in London on the same terms as the arbitration clause in HN1865 Contract.

10. **Successors and Assigns**

This Agreement shall enure to the benefit of, and be binding upon, the Parties hereto and their respective heirs, executors, administrators, successors and assigns. This Agreement shall be read and construed with all changes of gender and/or number as maybe required by the context.

11. **Entire Agreement**

This Agreement constitutes the entire agreement and understanding between the parties hereto and supersedes and merges any and all prior negotiations, representations, undertaking and agreements on any subject matter of this Agreement. There are no agreements, discussions, warranties and representations, expressed or implied, between the Parties except those expressly stated in this Agreement.

12. **Contracts (Rights of Third Parties) Act 1999**

Nothing in this Agreement shall be construed as conferring a right to a third party to enforce any provision of this Agreement whether under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

13. **Signatories**

The Parties warrant and confirm for their respective parts that the below mentioned signatories are duly authorised to sign this Agreement on their behalf.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

For and on behalf of
DRYSHIPS INC

/s/ Pankaj Khanna
By: Pankaj Khanna
Title: COO

For and on behalf of the Builder
SAMSUNG HEAVY INDUSTRIES CO., LTD.

/s/ H.Y. Lee
By: H.Y. Lee
Title: Attorney-In-Fact

Exhibit 4.117

NOVATION AGREEMENT

This NOVATION AGREEMENT (this "Agreement") is made on this 30 day of December 2010 by and between

1) SAMSUNG HEAVY INDUSTRIES CO. LTD, a corporation of Korea, having its registered office at 34th floor, Samsung Life Insurance Seocho Tower 1321- 15 Seocho-Dong, Seocho-Gu, Seoul, Korea 137-857 (hereinafter referred to as "Samsung");

2) DRYSHIPS INC. a corporation of Majuro, Marshall Islands, which maintains a shipping office at 80 Kifissias Avenue GR-151 25 Marousi, Athens, Greece (hereinafter called "the Company"); and

3) OCEAN RIG UDW INC. of Majuro, Marshall Islands, which maintains a shipping office at 80 Kifisias Avenue, GR-15125 Marousi, Athens, Greece (hereinafter "the New Issuer")

WHEREAS:

(A) by a Drillship Master Agreement entered on 22nd November 201 0 between the Company and Samsung ("Drillship Master Agreement"), among others it was agreed for the Company to have a contractual right until 22 November 201 1 to order to Samsung the construction of four (4) drillships at the price and specifications set out therein and for the other terms and conditions set out therein.

(B) the Company has paid an aggregate amount of USD 99,024,000 to Samsung as a non-refundable prepayment in respect of the four option drillships to be ordered pursuant to above Drillship Master Agreement;

(C) the Company wishes to grant the benefit of above Drillship Master Agreement to the New Issuer in consideration of the aggregate amount of USD 99,024,000, the non-refundable prepayments in respect of the four option drillships and to assign all its rights and benefits and transfer and novate all its obligations and responsibilities under the Drillship Master Agreement to the New Issuer. The New Issuer wishes to accept such assignment, transfer and novation of rights, benefits, obligations and responsibilities pursuant to the Drillship Master Agreement subject to the following terms and subject to the conditions of this Agreement.

IT IS HEREBY AGREED THAT:-

1. The Company as of the date hereof hereby assigns all its rights and benefits and transfers and novates all its obligations and responsibilities pursuant to the Drillship Master Agreement to the New Issuer in consideration of the aggregate amount of USD 99,024,000, the non-refundable prepayments in respect of the four option drillships, and the New Issuer hereby agrees to and

accepts such assignment of rights and benefits and assumption of all obligations and responsibilities pursuant to the Drillship Master Agreement and the Company shall be released from any of its obligations and liabilities under the Drillship Master Agreement.

2. In consideration of this Agreement and the acceptance of the New Issuer to assume and perform all obligations and responsibilities under the Drillship Master Agreement, Samsung hereby consents to the provisions of Clause 1 above.

3. The parties hereto agree that as of the date hereof all rights, benefits, responsibilities and obligations of the Company pursuant to the Drillship Master Agreement are assigned, transferred, novated to and assumed by the New Issuer and all references in the Drillship Master Agreement to "Dryships" shall be deemed to refer to the New Issuer.

4. This Agreement shall be deemed in all respects to take effect from the date hereof. The New Issuer hereby represents and warrants that (i) it is duly incorporated as a company under the laws of Marshall Islands and has full power to carry on its business as is now being conducted and to own its property and other assets; (ii) it has full Power and authority to enter into and perform its obligations under this Agreement and to consummate the transactions contemplated hereby; (iii) the execution and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate and other actions on the part of the New Issuer and do not contravene any applicable law, order or regulation, judgment or permit binding on the New Issuer or any of its assets or its constitutional documents; and (iv) this Agreement constitutes a legal, valid and binding obligation of the New Issuer.

5. With effect from the signing of this Agreement, a part pertinent to Dryships under the Article 7 (Notices) of the Drillship Master Agreement shall be amended as follows:

   To Ocean Rig UDW Inc. c/o DEVERAKIS LAW OFFICE
   80 Avenue, GR-15125 Marousi, Athens, Greece
   Fax No.: (+30) 2106140267
   E-mail: lawsgr@hol.gr
   Attn.: Mr. Stelios N. Deverakis

6. All payments made by DryShips to Samsung prior to the date hereof shall be deemed to have been made by the New Issuer.

7. This Agreement shall be governed by and construed in accordance with English Law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London, U.K..

8. In the event and to the extent that there shall be an inconsistency between the provisions of this Agreement and the provisions of the Drillship Master Agreement, this Agreement shall prevail.

For and on behalf of
Samsung

Date: 30/12/2010

/s/ TONY T. N. KIM
By: TONY T. N. KIM
Title: REPRESENTATIVE OF ATHENS OFFICE

For and on behalf of
the Company

Date: 30/12/2010

/s/ Ziad Nakhleh
By: Ziad Nakhleh
Title: Attorney-in-fact

For and on behalf of
the New Issuer

Date: 30/12/2010

/s/ Iraklis Sbarounis
By: Iraklis Sbarounis
Title: Attorney-in-fact

Exhibit 4.118

EXECUTION VERSION

US$325,000,000

FACILITY AGREEMENT

dated 21 DECEMBER 2010

for

DRILLSHIP HYDRA OWNERS INC.

arranged by

DEUTSCHE BANK AG, LONDON BRANCH
as Mandated Lead Arranger

with

DEUTSCHE BANK LUXEMBOURG S.A.
acting as Agent

and

DEUTSCHE BANK AG FILIALE DEUTSCHLANDGESCHAFT
acting as Security Agent

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THIS AGREEMENT is dated 21 December 2010 and made between:

(1) **DRILLSHIP HYDRA OWNERS INC.**, a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960, as borrower (the "**Borrower**");

(2) **THE HOLDING COMPANIES** of the Borrower listed in Part I of Schedule 1 (*The Original Parties*) as guarantors (the "**Guarantors**");

(3) **DEUTSCHE BANK AG, LONDON BRANCH** as mandated lead arranger (the "**Arranger**");

(4) **THE FINANCIAL INSTITUTIONS** listed in Part II of Schedule 1 (*The Original Parties*) as lenders (the "**Original Lenders**");

(5) **DEUTSCHE BANK LUXEMBOURG S.A.** as agent of the other Finance Parties (the "**Agent**"); and

(6) **DEUTSCHE BANK AG FILIALE DEUTSCHLANDGESCHÄFT** as security agent for the Finance Parties (the "**Security Agent**").

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"**Account Bank**" means Deutsche Bank AG, London Branch.

"**Account Bank Mandate**" means, in relation to any Account, the resolutions, instructions and signature authorities relating to such Accounts as will be agreed by the Account Bank, the relevant Obligors and the Security Agent on or prior to the Utilisation Date.

"**Accounts**" means together the Reserve Account, the Proceeds Account, the Debt Service Account and the Operating Expenses Account.

"**Accounts Charge Agreement**" means the charge document in agreed form entered into or to be entered into on or prior to the Utilisation Date by the Borrower and DHI in favour of the Security Agent in respect of the Accounts.

"**Administrative Party**" means the Agent or the Security Agent.

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"**Agreement**" means this facility agreement, including any schedules or appendices hereto, as amended from time to time.

"**Alternative Vessel Option Agreement**" means the Drillship Master Agreement entered into between the Parent and the Builder, dated 23 November 2010.

"**Annual Budget**" means a budget itemising

(a) the anticipated Earnings;

(b) the anticipated Operating Expenses; and

(c) the anticipated CAPEX Expenses,

in each case of the Borrower for the financial year of the Borrower commencing on 1 January 2011 agreed by the board of directors of the Borrower (based on the good faith estimates of the officers of the Borrower and the Manager) and delivered to the Agent prior to the Utilisation Date.

"**Applicable Law**" means any or all applicable law (whether civil, criminal or administrative), common law, statute, statutory instrument, treaty, convention, regulation, directive, by-law, demand, decree, ordinance, injunction, resolution, order, judgment, rule, permit, licence or restriction (in each case having the force of law) and codes of practice or conduct, circulars and guidance notes generally accepted and applied by the global off-shore oil-rig industry, in each case of any government, quasi-government, supranational, federal, state or local government, statutory or regulatory body, court, agency or association relating to all laws, rules, directives and regulations, national or international, public or private in any applicable jurisdiction from time to time.

"**Approved Brokers**" means R.S. Platou Offshore, ODS Petrodata, H. Clarksons & Co Ltd., Lorentzen & Stemoco AS of Oslo, Allied Shipbroking Inc., RS Platou Shipbrokers AS of Oslo, Fearnley Offshore AS, Fearnley AS of Oslo, or such other brokers as may be approved by the Agent (acting on the instructions of the Majority Lenders) and the Borrower in writing.

"**Availability Period**" means the period from and including the date of this Agreement to and including the day that is 30 days after the date of this Agreement.

"**Available Commitment**" means:

(a) prior to the Utilisation, the Lender's Commitment; and

(b) thereafter, zero.

"**Available Facility**" means the aggregate for the time being of each Lender's Available Commitment.

"**Break Costs**" means the amount (if any) by which:

(a) the interest which a Lender should have received for the period from the date of receipt of all or any part of its participation in the Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

(b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

"**Builder**" means Samsung Heavy Industries Co., Ltd., a corporation incorporated in the Republic of Korea with registered address at 34th Floor, Samsung Life Insurance Seocho Tower 1321-15, Seocho-Dong, Seocho-Gu, Seoul, Korea 137-857.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in London, New York and Luxembourg.

"**CAPEX Expenses**" means capital expenses incurred by the Borrower in respect of the continued maintenance and operation of the Vessel, including modifications required to be made to the Vessel by the Classification Society or as required by Applicable Law.

"**Charter Termination Event**" means:

(a) any material breach by the Charterer of the terms of the Drilling Charter or, as applicable, by the Charterer Parent of the terms of a Charterer Parent Guarantee which material breach is not cured by the date which falls 30 days after the date on which the Agent gives written notice to the Borrower of the breach and such breach is not remedied, or otherwise compensated for, in each case, to the satisfaction of the Majority Lenders within such period or if the matter has been referred to arbitration within that 30 day period, upon the earlier of a settlement being reached in respect of such arbitration and 15 days after the receipt of the final arbitration award; or

(b) the termination of the Drilling Charter by the Borrower or the Charterer.

"**Charterer**" means Capricorn Greenland Exploration 1 Limited (a wholly-owned Subsidiary of Cairn Energy PLC).

"**Charterer Parent**" means Cairn Energy PLC.

"**Charterer Parent Guarantee**" means a guarantee, if any, from the Charterer Parent in form and substance satisfactory to the Agent (acting on the instructions of the Majority Lenders) in favour of the Borrower in respect of the Charterer's obligations under the Drilling Charter.

"**Classification Society**" means American Bureau of Shipping or such other classification society approved in writing by the Agent (acting on the instructions of the Majority Lenders).

"**Commitment**" means:

(a) in relation to an Original Lender, the amount set opposite its name under the heading "Commitment" in Part II of Schedule 1 (*The Original Parties*) and the amount of any other Commitment transferred to it under this Agreement; and

(b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Commitment Fee Period**" means the period commencing on (and including) the day that is five Business Days after the date of this Agreement to (and including) the earlier of (a) the Utilisation Date, and (b) the last day of the Availability Period.

"**Compliance Certificate**" means a certificate substantially in the form set out in Schedule 5 (*Form of Compliance Certificate*).

"**Confidential Information**" means all information relating to any Obligor, the Group, the Finance Documents or the Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Facility from either:

(a) any member of the Group or any of its advisers; or

(b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any member of the Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(i) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 37 (*Confidentiality*); or

(ii) is identified in writing at the time of delivery as non-confidential by any member of the Group or any of its advisers; or

(iii) is known by that Finance Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with the Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"**Confidentiality Undertaking**" means a confidentiality undertaking substantially in a recommended form of the LMA as set out in Schedule 6 (*LMA Form of Confidentiality Undertaking*) or in any other form agreed between the Borrower and the Agent.

"**Damages Payment**" means the amount of any damages payable to the Borrower by the Builder pursuant to the Shipbuilding Contract.

"**Date of Total Loss**" means, in respect of the Vessel, the date of Total Loss of the Vessel which date shall be deemed to have occurred:

(a) in the case of an actual total loss, on the actual date and at the time the Vessel was lost or, if such date is not known, on the date on which the Vessel was last reported;

(b) in the case of a constructive total loss, upon the date and at the time notice of abandonment is given to the Insurers for the time being (provided a claim for total loss is admitted by such Insurers) or, if such Insurers do not forthwith admit such a claim, at the date and at the time at which either a total loss is subsequently admitted by the Insurers or a total loss is subsequently adjudged by a competent court of law or arbitration tribunal to have occurred;

(c) in the case of a compromised, agreed or arranged total loss, on the date upon which a binding agreement as to such compromised, agreed or arranged total loss has been entered into by the Insurers;

(d) in the case of requisition for title or other compulsory acquisition, on the date upon which the relevant requisition for title or other compulsory acquisition occurs; or

(e) in the case of capture, seizure, arrest, detention, or confiscation of the Vessel by any government or by persons acting or purporting to act on behalf of any government, government authority or any other person or entity which deprives the Borrower of the Vessel or, as the case may be, the Charterer of the use of the Vessel for more than 60 days, upon the expiry of the period of 60 days after the date upon which the relevant capture, seizure, arrest, detention or confiscation occurred.

"**Debt Service Account**" means the bank account opened in the name of the Borrower with the Account Bank and designated "Hydra Debt Service Account".

"**Default**" means an Event of Default or any event or circumstance specified in Clause 24 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

"**Delivery Date**" means the date of actual delivery of the Vessel to the Borrower under the terms of the Shipbuilding Contract (which date is, as at the date of this Agreement, expected to be 3 January 2011).

"**DHI**" means Drillships Holdings Inc., a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

"**Disruption Event**" means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

"**Distribution**" means the payment by an Obligor by way of any payment, repayment, redemption or dividend, capital reduction, distribution or the like to any of its shareholders.

"**Dollars**" or "**US$**" means the lawful currency for the time being of the United States of America.

"**Drilling Charter**" means a contract for the provision of drilling services in form and substance satisfactory to the Agent (acting on the instructions of the Majority Lenders) entered into between the Charterer and the Borrower not later than five Business Days prior to the Utilisation Date.

"**Earnings**" means all present and future moneys and claims which are earned by or become payable to or for the account of the Borrower in connection with the operation or ownership of the Vessel and including but not limited to:

(a) freights, passage and hire moneys (howsoever earned), including, for the avoidance of doubt, charterhire and charterhire performance bonuses payable under any Drilling Charter;

(b) Damages Payments;

(c) remuneration for salvage and towage services;

(d) demurrage and detention moneys;

(e) all moneys and claims in respect of the requisition for hire of the Vessel;

(f) payments received in respect of off-hire insurance; and

(g) damages for breach or payments for termination of a Drilling Charter or any other contract for the employment of the Vessel.

"**Environment**" means:

(a) any land including, without limitation, surface land and sub-surface strata, sea bed or river bed under any water (as referred to below) and any natural or man-made structures;

(b) water including, without limitation, coastal and inland waters, surface waters, ground waters and water in drains and sewers;

(c) air including, without limitation, air within buildings and other natural or man-made structures above or below ground; and

(d) flora, fauna and ecological systems.

"**Environmental Affiliate**" means the Obligors and the Manager together with their respective officers, directors and employees and all of those persons for whom any Obligor or the Manager is responsible under any Applicable Law in respect of any activities undertaken in relation to the Vessel.

"**Environmental Approvals**" means any permit, licence, approval, consent, certificate, registration, ruling, variance, exemption or other authorisation required under applicable Environmental Laws.

"**Environmental Claim**" means any claim by any person or persons or any governmental, judicial or regulatory authority which arises out of any breach, contravention or violation of (or liability under) Environmental Law, the existence of any liability arising from such breach, contravention or violation, or the presence of or Release of any Hazardous Material. In this

context, claim means: a claim for damages, compensation, fines, penalties or any other payment of any kind whether or not similar to the foregoing; an order or direction to take, or not to take, certain action or to desist from or suspend certain action by any governmental, judicial or regulatory authority; and any form of enforcement or regulatory action, but shall exclude a frivolous or vexatious claim which is being contested in good faith and with due diligence and which is discharged or struck out within 14 days.

"**Environmental Laws**" means any or all Applicable Law relating to or concerning:

(a) pollution or contamination of the Environment, including any remediation of any pollution or contamination on the restoration or repair of any damage to the Environment;

(b) the protection of the Environment and human health or safety or any living organisms which inhabit the Environment or any ecological system;

(c) the generation, manufacture, processing, distribution, use (including abuse), treatment, storage, deposit, disposal, transport or handling of Hazardous Materials;

(d) the Release or other form of transmission into the Environment of noise, vibration, dust, fumes, gas, odours, smoke, steam, effluvia, heat, light, radiation (of any kind), infection, electricity or any Hazardous Material and any matter or thing capable of constituting a nuisance or an actionable tort or breach of statutory duty of any kind in respect of such matters; and

(e) the provision and maintenance of bonds, guarantees or other forms of financial assurance required by any Governmental Entity in connection with activities that could have an adverse effect on the Environment.

"**Event of Default**" means any event or circumstance specified as such in Clause 24 (*Events of Default*).

"**Excess Risks**" means:

(a) the proportion of claims for general average, salvage and salvage charges which are not recoverable as a result of the value at which the Vessel is assessed for the purpose of such claims exceeding her hull and machinery insured value; and

(b) collision liabilities not recoverable in full under the hull and machinery insurance by reason of those liabilities exceeding such proportion of the insured value of the Vessel as is covered by the hull and machinery insurance.

"**Existing Secured Debt**" means the obligations and liabilities (actual or contingent) of any Obligor under or in connection with the US$230,000,000 Secured Loan Agreement dated 10 September 2007 and entered into by, *inter alios,* the Borrower and the Other Buyer, as borrowers, DVB Bank AG as agent and security agent, the arrangers party thereto and the lenders party thereto from time to time.

"**Existing Security**" means each Security Interest granted by an Obligor to secure the Existing Secured Debt.

"**Facility**" means the term loan facility made available under this Agreement as described in Clause 2 (*The Facility*).

"**Facility Office**" means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement.

"**Fee Letter**" means any letter or letters dated on or about the date of this Agreement between the Arranger and any Obligor, the Account Bank and any Obligor or an Administrative Party and any Obligor) setting out any of the fees referred to in Clause 11 (*Fees*).

"**Finance Document**" means this Agreement, any Fee Letter, any Security Document, the Security Trust Deed, the Account Bank Mandate, each Transfer Certificate and any other document designated as such by the Agent and the Borrower.

"**Finance Party**" means an Administrative Party, the Arranger or a Lender.

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) any redeemable preference share;

(e) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

(f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(g) the acquisition cost of any asset or service to the extent payable after its acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance or of financing the acquisition of that asset or service;

(h) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing other than trade credits incurred in the ordinary course of business with credit terms of no longer than 90 days;

(i) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);

(j) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(k) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above.

"**Fleet Vessel**" means, at any time, any vessel owned, either wholly or partially, by any member of the Group.

"**Floating Charge**" means the charge document in agreed form entered into or to be entered into on or prior to the Utilisation Date by the Borrower in favour of the Security Agent over all and any assets of the Borrower.

"**Force Majeure Event**" means an event of force majeure as defined in or contemplated by the Drilling Charter.

"**General Assignment**" means the agreed form assignment of the Shipbuilding Contract, the Management Agreement, the Drilling Charter, the Charterer Parent Guarantee (if any), the Earnings, the Requisition Compensation and the Obligatory Insurances, together with all benefits under the contracts, policies and entries under the Obligatory Insurances and all claims in respect of them, entered into or to be entered into on or prior to the Utilisation Date and granted by the Borrower in favour of the Security Agent, together with any and all notices and acknowledgements entered into in connection therewith.

"**Government Entity**" means, in respect of any country:

(a) any natural government, political subdivision thereof, or local jurisdiction therein; and

(b) any instrumentality, board, commission, court or agency thereof, however constituted.

"**Gross Revenue**" means, for any period, the aggregate Earnings received in such period in respect of the Vessel.

"**Group**" means the Parent and each of its Subsidiaries for the time being.

"**Hazardous Material**" means any element or substance, whether natural or artificial, and whether consisting of gas, liquid, solid or vapour, whether on its own or in any combination with any other element or substance or radiation, which is listed, identified, defined or determined by any Environmental Law or other Applicable Law as hazardous, harmful, a contamination or waste and/or capable of being or becoming harmful to mankind or any living organism or damaging to the Environment, including, without limitation, oil (as defined in the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and the Oil Pollution Act of 1990, as amended).

"**Holding Company**" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"**HSI**" means Drillship Hydra Shareholders Inc., a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

"**IFRS**" means international accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"**Instalment**" means an amount due and payable by the Borrower under the terms of the Shipbuilding Contract.

"**Insurance Market Value**" means, in respect of any Fleet Vessel, the fair market value of that Fleet Vessel, being the average of valuations of the Fleet Vessel obtained from the Approved Brokers with or without physical inspection of the Fleet Vessel (as the Security Agent may reasonably require) on the basis of a sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing buyer and a willing seller, on an "as is, where is" basis, free of any existing charter or other contract of employment and or pool arrangement.

"**Insurers**" means the underwriters or insurance companies with whom any Obligatory Insurances are effected and the managers of any protection and indemnity or war risks association in which the Vessel may at any time be entered.

"**Interest Period**" means, in relation to the Loan, each period determined in accordance with Clause 9 (*Interest Periods)* and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 *(Default interest).*

"**ISM Code**" means the International Safety Management Code (including the guidelines on its implementation) adopted by the International Maritime Organization Assembly as Resolutions A.741(18) and A.788(19), as the same may have been or may be amended or supplemented from time to time. The terms "safety management system", "Safety Management Certificate", "Document of Compliance" and "major non-conformity" shall have the same meanings as are given to them in the ISM Code.

"**ISPS Code**" means the International Ship and Port Facility Security Code adopted by the International Maritime Organization Assembly as the same may have been or may be amended or supplemented from time to time.

"**LCIA**" means The London Court of International Arbitration.

"**LCIA Court**" means the Court of the LCIA.

"**LCIA Rules**" means the rules of the LCIA as in effect from time to time.

"**Lender**" means:

(a) any Original Lender; and

(b) any person which becomes a Party in accordance with Clause 25 (*Changes to the Lenders),*

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

"**LIBOR**" means, in relation to the Loan for any Interest Period:

(a) the applicable Screen Rate; or

(b) (if no Screen Rate is available for Dollars for the Interest Period of that Loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request quoted by the Reference Banks to leading banks in the London interbank market,

as of 11:00 a.m. London time on the Quotation Day for the offering of deposits in Dollars and for a period comparable to that Interest Period.

"**LMA**" means the Loan Market Association.

"**Loan**" means the loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.

"**Losses**" means each and every liability, loss, charge, claim, demand, action, proceeding, damage, judgment, order or other sanction, enforcement, penalty, fine, fee, commission, interest, lien, salvage, general average, cost and expense of whatsoever nature suffered or incurred by or imposed on any of the Finance Parties.

"**LTV Ratio**" means, as at any date of determination, the ratio of (A) the aggregate principal amount outstanding under the Facility to (B) the latest Market Value of the Vessel, plus the amount standing to the credit of the Reserve Account as at such date, plus (without duplication) the value attributed to any additional security provided pursuant to Clause 21.1(c)(iii) (*Financial covenants)* as determined by the Agent from time to time.

"**Majority Lenders**" means:

(a) if there is no portion of the Loan then outstanding, a Lender or Lenders whose Commitments aggregate more than 66 2/3% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 66 2/3% of the Total Commitments immediately prior to the reduction); or

(b) at any other time, a Lender or Lenders whose participations in the Loan then outstanding aggregate more than 66 2/3% of the Loan then outstanding.

"**Management Agreement**" means the management agreement in form and substance satisfactory to the Agent (acting on the instructions of the Majority Lenders) to be entered into between the Manager and the Borrower prior to the Utilisation Date for the operation and servicing of the Vessel.

"**Manager**" means Ocean Rig AS, a Norwegian company with registered number 938420718 or such other person in each case approved by the Charterer and the Agent (acting on the instructions of the Majority Lenders).

"**Mandatory Prepayment Event**" means any of the events referred to in Clause 7 (*Prepayment and Cancellation)* as a result of which the Borrower is obliged to prepay all or part of the Loan or any Lender's participation in the Loan.

"**Margin**" means:

(a) in relation to the three-Month period commencing on the Utilisation Date, 4.00 per cent. per annum;

(b) in relation to the one-Month period commencing on the three-Month anniversary of the Utilisation Date, 5.00 per cent. per annum;

(c) thereafter, 6.00 per cent. per annum; and

(d) in relation to any other Unpaid Sum, the highest rate specified above.

"**Market Value**" means at any time the aggregate of:

(a) the net present value of the expected Net Cash Flow to be derived from the Drilling Charter as calculated by the Agent in its sole discretion on the basis of a discount rate of 6% per annum and information then available to it and on the basis that the Operating Expenses shall be US$150,000 per day and utilisation rate of 95% for the Vessel; and

(b) the net present value (as calculated by the Agent in its sole discretion on the basis of a discount rate of 6% per annum) of the forecasted fair market value of the Vessel derived from a valuation of the Vessel obtained from one Approved Broker with or without physical inspection of the Vessel (as the Security Agent may reasonably require) on the basis of a sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing buyer and a willing seller, on an "as is, where is" basis, as at the latest expiry date of the then existing Drilling Charter.

"**Material Adverse Effect**" means in the reasonable opinion of the Majority Lenders a material adverse effect on:

(a) the ability of an Obligor to perform its obligations under the Finance Documents; or

(b) the validity or enforceability of, or the effectiveness or ranking of any Security Interest granted or purporting to be granted pursuant to any the Finance Documents; or

(c) any right or remedy of any Finance Party in respect of a Finance Documents.

"**Month**" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

(a) (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;

(b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and

(c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the next succeeding calendar month.

The above rules will only apply to the last Month of any period.

"**Mortgage**" means the first preferred Marshall Islands ship mortgage in agreed form to be given by the Borrower in favour of the Security Agent.

"**NASDAQ**" means the Global Market System of the National Association of Securities Dealers, Inc. Automated Quotation System.

"**Net Cash Flow**" means, for any period:

(a) Gross Revenues for that period; minus

(b) Operating Expenses and CAPEX Expenses payable during that period.

"**Net Debt Proceeds**" means, with respect to any credit facility provided by, or private or public issue or offering of debt securities by any member of the Group (other than the Borrower or HSI) to, a person which is not a member of the Group, the aggregate cash proceeds received by such member of the Group in connection with such credit facility or issuance, net of reasonable costs, fees, Tax, commissions and out-of-pocket expenses paid or incurred in connection with such credit facility or issuance.

"**Net Equity Proceeds**" means, with respect to any private or public issue or offering of equity securities issued by the Parent or UDW to a person which is not a member of the Group (excluding pursuant to any employee share scheme), the aggregate cash proceeds received by such person in connection with such issuance, net of reasonable costs, fees, Tax, commissions and out-of-pocket expenses paid or incurred in connection with such issuance.

"**Net Income**" means in relation to a Compliance Date or for any accounting period, the aggregate income of the Group appearing in the Accounting Information for that accounting period less the aggregate of:

(a) the amounts incurred by the Group during the relevant accounting period as expenses of their business (including, without limitation, vessel and voyage expenses, commissions, vessel running expenses (including, but not limited to voyage, operating, repair, insurance and other related expenses), management fees, Board of Directors fees and general and administration expenses);

(b) depreciation, amortisation and interest expense;

(c) taxes; and

(d) other items charged to the Parent's consolidated profit and loss account for that accounting period.

"**Net Issuance Proceeds**" means Net Equity Proceeds and Net Debt Proceeds.

"**Obligatory Insurances**" means all contracts and policies of insurance and all entries in clubs and/or associations which are from time to time required to be effected and maintained in accordance with Clause 23.1 (*Scope of Obligatory Insurances)* in respect of the Vessel.

"**Obligor**" means the Borrower or a Guarantor.

"**Operating Expenses**" means expenses incurred by the Borrower in connection with the transportation, operation, employment, maintenance, repair, running and insurance of the Vessel, including maintaining the ownership and legal fees, rentals, wages or fees which the Borrower may be required to pay pursuant to the Management Agreement, the cost of maintaining Obligatory Insurances and other insurances maintained for the Vessel and payment of Tax properly payable by the Borrower.

"**Operating Expenses Account**" means the bank account opened in the name of the Borrower with the Account Bank and designated "Hydra Operating Expenses Account".

"**Operational Software**" means, at any time, any software which is then being used in connection with the operation, navigation or maintenance of the Vessel.

"**Original Financial Statements**" means:

(a) in relation to the Parent, its audited consolidated financial statements for the financial year ended 31 December 2009; and

(b) in relation to each Obligor other than the Parent, its unaudited financial statements for its financial year ended 31 December 2009.

"**Other Buyer**" means Drillship Paros Owners Inc., a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

"**Other Vessel**" means the drillship being constructed by the Builder for the Other Buyer with Hull Number 1838.

"**Parent**" means DryShips Inc., a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

"**Participating Member State**" means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

"**Party**" means a party to this Agreement.

"**Permitted Liens**" means, in respect of any asset of an Obligor:

(a) Security Interests created by the Security Documents;

(b) liens for unpaid crew's wages including wages of the master and stevedores employed by the Vessel, outstanding in the ordinary course of business for not more than one month after the due date for payment;

(c) liens for salvage;

(d) liens for classification or scheduled dry-docking or for necessary repairs to the Vessel whose aggregate cost does not exceed US$40,000,000 at any one time in respect of the Vessel;

(e) liens for collision;

(f) liens for master's disbursements incurred in the ordinary course of business;

(g) statutory and common law liens of carriers, warehousemen, mechanics, suppliers, materials men, repairers or other similar liens, including maritime liens, in each case arising in the ordinary course of business, due and outstanding for not more than one month whose aggregate value does not exceed US$40,000,000; and

(h) any lien created or permitted to subsist with the prior written consent of the Agent (acting on instructions of the Majority Lenders),

provided, in the case of paragraphs (b) to (g) inclusive, that the amounts which give rise to such liens are paid when due or within any of the time periods stated above or within any applicable grace period or, if not paid when due, are being disputed in good faith by appropriate proceedings (and for the payment of which adequate reserves or security are at the relevant time maintained or provided or for which indemnity or liability insurance cover for at least the full amount in dispute (less any applicable deductible) has been obtained by the Borrower from underwriters or insurance companies that have been approved by the Agent (acting on the instructions of the Majority Lenders)), provided further that such proceedings, whether by payment of adequate security into Court or otherwise, do not give rise to a material risk of the Vessel or any interest therein being seized, sold, forfeited or otherwise lost or of criminal liability on any Finance Party.

"**Permitted MLP Spin-off**" means the creation by the Parent of, and initial public offering of partnership interests in, a master limited partnership the assets of which consist of up to five drybulk carriers and assets incidental to the ownership, operation and chartering of those drybulk carriers.

"**Permitted Tanker Spin-off**" means the creation by the Parent of a separate group of companies that will own tanker vessels and the subsequent spin-off, initial public offering, demerger or merger of one or more members of that separate group.

"**Permitted UDW Spin-off**" means the creation by the Parent of, and initial public offering of shares in, a separate group of companies having UDW as parent, the assets of which group consist of the Vessel, the Other Vessel, the drillships being constructed by the Builder with Hull Numbers 1865 and 1866, the Drilling Rigs Eirik Raude and Leiv Eiriksson and assets incidental to the ownership, operation and chartering of those assets, and (b) the Subsidiaries of UDW from time to time.

"**Potential Mandatory Prepayment Event**" means any event which would be (with the expiry of a grace period, the giving of notice or the making of any determination under the Finance Documents or any combination of them) a Mandatory Prepayment Event.

"**Proceeds Account**" means the bank account in the name of the Borrower with the Account Bank and designated "Hydra Proceeds Account".

"**Project Parties**" means each of:

(a) the Obligors; and

(b) from time to time, any of the Manager, any Charterer Parent and/or Charterer (but only to the extent, in any such case, that the same has or may in the future have, outstanding liabilities owing to an Obligor or any Finance Party under any Finance Document or Related Contract to which it is a party).

"**Protocol of Delivery and Acceptance**" has the meaning given to such term in the Shipbuilding Contract.

"**Quotation Day**" means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period unless market practice differs in the Relevant Interbank Market in which case the Quotation Day will be determined by the Agent in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days).

"**Receiver**" means a receiver or receiver and manager or administrative receiver of the whole or any part of the Security Assets.

"**Reference Banks**" means, in relation to LIBOR, the principal London offices of Deutsche Bank AG, Lloyds TSB Bank plc and The Royal Bank of Scotland plc, or such other banks as may be appointed by the Agent from time to time, acting on the instructions of the Majority Lenders and in consultation with the Borrower.

"**Related Contracts**" means any or all of the following (as the context requires):

(a) the Obligatory Insurances;

(b) the Drilling Charter;

(c) any Charterer Parent Guarantee; and

(d) the Management Agreement.

"**Release**" means an emission, spill, release or discharge into the Environment, including any "release" falling within the definition ascribed to such term pursuant to the United States Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

"**Relevant Interbank Market**" means the London interbank market.

"**Repayment Date**" means the day that is six Months after the Utilisation Date, provided that, if such day is not a Business Day, the Repayment Date will instead be the preceding Business Day.

"**Representative**" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

"**Required Insurance Amount**" means, on an agreed value basis, the higher of (a) 125% of the aggregate of the outstanding Loan and (b) the Insurance Market Value of the Vessel.

"**Requisition Compensation**" means all moneys or other compensation payable by reason of requisition for title to, or other compulsory acquisition of, the Vessel including requisition for hire.

"**Reserve Account**" means the bank account in the name of the Borrower with the Account Bank and designated "Hydra Reserve Account".

"**Screen Rate**" means the British Bankers' Association Interest Settlement Rate for Dollars for the relevant period, displayed on the appropriate page of the Reuters screen. If the agreed page

is replaced or service ceases to be available, the Agent may specify another page or service displaying the appropriate rate after consultation with the Borrower and the Lenders.

"**Secured Liabilities**" means all present and future obligations and liabilities (actual or contingent) of any Obligor to the Finance Parties or any of them under or in connection with any Finance Document.

"**Security Agreements**" means:

(a) the Mortgage;

(b) the General Assignment;

(c) the Share Charge;

(d) the Accounts Charge Agreement;

(e) the Floating Charge; and

(f) any other document designated as such in writing by any Obligor and the Agent.

"**Security Assets**" means any asset which is the subject of a Security Interest created by a Security Document.

"**Security Document**" means:

(a) each Security Agreement; and

(b) any other document evidencing or creating security over any asset of an Obligor to secure any obligation of an Obligor to the Finance Parties or any of them under the Finance Documents.

"**Security Interest**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Security Period**" means the period beginning on the date of the relevant Security Document and ending on the date on which all the Secured Liabilities have been unconditionally and irrevocably paid, performed and discharged in full.

"**Security Trust Deed**" means the security trust deed in agreed form to be entered into on or prior to the Utilisation Date between (*inter alios)* the Agent, the Security Agent, the Obligors and the Original Lenders.

"**Share Charge**" means the charge in respect of the issued share capital of each of the Borrower and HSI in agreed form entered into or to be entered into on or prior to the Utilisation Date and granted by each of DHI and HSI in favour of the Security Agent.

"**Shipbuilding Contract**" means the turn key building contract between the Builder and the Borrower dated as of 17 September 2007 (as amended or supplemented from time to time) pursuant to which the Builder agreed to build and deliver the Vessel to the Borrower.

"**Software Licences**" means, at any time, all licences granted to the Borrower in respect of the Operational Software.

"**Software Records**" means, at any time, records in respect of:

(a) the Operational Software;

(b) the identity of the then current suppliers of the Operational Software;

(c) all upgrades carried out in respect of the Operational Software or changes to the Software Licences; and

(d) all Software Licences.

"**Subsidiary**" means:

(a) a subsidiary within the meaning of section 1159 of the Companies Act 2006; and

(b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

"**Technical Adviser**" means any marine surveyor, valuer or other technical adviser appointed by the Agent on behalf of the Lenders, in consultation with the Borrower, to review the Drilling Charter and to report to the Lenders thereon.

"**Technical Records**" means all technical data, manuals, logbooks and other records (whether kept or to be kept in compliance with any Applicable Law or any requirement of any Government Entity or the Drilling Charter) relating to the Vessel.

"**Third Parties Act**" is defined in Clause 1.3(a) (*Third Party Rights)*.

"**Total Commitments**" means the aggregate of the Commitments being US$325,000,000 at the date of this Agreement.

"**Total Loss**" means, in relation to the Vessel:

(a) actual, constructive, compromised, agreed or arranged total loss of the Vessel;

(b) requisition for title or other compulsory acquisition of the Vessel otherwise than by requisition for hire; and

(c) capture, seizure, arrest, detention or confiscation of the Vessel by any Government Entity or by persons acting or purporting to act on behalf of any government or any other person or entity which deprives the Borrower of the Vessel or, as the case may be, the Charterer of the use of the Vessel for more than 60 days after that occurrence.

"**Transaction Authorisation**" means any authorisation, permit, licence, consent or approval required by any person or customary for any person to hold in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, the Transaction Documents, excluding authorisations agreed not to be delivered under the Transaction Documents.

"**Transaction Documents**" means the Finance Documents and Related Contracts.

"**Transaction Security**" means the Security Interests created or expressed to be created pursuant to the Security Documents.

"**Transfer Certificate**" means a certificate substantially in the form set out in Schedule 4 *(Form of Transfer Certificate)* or any other form agreed between the Agent and the Borrower.

"**Transfer Date**" means, in relation to an assignment or a transfer, the later of:

(d) the proposed Transfer Date specified in the relevant Transfer Certificate; and

(e) the date on which the Agent executes the relevant Transfer Certificate.

"**UDW**" means Ocean Rig UDW Inc., a corporation incorporated in the Republic of the Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

"**Unpaid Sum**" means any sum due and payable but unpaid by an Obligor under the Finance Documents.

"**US GAAP**" means generally accepted accounting principles in the United States of America.

"**Utilisation**" means the utilisation of the Facility.

"**Utilisation Date**" means the date of the Utilisation, being the date on which the Loan is made.

"**Utilisation Request**" means a notice substantially in the form set out in Schedule 3 (*Utilisation Request)*.

"**VAT**" means value added tax as provided for in the Value Added Tax Act 1994 and any other tax of a similar nature.

"**Vessel**" means the drillship being constructed in accordance with the Shipbuilding Contract with Hull Number 1837, including all the topside, equipment, buyer's supplies, parts, material and items constructed, manufactured or assembled under the Shipbuilding Contract incorporated in or attached to it.

1.2 Construction

(a) Unless a contrary indication appears, any reference in this Agreement to:

(i) any "**Administrative Party**", the "**Agent**", the "**Arranger**", any "**Finance Party**", any "**Lender**", any "**Obligor**", the "**Security Agent**", or any "**Party**" shall be construed so as to include its successors in title, permitted assigns and permitted transferees;

(ii) "**assets**" includes present and future properties, revenues and rights of every description;

(iii) a document in "**agreed form**" is a document which is previously agreed in writing by or on behalf of the Borrower and the Agent (acting on the instructions of the Majority Lenders) or, if not so agreed, is in the form specified by the Agent (acting on the instructions of the Majority Lenders);

(iv) a "**Finance Document**" or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;

(v) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(vi) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);

(vii) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;

(viii) a provision of law is a reference to that provision as amended or re-enacted; and

(ix) a time of day is a reference to London time.

(b) Section, Clause and Schedule headings are for ease of reference only.

(c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

(d) A Default is "**continuing**" if it has not been remedied or waived.

1.3 Third Party Rights

(a) Unless expressly provided to the contrary in a Finance Document a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or to enjoy the benefit of any term of this Agreement.

(b) Notwithstanding any term of any Finance Document the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

2. THE FACILITY

2.1 The Facility

Subject to the terms of this Agreement, the Lenders make available to the Borrower a Dollar term loan facility in an aggregate amount equal to the Total Commitments.

2.2 Finance Parties' rights and obligations

(a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

(b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor shall be a separate and independent debt.

(c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3. PURPOSE

3.1 Purpose

The Borrower shall apply all amounts borrowed by it under the Facility towards:

(a) the repayment of Existing Secured Debt in the principal amount of US$115,000,000; and/or

(b) the partial payment of the Instalment referred to in Article II paragraph 4(e) of the Shipbuilding Contract or, if such Instalment has otherwise been paid on or prior to the Utilisation Date, partial reimbursement of the Borrower for that Instalment and repayment of intercompany Financial Indebtedness incurred to finance the Borrower's payment of that Instalment; and/or

(c) as to US$25,000,000, to fund the Reserve Account; and/or

(d) (but only once all payments referred to in paragraphs (a) to (c) above are satisfied), for general corporate purposes.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

(a) The Borrower may not deliver the Utilisation Request unless the Agent has notified the Borrower and the Lenders that it has received all of the documents and other evidence listed in Schedule 2 (*Conditions precedent*) in form and substance satisfactory to the Agent (acting on the instructions of the Majority Lenders) or that it expects to receive all outstanding documents or evidence on or before the Utilisation Date (provided that it will be a condition precedent to the obligations of each Lender to advance such Loan that, as at the Utilisation Date, such outstanding documents or evidence have been received by the Agent). The Agent shall notify the Borrower and the Lenders promptly upon being so satisfied.

(b) If the Delivery Date has not occurred at the time the Utilisation Request is served, the Borrower undertakes with the Finance Parties not to sign a Protocol of Delivery and Acceptance in respect of the Vessel unless the Agent has confirmed that the conditions precedent referred to in Clause 4.1(a) have been or will, simultaneously with such signing, be satisfied.

(c) That part of the Loan which relates to part of the Instalment payable on the Delivery Date shall, if the Delivery Date has not at such time occurred, be deposited by the Agent into the account of The Export-Import Bank of Korea (the "**Escrow Account**") with its correspondent bank in New York three Business Days prior to the proposed Delivery Date, subject to irrevocable instructions in form and substance satisfactory to the Agent (acting on the instructions of all of the Original Lenders).

4.2 Further conditions precedent

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) if on the date of the Utilisation Request and on the proposed Utilisation Date:

(a) no Default is continuing or would result from the proposed Loan; and

(b) the representations to be made by each Obligor are true in all material respects.

5. UTILISATION

5.1 Delivery of the Utilisation Request

The Borrower may utilise the Facility by delivery to the Agent of the duly completed Utilisation Request not later than 10:00 a.m. three Business Days prior to the proposed Utilisation Date.

5.2 Completion of a Utilisation Request

(a) The Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

(i) the proposed Utilisation Date is a Business Day within the Availability Period;

(ii) the proposed Utilisation Date is on or after the Delivery Date; and

(iii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*).

(b) Only one Loan may be requested in the Utilisation Request.

(c) The Borrower may only submit one Utilisation Request.

5.3 Currency and amount

(a) The currency specified in the Utilisation Request must be Dollars.

(b) The amount of the proposed Loan must be an amount which is not more than the Available Facility.

5.4 Lenders' participation

(a) If the conditions set out in this Agreement have been met, each Lender shall make its participation in the Loan available by the Utilisation Date through its Facility Office.

(b) The amount of each Lender's participation in the Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.

(c) The Agent shall promptly notify each Lender of the amount of the Loan and the amount of its participation in the Loan.

5.5 Cancellation of Commitment

The Commitments which, at that time, are unutilised shall be immediately cancelled at the end of the Availability Period.

6. REPAYMENT

6.1 Repayment of Loan

The Borrower shall repay the Loan in full on the Repayment Date.

6.2 Reborrowing

The Borrower may not reborrow any part of the Facility which is repaid.

7. PREPAYMENT AND CANCELLATION

7.1 Illegality

(a) If it becomes, or to the knowledge of any Lender is to become, unlawful or otherwise prohibited (whether temporarily or permanently) in any jurisdiction for a Lender to perform any of its obligations as contemplated by a Finance Document or to fund or maintain its share in the Loan, or to exercise any of its material rights under the Finance Documents, that Lender shall notify the Agent and the Borrower (any such event being a "**Lender Event**").

(b) After notification under paragraph (a) above (and subject always to satisfactory alternate arrangements being put into place in accordance with paragraph (d) below):

(i) the Borrower must repay or prepay the share of that Lender in the Loan on the date specified in paragraph (c) below; and

(ii) the Commitments of that Lender will be immediately cancelled.

(c) The date for prepayment of a Lender's share in the Loan will be:

(i) the last day of the current Interest Period; or

(ii) if earlier, the date specified by that Lender in the notice delivered to the Borrower under paragraph (a) above (being no earlier than the last day of any applicable grace period permitted by Applicable Law).

(d) If, prior to the occurrence of a Lender Event, a Lender receives notice or becomes aware that a Lender Event will occur, that Lender and the Borrower shall enter into discussions in good faith for a period of twenty (20) days (or such shorter period, if any, as may be available prior to the Lender Event taking effect) (the "**Lender Consultation Period**") with a view to agreeing how the effects of the Lender Event can be avoided or mitigated so that alternative legal, valid and binding obligations, in form and substance satisfactory to that Lender and the Borrower, are put in place. If that Lender and the Borrower cannot agree and complete such arrangements prior to the end of the Lender Consultation Period, the Borrower shall be obliged to immediately prepay the share of that Lender in the Loan on the date specified in paragraph (c) above.

7.2 Change of control, Total Loss and Related Contracts

The Borrower shall be obliged to prepay the whole of the Loan then outstanding (and each Lender's Commitments shall be immediately cancelled) in the following circumstances and at the following times:

(a) if there is a Total Loss (whether before or after the Delivery Date), on the earlier of:

(i) the date falling 90 days after the Date of Total Loss; and

(ii) the date of receipt by the Borrower or the Security Agent of the proceeds of insurance relating to such Total Loss;

(b) if the Manager or the Borrower is in breach of any of its material obligations under any other Related Contract, on the date falling 30 days after the date on which the Agent gives written notice to the Borrower that the Majority Lenders have so determined and such breach is not remedied or otherwise compensated for, in each case, to the satisfaction of the Majority Lenders within such period, or if the matter has been referred to arbitration within that 30-day period, upon the earlier of a settlement being reached in respect of such arbitration and five days after the receipt of the final arbitration award;

(c) if the Vessel has not been delivered to and accepted unconditionally by the Charterer under the Drilling Charter by the day that is 60 days after the Utilisation Date (the "**Longstop Date**"), on the Business Day immediately succeeding the Longstop Date;

(d) if the Vessel is sold, on or before the date on which the sale is completed;

(e) if either:

(i) the Parent ceases to own (directly or indirectly) at least 33.3% of the voting capital of UDW;

(ii) the Borrower is not or ceases to be a wholly-owned Subsidiary of UDW; or

(iii) any person or group of persons acting in concert gains control of the Parent,

in any such case without the prior written consent of the Agent (acting on the instructions of all the Lenders). The Agent agrees that it will consult with the Borrower in good faith (taking into account, *inter alia,* the security and credit position of the Finance Parties) should the Borrower or the Parent approach the Agent with a proposal to effect an initial public offering of the Borrower (but without an obligation on the part of any of the Finance Parties to consent to any such proposed initial public offering).

For purposes of this Clause 7.2(e):

"**control**" means the power to direct the management and the policies of the Borrower or the Parent, as applicable, whether through the ownership of voting capital, by contract or otherwise; and

"**acting in concert**" means, a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition, directly or indirectly, of shares in the Parent by any of them, either directly or indirectly, to obtain or consolidate control of the Parent.

7.3 Mandatory prepayment - invalidity of Finance Documents or Related Contracts

(a) Without prejudice to the provisions of Clause 7.1 (*Illegality*), if the Agent or the Borrower become aware that any of the following (an "**Invalidity Event**") has occurred or is likely to occur:

(i) any Finance Document or Related Contract or any material provision of any such document ceasing to be valid in any way which, in the case of a Finance Document, is material and, in the case of a Related Contract, in any way which has a Material Adverse Effect or is alleged by any Obligor to be ineffective in accordance with its terms for any reason;

(ii) any Security Document creating a Security Interest in favour of the Security Agent (on trust for the Finance Parties) ceasing to provide a perfected first priority security interest in favour of the Security Agent (on trust for the Finance Parties) (subject to any Permitted Liens having priority in law); or

(iii) any Obligor repudiates a Finance Document,

then the Agent or the Borrower, as the case may be, shall as soon as practicable after becoming aware thereof give each other notice of the same (an "**Invalidity Notice**") and, subject to paragraph (b) below, following receipt of an Invalidity Notice the Borrower shall immediately prepay the outstanding Loan together with accrued interest and all other amounts accrued under the Finance Documents, and the Commitments of the Lenders shall be immediately cancelled.

(b) If, prior to the occurrence of an Invalidity Event, the Agent or the Borrower receives an Invalidity Notice, the Agent (acting on the instructions of the Majority Lenders) and the Borrower shall enter into discussions in good faith for a period of 20 days or such shorter period, if any, as may be available prior to the Invalidity Event taking effect (the "**Consultation Period**") with a view to agreeing how the effects of the Invalidity Event can be avoided so that alternative legal, valid and binding obligations, in form and substance satisfactory to the Agent (acting on the instructions of the Majority Lenders) are provided in replacement of the affected Finance Document or Related Contract. In conducting such discussions and reaching a conclusion, the Lenders shall act in good faith but otherwise in their absolute discretion. If the Agent (acting on the instructions of the Majority Lenders) and the Borrower cannot agree on and complete such arrangements prior to the earlier of the end of the Consultation Period and the date upon which the relevant Invalidity Event becomes effective, the Borrower shall be obliged to immediately prepay the entire Loan together with accrued interest and all other amounts accrued under the Finance Documents, and the Commitments of the Lenders shall be immediately cancelled.

7.4 No voluntary cancellation

The Borrower may not cancel the whole or any part of the Available Facility.

7.5 Voluntary prepayment of Loan

(a) The Borrower may, if it gives the Agent not less than five Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, prepay the whole or any part of the Loan (but, if in part, being an amount that reduces the amount of the Loan by a minimum amount of US$10,000,000).

(b) The Loan may only be prepaid after the last day of the Availability Period (or, if earlier, the day on which the Available Facility is zero).

7.6 Right of replacement or repayment and cancellation in relation to a single Lender

(a) If:

(i) any sum payable to any Lender by an Obligor is required to be increased under paragraph (c) of Clause 12.1 (*Tax gross-up*); or

(ii) any Lender claims indemnification from the Borrower under Clause 12.2 (*Tax indemnity*) or Clause 13.1 (*Increased costs*),

the Borrower may, whilst the circumstance giving rise to the requirement for that increase or indemnification continues, give the Agent notice of cancellation of the Commitment of that Lender and its intention to procure the repayment of that Lender's participation in the Loan or give the Agent notice of its intention to replace that Lender in accordance with paragraph (d) below.

(b) On receipt of a notice of cancellation referred to in paragraph (a) above, the Commitment of that Lender shall immediately be reduced to zero.

(c) On the last day of each Interest Period which ends after the Borrower has given notice of cancellation under paragraph (a) above (or, if earlier, the date specified by the Borrower in that notice), the Borrower shall repay that Lender's participation in that Loan.

(d) The Borrower may, in the circumstances set out in paragraph (a) above, on ten Business Days' prior notice to the Agent and that Lender, replace that Lender by requiring that Lender to (and, to the extent permitted by law, that Lender shall) transfer pursuant to Clause 25 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity selected by the Borrower which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause 25 (*Changes to the Lenders*) for a purchase price in cash or other cash payment payable at the time of the transfer equal to the outstanding principal amount of such Lender's participation in the Loan and all accrued interest, Break Costs and other amounts payable in relation thereto under the Finance Documents.

(e) The replacement of a Lender pursuant to paragraph (d) above shall be subject to the following conditions:

(i) the Borrower shall have no right to replace the Agent;

(ii) neither the Agent nor any Lender shall have any obligation to find a replacement Lender; and

(iii) in no event shall the Lender replaced under paragraph (d) above be required to pay or surrender any of the fees received by such Lender pursuant to the Finance Documents.

7.7 Restrictions

(a) Any notice of prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant prepayment is to be made and the amount of that prepayment.

(b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.

(c) Any prepayment under this Agreement shall be subject to Break Costs (if any). Each Lender claiming Break Costs shall, as soon as reasonably practicable after demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue. The Agent agrees to provide a copy of such certificate to the Borrower on request by the Borrower.

(d) The Borrower may not reborrow any part of the Facility which is prepaid.

(e) The Borrower shall not repay or prepay all or any part of the Loan or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.

(f) No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.

(g) If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.

(h) If all or part of the Loan is repaid or prepaid, an amount of the Commitments (equal to the amount of the Loan which is repaid or prepaid) will be deemed to be cancelled on the date of repayment or prepayment. Any cancellation under this paragraph (h) shall reduce the Commitments of the Lenders rateably.

8. INTEREST

8.1 Calculation of interest

The rate of interest on the Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

(a) Margin; and

(b) LIBOR.

8.2 Payment of interest

The Borrower shall pay accrued interest on the Loan on the last day of each Interest Period.

8.3 Default interest

(a) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is 2.00 per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a portion of the Loan in the currency of the overdue amount for successive Interest Periods. Any interest accruing under this Clause 8.3 shall be immediately payable by the Obligor on demand by the Agent.

(b) If any overdue amount consists of all or part of the Loan which became due on a day which was not the last day of an Interest Period:

(i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period; and

(ii) the rate of interest applying to the overdue amount during that first Interest Period shall be 2.00 per cent. higher than the rate which would have applied if the overdue amount had not become due.

(c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

8.4 Notification of rates of interest

The Agent shall promptly notify the Lenders and the relevant Borrower of the determination of a rate of interest under this Agreement.

9. INTEREST PERIODS

9.1 Interest Periods

(a) Subject to clause (b) below, each Interest Period will be one Month.

(b) No Interest Period shall extend beyond the Repayment Date.

(c) Each Interest Period for the Loan shall start on the Utilisation Date or (if already made) on the last day of its preceding Interest Period.

9.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

10. CHANGES TO THE CALCULATION OF INTEREST

10.1 Absence of quotations

Subject to Clause 10.2 (*Market disruption*), if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by 10:00 a.m. on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

10.2 Market disruption

(a) If a Market Disruption Event occurs for any Interest Period, then the rate of interest on each Lender's share of the Loan for the Interest Period shall be the percentage rate per annum which is the sum of:

(i) the Margin; and

(ii) the rate notified to the Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in the Loan from whatever source it may reasonably select.

(b) In this Agreement "**Market Disruption Event**" means:

(i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Agent to determine LIBOR for Dollars for the relevant Interest Period; or

(ii) before close of business in London on the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in the Loan exceed 30 per cent. of the Loan) that the cost to it or them of obtaining matching deposits in the Relevant Interbank Market would be in excess of LIBOR.

10.3 Alternative basis of interest or funding

(a) If a Market Disruption Event occurs and the Agent or the Borrower so requires, the Agent and the Borrower shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.

(b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of all the Lenders and the Borrower, be binding on all Parties.

10.4 Break Costs

(a) The Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of the Loan or any Unpaid Sum being paid by that Borrower on a day other than the last day of an Interest Period for the Loan or that Unpaid Sum.

(b) Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue. The Agent agrees to provide a copy of such certificate to the Borrower upon request by the Borrower.

11. FEES

11.1 Commitment fee

(a) The Borrower shall pay to the Agent (for the account of each Lender) a fee computed at the rate per annum which is the aggregate of (i) LIBOR for the Commitment Fee Period and (ii) 4.00 per cent. on that Lender's Available Commitment for the Commitment Fee Period.

(b) The accrued commitment fee is payable on the earlier of (i) the Utilisation Date, and (ii) the last day of the Availability Period.

11.2 Arrangement fee

The Borrower shall pay to the Arranger an arrangement fee in the amount and at the times agreed in a Fee Letter.

11.3 Agency fee

The Borrower shall pay to the Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

11.4 Security Agency Fee

The Borrower shall pay to the Security Agent (for its own account) a security agency fee in the amount and at the times agreed in a Fee Letter.

12. TAX GROSS UP AND INDEMNITIES

12.1 Tax gross-up

(a) Each Obligor must make all payments to be made by it under the Finance Documents without any Tax Deduction unless a Tax Deduction is required by Applicable Law.

(b) Where the introduction of, or any change in, or any change in the interpretation, administration or application of, any Applicable Law or compliance with any law or regulation made after the date of this Agreement requires an Obligor, or as the case may be, the Agent, to make a Tax Deduction, as soon as an Obligor or a Lender becomes aware of the same, it must promptly notify the Agent. The Agent must then promptly notify the affected Parties.

(c) Following any notification referred to in paragraph (b) above, the amount of the payment due from the relevant Obligor will be increased or, as the case may be, that Obligor shall make an additional payment, so that the amount (after making the Tax Deduction) received by the recipient is equal to the payment which would have been due if no Tax Deduction had been required.

(d) If an Obligor is required to make a Tax Deduction, it must make the Tax Deduction and must make any payment required in connection with that Tax Deduction within the time allowed by the Applicable Law.

(e) Within 30 days of making either a Tax Deduction or a payment required in connection with a Tax Deduction or, if later, promptly following receipt of the same, the relevant Obligor must deliver to the Agent for the relevant Finance Party documents or other information (or certified copies thereof) evidencing satisfactorily to that Finance Party that the Tax Deduction has been made or (as applicable) the appropriate payment has been paid to the relevant taxing authority.

12.2 Tax indemnity

(a) Except as provided below, each Obligor must (within three Business Days of demand by the Agent) indemnify a Finance Party by paying to such Finance Party an amount equal to any loss or liability which that Finance Party determines will be or has been suffered by that Finance Party for or on account of Tax in relation to a payment received or receivable (or any payment deemed to be received or receivable) under a Finance Document.

(b) Paragraph (a) above does not apply:

(i) to any Tax assessed on a Finance Party under the laws of the jurisdiction in which:

(1) that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party has a Facility Office and is treated as resident for tax purposes; or

(2) that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable by that Finance Party. However, any payment deemed to be received or receivable, including any amount treated as income but not actually received by the Finance Party, such as a Tax Deduction, will not be treated as net income received or receivable for this purpose; or

(ii) to the extent a loss or liability is compensated by an increased payment under Clause 12.1(c) (*Tax gross-up*).

(c) A Finance Party making, or intending to make, a claim under paragraph (a) above must promptly notify the Agent of the event which will give, or has given, rise to the claim. The Agent shall, in turn, notify the Borrower.

(d) A Finance Party shall, on receiving a payment from an Obligor under this Clause 12.2, notify the Agent.

12.3 Confidentiality of Tax affairs

If a Lender intends to make a claim pursuant to Clause 12.2 (*Tax indemnity*) it shall, as soon as reasonably practicable after becoming aware that it may be entitled to make a claim under Clause 12.2 (*Tax indemnity*), notify the Borrower of the event by reason of which it is entitled to do so, provided that nothing herein shall require that Lender to disclose any confidential information relating to the organisation of its affairs.

12.4 Stamp taxes

Each Obligor shall pay and, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.5 VAT

(a) All amounts set out or expressed in a Finance Document to be payable by any Party to a Finance Party which (in whole or in part) constitute the consideration for a supply or supplies for VAT purposes shall be deemed to be exclusive of any VAT which is chargeable on such supply or supplies, and accordingly, subject to paragraph (b) below, if VAT is or becomes chargeable on any supply made by any Finance Party to any Party under a Finance Document, that Party shall pay to the Finance Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of such VAT (and such Finance Party shall promptly provide an appropriate VAT invoice to such Party).

(b) If VAT is or becomes chargeable on any supply made by any Finance Party (the "**Supplier**") to any other Finance Party (the "**Recipient**") under a Finance Document, and any Party other than the Recipient (the "**Subject Party")** is required by the terms of any Finance Document to pay an amount equal to the consideration for such supply to the Supplier (rather than being required to reimburse the Recipient in respect of that consideration), such Party shall also pay to the Supplier (in addition to and at the same time as paying such amount) an amount equal to the amount of such VAT. The Recipient will promptly pay to the Subject Party an amount equal to any credit or repayment obtained by the Recipient from the relevant tax authority which the Recipient reasonably determines is in respect of such VAT.

(c) Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.

(d) Any reference in this Clause 12.5 to any Party shall, at any time when such Party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the representative member of such group at such time (the term "representative member" to have the same meaning as in the Value Added Tax Act 1994).

13. INCREASED COSTS

13.1 Increased costs

(a) Subject to Clause 13.3 (*Exceptions*) the Borrower shall, within three Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement.

(b) In this Agreement "**Increased Costs**" means:

(i) a reduction in the rate of return from the Facility or on a Finance Party's (or its Affiliate's) overall capital;

(ii) an additional or increased cost; or

(iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under any Finance Document.

13.2 Increased cost claims

(a) A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Borrower.

(b) Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs.

13.3 Exceptions

Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

(a) attributable to a Tax Deduction required by law to be made by an Obligor;

(b) compensated for by Clause 12.2 (*Tax indemnity*); or

(c) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation.

14. OTHER INDEMNITIES

14.1 Currency indemnity

(a) If any sum due from an Obligor under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

(i) making or filing a claim or proof against that Obligor;

(ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor shall as an independent obligation, within three Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

14.2 Other indemnities

(a) The Borrower shall (or shall procure that an Obligor will), within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

(i) the occurrence of any Event of Default;

(ii) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 29 (*Sharing among the Finance Parties*);

(iii) funding, or making arrangements to fund, its participation in the Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or

(iv) the Loan (or part of the Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

(b) The Borrower must promptly pay and discharge, or cause to be paid or discharged, upon the same becoming payable (and shall, if requested by a Finance Party, produce to that Finance Party evidence of the payment and discharge thereof) and indemnify on demand and keep indemnified each Finance Party and its Affiliates on a full indemnity basis against a claim against it by, or a liability to, a third party including, without limitation, in relation to any Taxes (other than any Taxes levied or assessed on net income, profits or gains) or any other Losses which relate to or arise out of or are in any way connected to:

(i) the condition, testing, delivery, design, leasing, chartering, sub-chartering, construction, manufacture, purchase, acquisition, bailment, fitting out, sale, importation to or exportation from any country, registration, ownership, possession, management, control, inspection, surveying, engineering, contracting, installation, manning, provisioning, the provision of bunkers and lubricating oils, dry docking, use, operation, maintenance, repair, service, modification, overhaul, replacement, removal, performance, transportation, flag, navigation, certification, classification, nature, description, acceptance, insurance, refurbishment, conversion, change, alteration or laying-up of the Vessel or any part thereof or otherwise in connection with the Vessel including, without prejudice to the generality of the foregoing, any Losses arising from any pollution or other environmental damage caused by or emanating from the Vessel or caused by the Vessel becoming a wreck or an obstruction to navigation whether or not the Vessel (or any part thereof) is in possession or control of the Borrower or the Manager or any other person and wherever the location;

(ii) any repossession, return, redelivery, storage, maintenance, protection, attempted sale, sale or other disposition of the Vessel following the termination of the chartering of the Vessel which, if carried out by the Agent, Security Agent or the Lenders, is carried out in accordance with the terms of the Finance Documents;

(iii) the complete or partial removal, decommissioning, disposal, making safe, destruction, abandonment or loss of the Vessel including any matter which the Vessel contains or has at any time contained;

(iv) any damage or loss to the Vessel irrespective of how caused;

(v) any Environmental Claim or any actual or alleged breach, contravention or violation of any Environmental Laws or Environmental Approvals in any way relating to the Vessel or the activities of any Environmental Affiliates;

(vi) any design, article or material of the Vessel or relating thereto giving rise to any infringement (or alleged infringement) of any patent or other intellectual property rights; or

(vii) the occupation, arrest, confiscation, requisition, theft, registration, compulsory acquisition, restraint of the Vessel or prevention thereof, seizure, taking in execution, impounding, forfeiture or detention of the Vessel, or in securing the release of the Vessel (including, without limitation, by the provision of or by procuring a guarantee, bond, cash deposit or other like security).

(c) The indemnities contained in Clause 14.2(b) (*Other indemnities*) shall not extend to any claim or liability of a Finance Party or its Affiliates to the extent that such claim or liability:

(i) arises from an act or omission on the part of that Finance Party or, as the case may be Affiliate which constitutes fraud, wilful misconduct or gross negligence on the part of such Finance Party or, as the case may be, Affiliate;

(ii) is caused by any failure on the part of that Finance Party to comply with any of its express obligations under any of the Finance Documents to which that Finance Party is a party (but excluding any such breach or failure that arises as a result of the failure of a party to such Finance Document (other than that Finance Party) duly and punctually to perform its express obligations);

(iii) is one in respect of which that Finance Party or, as the case may be, Affiliate, is expressly and specifically indemnified and has received and is entitled to retain such indemnity under any other provision of the Finance Documents; or

(iv) is a cost or expense expressly borne by the Finance Parties under any Finance Document.

14.3 Indemnity to the Administrative Parties

The Borrower shall promptly indemnify each Administrative Party against any cost, loss or liability incurred by that Administrative Party (acting reasonably) as a result of:

(a) investigating any event which it reasonably believes is a Default; or

(b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

15. MITIGATION BY THE LENDERS

15.1 Mitigation

(a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax gross-up and indemnities*) or Clause 13 (*Increased costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.

(b) Paragraph (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

15.2 Limitation of liability

(a) The Borrower shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 15.1 (*Mitigation*).

(b) A Finance Party is not obliged to take any steps under Clause 15.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

16. COSTS AND EXPENSES

16.1 Transaction expenses

The Borrower shall promptly on demand pay the Administrative Parties and the Arranger the amount of all costs and expenses (including legal fees) reasonably incurred by any of them in connection with the negotiation, preparation, printing, execution and syndication of:

(a) this Agreement and any other documents referred to in this Agreement; and

(b) any other Finance Documents executed after the date of this Agreement.

16.2 Amendment costs

If (a) an Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 30.9 (*Change of currency*), the Borrower shall, within three Business Days of demand, reimburse the Administrative Parties for the amount of all costs and expenses (including legal fees) reasonably incurred by the Administrative Parties in responding to, evaluating, negotiating or complying with that request or requirement.

16.3 Enforcement costs

The Borrower shall, within three Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

17. GUARANTEE AND INDEMNITY

17.1 Guarantee and indemnity

Each Guarantor irrevocably and unconditionally jointly and severally:

(a) guarantees to each Finance Party punctual performance by the Borrower of all the Borrower's obligations under the Finance Documents;

(b) undertakes with each Finance Party that whenever the Borrower does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and

(c) agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or

liability it incurs as a result of the Borrower not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by a Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 17 if the amount claimed had been recoverable on the basis of a guarantee.

17.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

17.3 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is made by a Finance Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Guarantor under this Clause 17 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

17.4 Waiver of defences

The obligations of each Guarantor under this Clause 17 will not be affected by an act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under this Clause 17 (without limitation and whether or not known to it or any Finance Party) including:

(a) any time, waiver or consent granted to, or composition with, any Obligor or other person;

(b) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any Obligor;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;

(e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;

(f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or

(g) any insolvency or similar proceedings.

17.5 Immediate recourse

Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this Clause 17. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

17.6 Appropriations

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

(a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and

(b) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this Clause 17.

17.7 Deferral of Guarantors' rights

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, no Guarantor will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 17:

(a) to be indemnified by an Obligor;

(b) to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents;

(c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;

(d) to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under Clause 17.1 (*Guarantee and Indemnity*);

(e) to exercise any right of set-off against any Obligor; and/or

(f) to claim or prove as a creditor of any Obligor in competition with any Finance Party.

If a Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with Clause 30 (*Payment mechanics*).

17.8 Release of Guarantors' right of contribution

If any Guarantor (a "**Retiring Guarantor**") ceases to be a Guarantor in accordance with the terms of the Finance Documents for the purpose of any sale or other disposal of that Retiring Guarantor then on the date such Retiring Guarantor ceases to be a Guarantor:

(a) that Retiring Guarantor is released by each other Guarantor from any liability (whether past, present or future and whether actual or contingent) to make a contribution to any other Guarantor arising by reason of the performance by any other Guarantor of its obligations under the Finance Documents; and

(b) each other Guarantor waives any rights it may have by reason of the performance of its obligations under the Finance Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under any Finance Document or of any other security taken pursuant to, or in connection with, any Finance Document where such rights or security are granted by or in relation to the assets of the Retiring Guarantor.

17.9 Additional security

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

18. REPRESENTATIONS

Each Obligor makes the representations and warranties set out in this Clause 18 to each Finance Party on the date of this Agreement.

18.1 Status and ownership

(a) It is a corporation, duly organised and validly existing under the laws of the Marshall Islands.

(b) It and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

(c) The Borrower is indirectly wholly owned by UDW (acting through DHI and HSI).

(d) Subject to the Security Documents, HSI is the legal and beneficial owner of all of the share capital of the Borrower, DHI is the legal and beneficial owner of all of the share capital of HSI, UDW is the legal and beneficial owner of all of the share capital of HSI and the Parent owns at least 33.3% of the voting capital of UDW.

(e) No person has any right to call for the issue or transfer of any share capital or loan stock in the Borrower other than in accordance with the Security Documents.

(f) All of the shares in the capital of the Borrower and HSI are fully paid up.

18.2 Powers and authority

It has the power to enter into and perform, and has taken all necessary action to authorise the entry into and performance of, the Transaction Documents to which it is or will be a party and the transactions contemplated by those Transaction Documents.

18.3 Legal validity

(a) Subject to any general principles of law limiting its obligations, each Transaction Document to which it is a party is its legally binding, valid and enforceable obligation.

(b) This Agreement and each Transaction Document to which it is a party is in the proper form for its enforcement in the jurisdiction of its incorporation.

18.4 Non-conflict

The entry into and performance by it of, and the transactions contemplated by, the Transaction Documents to which it is a party do not conflict in any material respect with:

(a) any law or regulation applicable to it;

(b) its constitutional documents; or

(c) any agreement or instrument which is binding upon it or any of its assets.

18.5 No default

(a) No Default is outstanding under, or will result from the entry into, or the performance by it of any transaction contemplated by, any Transaction Document.

(b) There is no outstanding material breach of any term of any Transaction Document to which it is a party and no person has disputed, repudiated or disclaimed liability under any Transaction Document to which it is a party or evidenced an intention to do so.

(c) No other event is outstanding which constitutes a default under any document which is binding on it or any of its assets to an extent or in a manner which is reasonably likely to have a Material Adverse Effect.

18.6 Authorisations

(a) Under Marshall Islands law and the laws of any other jurisdiction where it carries on business, except for the registration of the Mortgage at the Marshall Islands ships registry, all authorisations required by it in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, the Finance Documents have been obtained or effected (as appropriate) and are in full force and effect or will be in full force and effect at the time such authorisations are required in such jurisdiction.

(b) It is not aware of:

(i) any reason why any Transaction Authorisation required by it will not be obtained or effected by the time it is required;

(ii) any steps to revoke or cancel any Transaction Authorisation required by it; or

(iii) any reason why any Transaction Authorisation required by it will not be renewed when it expires without the imposition of any new restriction or condition.

18.7 Financial statements

(a) Its Original Financial Statements were prepared in accordance with IFRS or US GAAP, as the case may be, consistently applied.

(b) Its Original Financial Statements fairly represent its financial condition and operations (consolidated in the case of the Parent) during the relevant financial year.

18.8 No misleading information

Without prejudice to the representations made under Clause 18.7 (*Financial statements*), any financial and other information disclosed is accurate and complete in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances in which they are made, not misleading.

18.9 No material adverse change

There has been no material adverse change in the assets, business, condition (financial or otherwise) or operations of the Borrower or the Group since 31 December 2009.

18.10 Litigation

Except as may already have been disclosed by the Borrower in writing to the Agent, no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency (including, but not limited to, investigative proceedings) have been started and are current or (to the best of its knowledge and belief) threatened in writing against any Obligor which, in each case, in the reasonable opinion of the Agent acting on the instructions of the Majority Lenders, would be likely to have a Material Adverse Effect.

18.11 Pari passu ranking

Its payment obligations under the Finance Documents rank at least pari passu with all its other present and future unsecured payment obligations, except for obligations mandatorily preferred by law applying to companies generally.

18.12 Taxes on payments

(a) It is not required under the law of its jurisdiction of incorporation to make any Tax Deduction for or on account of Tax from any payment it may make under a Finance Document.

(b) No claims are being, nor, as far as it is aware, might reasonably be expected to be, asserted against it with respect to Taxes.

18.13 No filing or stamp taxes

As at the date of this Agreement, no stamp or registration duty or similar Tax or charge is payable in its jurisdiction of incorporation in respect of any Transaction Document.

18.14 Environment

(a) Each Obligor and, to the best of each Obligor's knowledge and belief (having made due enquiry), its Environmental Affiliates are in compliance with all material provisions of all applicable Environmental Laws in relation to the Vessel and its operations;

(b) Each Obligor and, to the best of each Obligor's knowledge and belief (having made due enquiry), its Environmental Affiliates have obtained or will, by the Delivery Date, have obtained all requisite Environmental Approvals in relation to the Vessel and its operations are and will, on the Delivery Date and at all times thereafter be in compliance, with such Environmental Approvals;

(c) Neither any Obligor nor, to the best of the Obligors' knowledge and belief (having made due enquiry), any Obligor's Environmental Affiliates has received notice of nor have issued (or threatened to issue) any Environmental Claim in excess of US$2,500,000 or which, when aggregated with any other Environmental Claim in relation to the Vessel or its operations in any 12-month period, exceeds US$10,000,000 in relation to the Vessel which alleges that the Borrower is not in compliance with applicable Environmental Laws in relation to the Vessel or Environmental Approvals in relation to the Vessel;

(d) There is no Environmental Claim in relation to the Vessel in excess of US$2,500,000 or which, when aggregated with any other Environmental Claim in relation to the Vessel and its operations, exceeds US$10,000,000 pending or, to the best of its knowledge and belief, threatened in writing;

(e) There has been no Release of Hazardous Materials by or in respect of the Vessel which could lead to an Environmental Claim in relation to the Vessel or its operations in excess of US$2,500,000 or which, when aggregated with any other Environmental Claim in relation to the Vessel or its operations, exceeds US$10,000,000; and

(f) to the best of the Borrower's knowledge and belief (having made due inquiry), the Charterer has obtained and is in compliance with all Environmental Approvals required of a Charterer in connection with use of the Vessel, and the Charterer is in compliance in all material respects with all Environmental Laws to the extent relating to the offshore lease blocks in which the Vessel will operate pursuant to a Drilling Charter.

18.15 Security Interests

No Security Interest exists over its assets which would cause a breach of Clause 22.5 (*Security Interests*).

18.16 Security Assets

(a) Subject to Permitted Liens and any rights of the Charterer under the Drilling Charter, the Borrower is the sole legal and beneficial owner entitled to the Security Assets over which it has or will create any Security Interest pursuant to the Security Documents to which it is or will be a party and there is no agreement or arrangement under which it is obliged to share any proceeds of or derived from such Security Assets with any third party.

(b) Each Security Document to which it is or will be a party creates or will create first priority security interests of the type described.

18.17 ISM Code compliance

On the Delivery Date the Borrower and the Manager are in compliance in all material respects with all of the mandatory requirements of the ISM Code in respect of the Vessel.

18.18 ISPS Code compliance

On the Delivery Date the Borrower and the Manager are in compliance in all material respects with all of the mandatory requirements of the ISPS Code in respect of the Vessel.

18.19 No amendments to Related Contracts

Other than as notified to and agreed by the Agent in writing, there have been no amendments to any of the Related Contracts (other than any amendments of a non-material or administrative nature or a replacement of the Manager in accordance with the provisions of this Agreement).

18.20 Money laundering

Any borrowing by the Borrower and the performance of its obligations hereunder and under the other Finance Documents to which it is a party will be for its own account and will not involve any breach by it of any law or regulatory measure relating to money laundering as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities or any equivalent law or regulatory measure in any other jurisdiction.

18.21 Insolvency

(a) No Obligor is unable or deemed unable, admits or has admitted its inability to pay its debts or has suspended making payments on any of its debts.

(b) No Obligor by reason of actual or anticipated financial difficulties has commenced, or intends to commence, negotiations with one or more of its creditors with a view to rescheduling any of its Financial Indebtedness.

(c) The value of the assets of each Obligor is not less than its liabilities (taking into account contingent and prospective liabilities).

(d) No moratorium has been declared in respect of any indebtedness of any Obligor during the period of six months commencing on the date this representation is made or deemed to be repeated pursuant to Clause 18.29(a) (*Times for making representations and warranties*).

18.22 Immunity

(a) The entry into by it of each Transaction Document to which it is a party constitutes, and the exercise by it of its rights and performance of its obligations under each such Transaction Document will constitute, private and commercial acts performed for private and commercial purposes.

(b) It will not be entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in its jurisdiction of incorporation in relation to any Transaction Document.

18.23 No adverse consequences

(a) It is not necessary under the laws of its jurisdiction of incorporation:

(i) in order to enable a Finance Party to enforce its rights under any Finance Document; or

(ii) by reason of the entry into of any Finance Document or the performance by it of its obligations under any Finance Document, that any Finance Party should be licensed, qualified or otherwise entitled to carry on business in its jurisdiction of incorporation.

(b) No Finance Party will be deemed to be resident, domiciled or carrying on business in its jurisdiction of incorporation by reason only of the entry into, performance and/or enforcement of any Finance Document.

18.24 Jurisdiction/governing law

(a) Its:

(i) irrevocable submission under this Agreement to the jurisdiction of the courts of England and to arbitration under the LCIA Rules;

(ii) agreement that this Agreement is governed by English law; and

(iii) agreement not to claim any immunity to which it or its assets may be entitled,

are legal, valid and binding under the laws of its jurisdiction of incorporation.

(b) Any judgment obtained in England will be recognised and be enforceable by the courts of its jurisdiction of incorporation, subject to any statutory or other conditions of such jurisdiction.

18.25 Anti-bribery

Neither any Obligor, nor anyone acting on the behalf of any Obligor, has been engaged or will engage in bribery in this transaction. Neither any Obligor, nor anyone acting on the behalf of any Obligor in connection with the transaction is currently under charge in a national court or, within a five-year period preceding the date of this Agreement, has been convicted in a national court or been subject to equivalent national administrative measures for violation of laws against bribery of foreign public officials of any country or are listed on the publicly available debarment lists of the following international financial institutions: World Bank Group, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development and the Inter-American Development Bank.

18.26 No other business

(a) Except as expressly contemplated by the Transaction Documents, the Borrower has not traded or carried on any business since the date of its incorporation.

(b) The Borrower does not have any Subsidiaries.

(c) The Borrower is not a party to any agreement other than the Transaction Documents and the documents governing the Existing Secured Debt.

18.27 Shipbuilding Contract

There has been no amendment to or variations made or agreed with the Builder in respect of the Shipbuilding Contract from the date of the Shipbuilding Contract, save for those already disclosed in writing to the Agent prior to the date hereof or approved in writing by the Agent (acting on the instructions of the Majority Lenders).

18.28 Activities in the Marshall Islands

(a) Neither any Obligor nor any of their respective parents, subsidiaries or affiliates is a division, bureau, office, agency, department, committee or political subdivision of the jurisdiction of its incorporation or any other sovereign jurisdiction.

(b) No Obligor is engaged in:

(i) the retailing, wholesaling, trading or importing of goods or services for or with residents of the jurisdiction of its incorporation;

(ii) any extractive industry in the jurisdiction of its incorporation;

(iii) any regulated professional service activity in the jurisdiction of its incorporation;

(iv) the export of any commodity or goods manufactured, processed, mined or made in the jurisdiction of its incorporation; or

(v) the ownership of real property in its jurisdiction of incorporation.

(c) No Obligor is doing business in the jurisdiction of its incorporation, except that each Obligor may have its registered office in the jurisdiction of its incorporation and maintain its agent there.

18.29 Times for making representations and warranties

(a) The representations and warranties set out in this Clause 18 are made by the Obligors on the date of this Agreement and shall be deemed to be repeated on the date of each Utilisation Request, the Utilisation Date and the first day of each Interest Period thereafter.

(b) When a representation and warranty is repeated, it is applied to the circumstances existing at the time of repetition.

18.30 Legal qualifications

The representations and warranties set out in Clauses 18.3 (*Legal validity*), 18.4(a) (*Non-conflict*), 18.11 (*Pari passu ranking*) and 18.24 (*Jurisdiction/governing law*) are made by reference to any qualifications, reservations, limitations or exceptions as to matters of law set out in the relevant legal opinions required under this Agreement.

19. INFORMATION UNDERTAKINGS

The undertakings in this Clause 19 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

19.1 Financial statements

Each Obligor shall supply to the Agent in electronic form by email attachment or hard copy (and, if in hard copy, in sufficient copies for all of the Lenders):

(a) in the case of each Obligor other than the Parent, its unaudited financial statements for its financial year ending 31 December 2010;

(b) in the case of the Parent, its audited consolidated financial statements for the financial year ending 31 December 2010; and

(c) its interim unaudited financial statements for each quarter of each financial year ending on or after 30 September 2010.

All unaudited financial statements of the Obligors and audited consolidated financial statements of the Parent for the financial year ending 31 December 2010 must be supplied as soon as they are available and in any event within 150 days of the end of that financial year and all unaudited financial statements for each quarter must be supplied as soon as they are available and in any event within 60 days of the end of each relevant financial period.

19.2 Requirements as to financial statements

(a) Each set of financial statements delivered by the Borrower pursuant to Clause 19.1 (*Financial statements*) shall be certified by a director of the relevant company as fairly representing its financial condition as at the date as at which those financial statements were drawn up.

(b) The Borrower shall procure that each set of financial statements delivered pursuant to Clause 19.1 (*Financial statements*) is prepared using US GAAP or IFRS, as applicable.

(c) The Borrower shall procure that each set of financial statements of an Obligor delivered pursuant to Clause 19.1 (*Financial statements*) is prepared using US GAAP or IFRS, as applicable, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements for that Obligor unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in US GAAP or IFRS, the accounting practices or reference periods and its auditors (or, if appropriate, the auditors of the Obligor) deliver to the Agent:

(i) a description of any change necessary for those financial statements to reflect the US GAAP or IFRS, accounting practices and reference periods upon which that Obligor's Original Financial Statements were prepared; and

(ii) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Lenders to determine whether Clause 21 (*Financial covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and that Obligor's Original Financial Statements.

Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

19.3 Reports

The Borrower must promptly supply to the Technical Adviser, if any, in electronic form by email attachment or hard copy, quarterly operating reports in form and substance satisfactory to the Technical Adviser together with all such other information and documents which the Technical Adviser reasonably requires.

19.4 Access to books and records

Upon the request of the Agent, the Obligors shall provide the Agent and any of its representatives and professional advisers with access to, and permit inspection of, their books and records, in each case at reasonable times and upon reasonable notice.

19.5 Information: miscellaneous

The Obligors must supply to the Agent, in electronic form by email attachments or hard copy (and, if in hard copy, in sufficient copies for all of the Lenders), subject to any duty of confidentiality which it may have to third parties (whom it will promptly approach in order to seek any necessary consents where applicable):

(a) copies of all documents despatched by an Obligor to its creditors (other than trade creditors) generally or any class of them or, in the case of the Parent, its shareholders, at the same time as they are despatched;

(b) copies of all reports provided to the Borrower by the Manager pursuant to the Management Agreement, in each case, within five (5) Business Days of receipt of such report by the Borrower and if, in the opinion of the Agent (acting on the instructions of the Majority Lenders, each acting reasonably), any additional technical report is necessary, the Borrower will procure such report;

(c) as soon as reasonably practicable on becoming aware of them, details of any litigation, arbitration or administrative proceedings which are current, pending or, to the best of its knowledge and belief, threatened against it and which, in each case, would have a Material Adverse Effect (in the opinion of the Agent acting on the instructions of the Majority Lenders);

(d) as soon as reasonably practicable on request, such further information, in electronic form by email attachments or hard copy (and, if in hard copy, in sufficient copies for all of the Lenders), regarding the financial condition and operations of the Borrower or regarding any matter relevant to, or to any provision of, a Finance Document as the Agent may reasonably request;

(e) as soon as reasonably practicable on becoming aware of them, details of any event or circumstance which is a Force Majeure Event;

(f) promptly on becoming aware of them, details of any event which has a Material Adverse Effect;

(g) promptly on becoming aware of them, details of any claim or any event giving rise to a claim under any of the Obligatory Insurances;

(h) as soon as they are available, copies of any demands or notices of default made under the Charterer Parent Guarantee;

(i) as soon as they are available, copies of any notice of default, termination, material dispute or claim (including notices provided by the Charterer under the terms of the Drilling Charter) made against it under the Shipbuilding Contract, the Drilling Charter or affecting the Vessel together with details of any action it proposes to take in relation to the same and notice of any charterhire reduction or proposed charterhire reduction under the terms of the Drilling Charter;

(j) as soon as they are available, copies of any notice of default, termination or material claim made against it under the Management Agreement together with details of any action it proposes to take in relation to the same and, upon becoming aware of the same, notification of any strikes or industrial action taken or proposed to be taken by the Manager or its employees, subcontractors or personnel from time to time which has or may reasonably be expected to have a Material Adverse Effect;

(k) promptly on becoming aware of them, details of any damage to or destruction of the Vessel or any breakdown of any part of the Vessel, where the cost of repair or reinstatement is likely to exceed US$10,000,000 or where the cumulative cost of repair or reinstatement of damage to or destruction of the Vessel during the previous six months is likely to exceed US$10,000,000;

(l) promptly on becoming aware of them, details of any proposal for an amendment or waiver of a Related Contract other than amendments or waivers of an administrative or non-material nature; and

(m) upon request by the Agent, copies of all Transaction Authorisations (if any) obtained by it.

19.6 Notification of default

Unless the Agent has already been so notified, the Obligors must notify the Agent of any Default, Potential Mandatory Prepayment Event or Mandatory Prepayment Event (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

19.7 Year end

No Obligor may change its accounting period or auditors except with the consent of the Agent (acting in accordance with the instructions of the Majority Lenders) which shall not be unreasonably withheld or delayed.

19.8 Information provided to be accurate

(a) All financial and other information provided by an Obligor under or in connection with any Finance Document at the time when given will be true and not misleading in any material respect and will not omit any material fact.

(b) All financial and other information provided by third parties on behalf of an Obligor under or in connection with any Finance Document at the time when given will, to the best of that Obligor's knowledge and belief, be true and not misleading in any material respect and will not omit any material fact.

19.9 Charter Termination Event

The Obligors shall promptly advise the Agent of any Charter Termination Event of which they become aware.

19.10 Use of websites

(a) The Borrower may satisfy its obligation under this Agreement to deliver any information in relation to those Lenders (the "**Website Lenders**") who accept this method of communication by posting this information onto an electronic website designated by the Borrower and the Agent (the "**Designated Website**") if:

(i) the Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of the information by this method;

(ii) both the Borrower and the Agent are aware of the address of and any relevant password specifications for the Designated Website; and

(iii) the information is in a format previously agreed between the Borrower and the Agent.

If any Lender (a "**Paper Form Lender**") does not agree to the delivery of information electronically then the Agent shall notify the Borrower accordingly and the Borrower shall supply the information to the Agent (in sufficient copies for each Paper Form Lender) in paper form. In any event the Borrower shall supply the Agent with at least one copy in paper form of any information required to be provided by it.

(b) The Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Borrower and the Agent.

(c) The Borrower shall promptly upon becoming aware of its occurrence notify the Agent if:

(i) the Designated Website cannot be accessed due to technical failure;

(ii) the password specifications for the Designated Website change;

(iii) any new information which is required to be provided under this Agreement is posted onto the Designated Website;

(iv) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or

(v) the Borrower becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.

If the Borrower notifies the Agent under paragraph (c)(i) or paragraph (c)(v) above, all information to be provided by the Borrower under this Agreement after the date of that notice shall be supplied in paper form unless and until the Agent and each Website Lender is satisfied that the circumstances giving rise to the notification are no longer continuing.

(d) Any Website Lender may request, through the Agent, one paper copy of any information required to be provided under this Agreement which is posted onto the Designated Website. The Borrower shall comply with any such request within ten Business Days.

19.11 "Know your customer" checks

(a) If:

(i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;

(ii) any change in the status of an Obligor after the date of this Agreement; or

(iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (iii) above, any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, each Obligor shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in paragraph (iii) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

(b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

20. ACCOUNTS

20.1 Maintenance of accounts

The Borrower shall maintain the Accounts with the Account Bank until the Repayment Date, in each case free of Security Interests and rights of set-off other than as created by or pursuant to the Security Documents or in favour of the Account Bank.

20.2 Proceeds Account

(a) On the Delivery Date the Borrower shall procure that there is forthwith credited to the Proceeds Account any other amount payable or paid to the Borrower (including any Damages Payments paid by the Builder under the terms of the Shipbuilding Contract).

(b) The Borrower shall procure that there is forthwith credited to the Proceeds Account all Earnings and any Requisition Compensation. On receipt of any such amounts, the Borrower shall procure that the following transfers will then be made in the following order:

(i) **first,** to the Operating Expenses Account (to the extent required) a transfer in accordance with Clause 20.3 (*Transfers to the Operating Expenses Account);*

(ii) **secondly,** to the Debt Service Account a transfer in accordance with Clause 20.4 (*Transfers to Debt Service Account*); and

(iii) **thirdly,** to the extent required to comply with Clause 20.8 (*Reserve Account*), a transfer to the Reserve Account,

together the "**Primary Transfers**".

(c) Provided no Default or Mandatory Prepayment Event is at such time continuing, the Borrower and the Finance Parties may, notwithstanding the provisions of this Clause 20 vary the order and application of the Primary Transfers by agreement in writing, in each case acting reasonably.

20.3 Transfers to the Operating Expenses Account

The Borrower shall instruct the Account Bank to transfer from the Proceeds Account (and irrevocably authorises the Agent to instruct the Account Bank to transfer from the Proceeds Account) to the Operating Expenses Account amounts sufficient to meet Operating Expenses as set out in the Annual Budget, provided that the amount of any such transfer, taken together with all other such transfers during the preceding one-Month period, may not exceed the product of (a) US$150,000 and (b) the number of days in such one-Month period, without the prior approval of the Agent (acting on the instructions of the Majority Lenders), and the Borrower shall be permitted to withdraw such amounts from the Operating Expenses Account to pay the same to the Manager under and in accordance with the terms of the Management Agreement and to other parties for use in connection with the operating expenses of the Vessel and operation and management of the Borrower incurred in the ordinary course of business.

20.4 Transfers to the Debt Service Account

Upon receipt of any Earnings and/or Requisition Compensation and following the transfer (if any) to the Operating Expenses Account in accordance with Clause 20.3 (*Transfers to the Operating Expenses Account*), the Borrower shall procure that there is transferred from the Proceeds Account (and irrevocably instructs the Agent to instruct the Account Bank to transfer from the Proceeds Account) to the Debt Service Account the amount in Dollars required to ensure that the amount standing to the credit of the Debt Service Account is sufficient to pay the interest on the Loan due on the last day of the then-current Interest Period.

20.5 Additional payments to the Debt Service Account

If, for any reason, the amount standing to the credit of the Proceeds Account is insufficient to make any transfer to the Debt Service Account required by Clause 20.4 (*Transfers to the Debt Service Account*), the Borrower shall, no later than the third Business Day prior to the last day of the then-current Interest Period, pay the shortfall directly into the Debt Service Account.

20.6 Application of Debt Service Account

The Borrower shall procure that there is transferred from the Debt Service Account (and irrevocably authorises the Agent to instruct the Account Bank to transfer from the Debt Service Account) to the Agent, on the last day of each Interest Period, the amount of interest then due in Dollars.

20.7 Borrower's obligations not affected

If for any reason the amount standing to the credit of the Debt Service Account shall be insufficient to pay any payment of interest when due, the Borrower's obligation to make that payment of interest shall not be affected.

20.8 Reserve Account

The Borrower shall procure that the amount standing to the credit of the Reserve Account is at all times equal to or greater than US$25,000,000.

20.9 Restriction on withdrawal

During the term of the Facility, no sum may be withdrawn from any of the Accounts (except in accordance with this Clause 20) without the prior written consent of the Agent (acting on the instructions of the Majority Lenders).

20.10 Liability of Account Bank

Each Lender agrees to the terms of the appointment of the Account Bank and confirms that the Account Bank has no liability to the Lenders in respect of amounts withdrawn from any Account (in accordance with this Agreement and the Accounts Charge Agreement). Notwithstanding the provisions of Clause 1.3 (*Third Party Rights*), the Account Bank may enforce the terms of this Clause 20.10 as if it were a party to this Agreement.

21. FINANCIAL COVENANTS

21.1 Financial covenants

(a) The Parent must ensure that:

(i) the Market Adjusted Equity Ratio is not at any time less than 0.3:1;

(ii) the Market Value Adjusted Net Worth of the Group is not at any time less than US$500,000,000; and

(iii) at all times there is available to the Parent and all the other members of the Group an aggregate amount of not less than US$40,000,000 in immediately freely available and unencumbered bank or cash balances.

(b) The Borrower will not permit the LTV Ratio to be higher than 0.75 at any time, such LTV Ratio to be tested as provided in paragraph (c) below.

(c) If on any determination date the LTV Ratio is greater than 0.75, the Borrower will immediately following a request of the Agent to do so:

(i) prepay such amount of the Loan as will ensure that the LTV Ratio is not greater than 0.75; or

(ii) provide or cause to be provided to the Agent such additional funds into the Reserve Account as are necessary to bring the LTV Ratio equal to or less than 0.75; or

(iii) provide such additional security, in all respects satisfactory to the Agent (acting on the instructions of the Majority Lenders), such that the LTV Ratio is not greater than 0.75.

For the purposes of determining the LTV Ratio, the additional security shall have attributed to it such value as the Agent (acting on the instructions of the Majority Lenders) determines or in the case of additional security constituted by cash, its full value.

21.2 Compliance check

(a) Compliance with the undertakings contained in Clause 21.1(a) (*Financial covenants*) shall be determined:

(i) as to each of the undertakings set out in Clause 21.1(a) (*Financial covenants*), at the time the Agent receives the interim unaudited consolidated financial

statements of the Parent for each quarter in each financial year (pursuant to Clause 19.1(c) (*Financial statements*)), by reference to such interim unaudited consolidated financial statements;

(ii) at any other time as the Agent (acting on the instructions of the Majority Lenders) may reasonably request by reference to such evidence as the Agent may require to determine and calculate the financial covenants referred to in Clause 21.1(a) (*Financial covenants*).

At the same time as it delivers the interim unaudited consolidated financial statements referred to in this Clause 21.2, the Parent shall deliver to the Security Agent a certificate in the form set out in Schedule 5 (*Form of Compliance Certificate*) demonstrating its compliance (or not, as the case may be) with the provisions of Clauses 21.1(a) (*Financial covenants*) signed by the chief financial officer or an authorised signatory of the Parent.

(b) Compliance with the undertaking contained in Clause 21.1(b) (*Financial covenants*) shall be determined by the Agent (i) as at the end of each financial quarter, and (ii) at any time (if so instructed by the Majority Lenders) on notice to the Borrower, and in connection with any such test:

(i) the Agent shall be entitled to procure a valuation (at the sole cost and expense of the Borrower) on the basis described in the definition of Market Value;

(ii) the Borrower will procure in favour of the Agent and the Approved Brokers all such information as they may reasonably (having regard to the use and operation of the Vessel) require in order to effect such valuations; and

(iii) the Agent shall promptly verify the Market Value by reference to the most recent such valuation and to the information provided by the Borrower.

The Agent shall provide copies of any valuation procured pursuant to this Clause 21.2(b) to the Borrower upon request.

21.3 Change in accounting expressions and policies

If, by reason of change in format or the relevant accounting policies, the expressions appearing in any accounts and financial statements referred to in Clause 19.1 (*Financial statements*) differ from those in the Original Financial Statements for the Parent, the relevant definitions contained in this Agreement and the provisions of Clause 21.1(a) (*Financial covenants*) shall be deemed modified in such manner as the Agent shall require to take account of such different expressions but otherwise to maintain in all respects the substance of those provisions.

21.4 Certain defined terms

In this Clause 21:

"**Accounting Information**" means in relation to any calculation the applicable information from which the calculation is to be derived pursuant to Clause 21.2(a) (*Compliance check*) of this Agreement.

"**Adjusted Equity**" means, as at any Compliance Date; the value of the stockholders' equity of the Group determined on a consolidated basis in accordance with US GAAP and as shown in the Accounting Information for the Group adjusted by adding or subtracting (depending on whether the same is positive or negative) any difference between:

(a) the value of Total Assets; and

(b) the Market Value Adjusted Total Assets.

"**Compliance Date**" means each date when the compliance of the undertakings by the Parent set out in Clause 21.1(a) (*Financial covenants*) of this Agreement is reviewed pursuant to Clause 21.2(a) (*Compliance check*) of this Agreement.

"**Market Adjusted Equity Ratio**" means, in relation to a Compliance Date, the ratio of (a) the Adjusted Equity as at that Compliance Date to (b) the aggregate of (i) Total Interest Bearing Liabilities and (ii) Adjusted Equity as at that Compliance Date.

"**Market Value Adjusted Total Assets**" means, at any time, Total Assets adjusted to reflect the Insurance Market Value of all Fleet Vessels.

"**Market Value Adjusted Net Worth**" means Paid-Up Capital plus General Reserves plus Retained Earnings adjusted to reflect the difference between the book values and the Insurance Market Value of all Fleet Vessels at any relevant time.

"**Paid-Up Capital**", "**General Reserves**" and "**Retained Earnings**" have the meanings ascribed to them in the Accounting Information.

"**Total Assets**" is determined on a consolidated basis in accordance with US GAAP and as shown in the consolidated balance sheets comprised in the relevant Accounting Information for the Group.

"**Total Interest Bearing Liabilities**" means, in respect of any Compliance Date, the consolidated total amount of the interest bearing Financial Indebtedness of the Group as at that Compliance Date.

22. GENERAL UNDERTAKINGS

The undertakings in this Clause 22 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

22.1 Authorisations

Each Obligor must promptly:

(a) obtain, maintain and comply with the terms; and

(b) supply certified copies to the Agent,

of any authorisation required under any Applicable Law to enable it to perform its obligations under, or for the validity, enforceability or admissibility in evidence of, any Finance Document.

22.2 Compliance with laws

The Borrower must comply, and the Borrower must procure that the Manager complies, in all material respects with all Applicable Laws to which it is subject.

22.3 Pari passu ranking

The Borrower must ensure that its payment obligations under the Finance Documents rank at least *pari passu* with all its other present and future unsecured payment obligations, except for obligations mandatorily preferred by law applying to companies generally.

22.4 Disposals

(a) The Borrower must not (other than insofar as the same may be created or effected under the Finance Documents), either in a single transaction or in a series of transactions and whether related or not:

(i) sell, transfer or otherwise dispose of, or agree to sell, transfer or otherwise dispose of, the Vessel;

(ii) sell, transfer or otherwise dispose of all or a substantial part of its assets;

(iii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(iv) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

(v) enter into any other preferential arrangement having a similar effect,

in circumstances where the transaction might have a Material Adverse Effect.

(b) Paragraph (a) does not apply to any disposal:

(i) made in the ordinary course of trading on arm's length terms;

(ii) of obsolete assets; or

(iii) of assets (other than the Vessel) in exchange for other assets comparable or superior as to type, value and quality.

22.5 Security Interests

(a) The Borrower must not create or permit to subsist any Security Interest over any of its assets other than Permitted Liens.

(b) No Guarantor may create or permit to subsist any Security Interest over any of its assets other than:

(i) Permitted Liens; and

(ii) Security Interests arising in the normal course of its business of acquiring, financing and operating vessels and making investments within the shipping and oil and gas sector.

22.6 No other business, assets or Financial Indebtedness

The Borrower must not:

(a) engage in any business other than the direct ownership, operation and chartering of the Vessel or any business incidental thereto;

(b) cease to carry on its business;

(c) own or acquire any asset other than the Vessel or any asset incidental to the ownership, operation and chartering of the Vessel; or

(d) incur any Financial Indebtedness other than:

(i) Financial Indebtedness incurred under the Finance Documents; and

(ii) any Financial Indebtedness otherwise approved by the Agent (acting on the instructions of the Majority Lenders).

22.7 Distributions

(a) The Borrower shall not make any Distributions.

(b) The Parent shall not make any Distributions save that the Parent may in any financial year pay a dividend or make any other form of Distribution which does not exceed in aggregate 50 per cent. of the Net Income for such financial year subject to no Event of Default having occurred which is continuing at the relevant time or resulting from the payment of a dividend or the making of any other form of Distribution.

22.8 Place of business

The Borrower must maintain its registered office in the Marshall Islands and keep its corporate documents at either its registered office or at the offices of its officers and will not voluntarily establish, or do anything as a result of which it would be deemed to have voluntarily established, a place of business in any country other than the Marshall Islands.

22.9 Mergers, guarantees and loans

(a) No Obligor shall enter into any amalgamation, demerger, merger or reconstruction that might have a Material Adverse Effect, except that the Parent shall be permitted to enter into the Permitted MLP Spin-off, the Permitted UDW Spin-off and the Permitted Tanker Spin-off.

(b) Save in the ordinary course of business, the Borrower must not incur or allow to be outstanding any guarantee (including an indemnity or other assurance against loss) (a "**Relevant Guarantee**") by it in respect of any person and any Relevant Guarantee which would otherwise be permitted under this paragraph (b) will not be permitted if the Borrower's obligations under the Relevant Guarantee are secured by any of the Security Assets (save to the extent such security constitutes a Permitted Lien).

(c) The Borrower must not be the creditor in respect of Financial Indebtedness other than:

(i) advances to crew;

(ii) in connection with any spares or pooling arrangements (approved by the Agent (acting on the instructions of the Majority Lenders acting reasonably)) or sale of equipment relating to the Vessel entered into by the Borrower in the ordinary course of its business; or

(iii) deposits placed with banks or the providers of goods and services entered into by the Borrower in the ordinary course of its business.

(d) The Borrower must not create any Subsidiary.

22.10 Security

Each Obligor:

(a) without prejudice to Clause 22.11(a) (*Registration of the Vessel*), shall procure that the Mortgage and any other security conferred by it under any Security Document is registered as a first priority interest with the relevant authorities within the period prescribed by Applicable Law and is maintained and perfected with the relevant authorities;

(b) shall at its own cost do all that it can to ensure that any Finance Document validly creates the obligations and Security Interests which it purports to create;

(c) without limiting the generality of paragraph (a) above, shall at its own cost promptly register, file, record or enrol any Finance Document with any relevant court or authority, pay any stamp, registration or similar tax payable in respect of any Finance Document, give any notice or take any other step which, in the reasonable opinion of the Agent (acting on the instructions of the Majority Lenders), is or has become necessary for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates; and

(d) shall not amend, or permit any amendment to, the constitutional documents of HSI or the Borrower unless the Agent (acting on the instructions of the Majority Lenders, each acting reasonably) is satisfied that such amendment would not have an adverse effect on the ability of the Security Agent to take enforcement action pursuant to the Share Charge.

22.11 Registration of the Vessel

The Borrower shall, and shall procure that the Manager shall:

(a) procure and maintain, with effect from the Delivery Date, the valid and effective provisional registration of the vessel and, within six (6) months of the Delivery Date, the valid and effective permanent registration of the Vessel under the flag of the Marshall Islands or such other flag as is satisfactory to the Agent (acting on the instructions of the Majority Lenders (acting in good faith but otherwise in their absolute discretion)), and shall ensure nothing is done or omitted by the Borrower and shall use reasonable endeavours to ensure that nothing is done or omitted to be done by any third party by which the registration of the Vessel would or might be defeated or imperilled;

(b) not change the name or port of registration of the Vessel without the prior written consent of the Agent (acting on the instructions of the Majority Lenders) (such consent not to be unreasonably withheld or delayed); and

(c) ensure that the Vessel complies in all respects with Applicable Laws from time to time applicable to vessels registered under the laws and flag of the Marshall Islands or such other flag (an "**Alternative Flag**") under which the Vessel may be registered from time to time in accordance with this Agreement, provided that if at any time an Alternative Flag is not a signatory to all International Maritime Organization Assembly resolutions and regulations to which the Marshall Islands is a signatory, then the Borrower shall ensure, and shall procure that the Manager ensures, that the Alternative Flag issues a certificate of equivalency of the Vessel in respect of each such International Maritime Organization Assembly resolution and regulation.

22.12 Classification, maintenance and repair

The Borrower shall, and shall procure that the Manager shall:

(a) maintain and preserve the Vessel in good working order and repair (ordinary wear and tear excepted), seaworthy, in efficient operating condition and, in any event, to a standard at least equivalent to vessels managed and/or operated by the Manager and the Parent's group and the recommendations of the Builder;

(b) ensure that the Vessel is surveyed from time to time as required by the Classification Society in which the Vessel is entered at that time;

(c) maintain the highest classification of the Vessel with the Classification Society or, if such classification is not available, with the highest equivalent classification in another internationally recognised classification society of like standing acceptable to the Agent (acting on the instructions of the Majority Lenders), free of all overdue requirements and overdue recommendations of that classification society or register;

(d) maintain and keep up to date the Technical Records in English and in compliance with all Applicable Laws relating to the Vessel and the requirements of the Classification Society;

(e) maintain and keep the Software Records up to date;

(f) comply in all material respects with all Software Licences and use its best endeavours to procure that all Software Licenses are capable of assignment;

(g) procure that all repairs to or replacement of any damaged, worn or lost parts or equipment shall be effected in such manner (both as regards workmanship and quality of materials) as not to materially diminish the value of the Vessel or cause damage to the Environment;

(h) not remove any material part of the Vessel, any part or any other material item of equipment installed on the Vessel unless the part or item so removed is forthwith replaced by a suitable part or item which is in the same condition as or better condition than the part or item removed, is free from any Security Interest or any right in favour of any person other than the Finance Parties, and becomes on installation on the Vessel the property of the Borrower and subject to the security constituted by the relevant Security Document(s) provided that, for the avoidance of doubt, the Borrower may install and remove equipment owned by a third party if the equipment can be removed without any risk of damage to the Vessel or the Environment and does not affect the class, flag or custody transfer certification; and

(i) without prejudice to paragraph (h) not without prior written consent of the Agent not to be unreasonably withheld (acting on the instructions of the Majority Lenders), cause or permit to be made any substantial change in the structure, machinery, equipment, control systems, type or performance characteristics of the Vessel other than modifications required by the Classification Society or Applicable Law.

22.13 Lawful and safe operation

The Borrower shall, and shall procure that the Manager shall, at all times:

(a) operate the Vessel and cause the Vessel to be operated in a manner consistent in all material respects with any Applicable Law;

(b) not cause or permit the Vessel to trade with, or within the territorial waters of, any country in which her safety may be imperilled by exposure to terrorism;

(c) not cause or permit the Vessel to be employed in any manner which will or may give rise to any reasonable degree of likelihood that the Vessel would be liable to arrest, requisition, confiscation, forfeiture, seizure, destruction or condemnation as prize;

(d) not cause or permit the Vessel to be employed in any trade or business which is forbidden by Applicable Law or is illicit or in carrying goods which are illicit or prohibited under any Applicable Law;

(e) in the event of hostilities in any part of the world (whether war be declared or not) not cause or permit the Vessel to be carrying any contraband goods and/or trading in any zone after it has been declared a war zone by any authority or by any of the Vessel's war risks Insurers unless the Vessel's Insurers shall have confirmed to the Borrower that the Vessel is held covered under the Obligatory Insurances or under a government scheme that gives comparable protection for the voyage(s) in question;

(f) not charter the Vessel with any foreign country or national of any foreign country which is the subject of sanctions imposed by the United Nations or is specified by legislation or regulations of the flag state under which the Vessel is registered and such that, if the earnings or any part of the earnings were derived from such charter, that fact would render any Finance Document or the security conferred by the Security Documents unlawful; and

(g) during the Security Period, use the Vessel only for civil merchant trading.

22.14 Repair of the Vessel

Save in circumstances where the Insurers or the Charterer have agreed to cover the cost of the work or where the Borrower has demonstrated to the satisfaction of the Agent that adequate reserves or security are at the relevant time maintained or provided for, the Borrower shall not, and shall procure that the Manager shall not, at any time after the Delivery Date put the Vessel into the possession of any person for the purpose of work or upgrade (including but not limited to winterisation) being done upon her beyond the amount of US$15,000,000 or equivalent), other than for classification or scheduled dry docking or for necessary repairs, unless such person shall have given an undertaking to the Agent not to exercise any lien on the Vessel or Obligatory Insurances for the cost of that work or otherwise.

22.15 Arrests and Liabilities

The Borrower shall, and shall procure that the Manager shall, at all times after the Delivery Date:

(a) pay and discharge all obligations and liabilities whatsoever which have given or may give rise to liens (other than Permitted Liens) on or claims enforceable against the Vessel and take all reasonable steps to prevent a threatened arrest of the Vessel;

(b) notify the Agent promptly in writing of the levy or other distress on the Vessel or its arrest, detention, seizure, condemnation as prize, compulsory acquisition or requisition for title or use and (save in the case of compulsory acquisition or requisition for title or use or any other event that would, with the passage of time, constitute a Total Loss of the Vessel) obtain the release of the Vessel within twenty-one (21) days;

(c) pay and discharge when due all dues, taxes, assessments, governmental charges, fines and penalties lawfully imposed on or in respect of the Vessel or the Borrower except those which are being disputed in good faith by appropriate proceedings (and for the payment of which adequate reserves or security are at the relevant time maintained or provided or for which indemnity or liability insurance cover for at least the full amount in dispute has been obtained by the Borrower from underwriters or insurance companies approved by the Agent (acting on the instructions of the Majority Lenders acting reasonably)) and provided that the continued existence of such dues, taxes, assessments, governmental charges, fines or penalties does not give rise to any reasonable degree of likelihood that the Vessel would be liable to arrest, requisition, confiscation, forfeiture, seizure, destruction or condemnation as prize; and

(d) pay and discharge all other obligations and liabilities whatsoever in respect of the Vessel and the Obligatory Insurances except those which are being disputed in good faith by appropriate proceedings (and for the payment of which adequate reserves or security are at the relevant time maintained or provided or for which indemnity or liability insurance cover for at least the full amount in dispute has been obtained by the Borrower from underwriters or insurance companies approved by the Agent (acting on the instructions of the Majority Lenders (acting reasonably)) and provided that the continued existence of those obligations and liabilities in respect of the Vessel and the Obligatory Insurances does not give rise to any reasonable degree of likelihood that the Vessel would be liable to arrest, requisition, confiscation, forfeiture, seizure, destruction or condemnation as prize and provided always that the Vessel remains properly managed and insured at all times in accordance with the terms of this Agreement.

22.16 Related Contracts

Each Obligor shall:

(a) exercise its rights and comply with its material obligations under each Finance Document and Related Contract to which it is a party; and

(b) not without the consent of the Agent (acting on the instructions of the Majority Lenders acting reasonably):

(i) make or enter into (and shall procure that the Manager shall not make or enter into) any amendments, changes or variations to, or assign, transfer, terminate, suspend or abandon any of the Related Contracts (and to the extent necessary it will withhold its consent to any such amendment, assignment, transfer, termination, suspension or abandonment) other than an amendment, change or variation of a non-material or administrative nature;

(ii) take any action, enter into any document or agreement or omit to take any action or to enter into any document or agreement which a reasonable shipowner in the position of the Borrower could reasonably be expected to know should be taken or entered into which, in any such case, would cause any Related Contract to be terminated or to cease to remain in full force and effect and shall use all reasonable endeavours to procure that each other party to any Related Contract does not take any action, enter into any document or agreement or omit to take any action or to enter into any document or agreement which would, or could reasonably be expected to, cause any Related Contract to cease to remain in full force and effect; or

(iii) release the Builder or the Charterer from any of its material obligations under the Shipbuilding Contract or the Drilling Charter, as the case may be.

22.17 Environment

Each Obligor shall, and shall procure that the Manager shall, at all times:

(a) comply in all material respects with all applicable Environmental Laws and Environmental Approvals including, without limitation, requirements relating to the establishment of financial responsibility (and shall require that all Environmental Affiliates of the Obligors comply in all material respects with all applicable Environmental Laws and obtain and comply with all required Environmental Approvals, insofar as such Environmental Laws and Environmental Approvals relate to the Vessel or her operation or her carriage of cargo);

(b) comply in all material respects with its obligations under and in accordance with health and safety requirements of a Drilling Charter; and

(c) promptly upon becoming aware notify the Agent of:

(i) any Environmental Claim in excess of US$2,500,000 which is current or, to its knowledge, pending or threatened against it or any Environmental Affiliate relating to the Vessel or her operation or her carriage of cargo; or

(ii) any fact or circumstances reasonably likely to give rise to an Environmental Claim in excess of US$2,500,000 against it or any Environmental Affiliate relating to the Vessel or her operation or her carriage of cargo; or

(iii) any suspension, revocation or modification of any Environmental Approval obtained by the Borrower, the Manager or the Charterer relating to the Vessel or her operation or her carriage of cargo; or

(iv) any Release of Hazardous Materials by or in respect of the Vessel or caused by the Vessel or its operations which could lead to an Environmental Claim in excess of US$250,000,

and in each case such notification shall take the form of a certificate of an officer of the Borrower or of the Borrower's agents specifying in reasonable detail the nature of the event or circumstances.

22.18 Information regarding the Vessel

The Borrower shall upon becoming aware of the same, and shall procure that the Manager shall upon the earlier of (i) becoming aware of the same and (ii) the time when a prudent manager ought reasonably to have become aware of the same, at all times after the Delivery Date:

(a) promptly notify the Agent of the occurrence of any accident, casualty or other event which has caused or resulted in or may cause or result in the Vessel being or becoming a Total Loss;

(b) promptly notify the Agent of any requirement or recommendation made by any Insurer or the Classification Society or by any competent authority which is not complied with in a timely manner, disregarding any matter which cannot reasonably be considered to be material;

(c) promptly notify the Agent of any intended dry-docking of the Vessel (whether routine or otherwise);

(d) promptly notify the Agent of any claim for a material breach of the ISM Code being made in connection with the Vessel or its operation;

(e) promptly notify the Agent of any claim for a material breach of the ISPS Code being made in connection with the Vessel or its operation;

(f) give to the Agent from time to time on request such information, in electronic form by email attachments or hard copy, as the Agent may reasonably require regarding the Vessel, its employment, position and engagements or regarding the Obligatory Insurances;

(g) provide the Agent with copies of the classification certificate of the Vessel and of all periodic damage or survey reports on the Vessel which the Agent may reasonably request;

(h) promptly notify the Agent when a condition of class is applied by the Classification Society;

(i) promptly notify the Agent if the Vessel is detained by any port, governmental or quasi-governmental authority;

(j) promptly notify the Agent if the flag state or the Classification Society refuse to issue or withdraw any trading certification;

(k) promptly notify the Agent of any fire on board the Vessel which requires the use of fixed fire systems;

(l) promptly notify the Agent of any collision or grounding of the Vessel;

(m) promptly notify the Agent if the Vessel is taken under tow other than in respect of the routine operation of the Vessel;

(n) promptly notify the Agent of any death or serious injury to any person which occurs on board the Vessel;

(o) subject to any applicable restriction under a Drilling Charter give to the Agent and its duly authorised representatives (at their own risk and expense) reasonable access to the Vessel but without interruption to her use or operation for the purpose of conducting on board inspections and/or surveys of the Vessel and the Technical Records;

(p) if the Agent reasonably believes an Event of Default may have occurred and is continuing, procure that the Agent and its duly authorised representatives shall upon request be granted the right to inspect the records kept in respect of the Vessel by the Classification Society; and

(q) if the Agent reasonably believes an Event of Default may have occurred and is continuing, furnish to the Agent from time to time upon reasonable request certified copies of the ship's log in respect of the Vessel.

22.19 Management

The Borrower shall procure that the Vessel is at all times managed by the Manager (except with the prior written consent of the Agent (acting on the instructions of the Majority Lenders acting reasonably)).

22.20 Proceeds from Total Loss of the Vessel

(a) The Borrower shall procure that the proceeds from a Total Loss of the Vessel shall promptly upon receipt by the Borrower be paid to the Security Agent for application in accordance with Clause 7.2.

(b) For so long as the Borrower holds any such proceeds as referred to in paragraph (a), it shall do so on trust for the Security Agent.

22.21 Charters

(a) The Borrower shall not let the Vessel on demise, time, consecutive voyage or voyage charter for any period or to any person other than to the Charterer under the Drilling Charter except with the prior written consent of the Agent (acting on the instructions of the Majority Lenders, each acting reasonably).

(b) The Borrower shall, no later than the second Business Day prior to the Utilisation Date, deliver to the Agent a certified copy of the Drilling Charter in form and substance satisfactory to each of the Finance Parties.

(c) The Borrower shall, no later than the 30th Business Day after the Delivery Date, deliver to the Agent a tax opinion from the Borrower's tax advisers (which may be disclosed to the Finance Parties) in respect of potential withholding and income tax payable under the Transaction Documents in form and substance satisfactory to each of the Finance Parties.

(d) The Borrower shall not:

(i) allow the Vessel to be sub-chartered by any Charterer without the consent of the Agent not to be unreasonably withheld (acting on the instructions of the Majority Lenders); or

(ii) permit any transfer of Charterer's rights and obligations under a Drilling Charter without the prior written consent of the Agent (acting on the instructions of all of the Lenders).

22.22 Management Agreement

The Borrower shall ensure that the Management Agreement in respect of the Vessel remains in full force and effect until the Repayment Date with the Manager or such other counterparty approved by the Agent (acting on the instructions of the Majority Lenders).

22.23 ISM Code

The Borrower shall, and shall procure that the Manager shall:

(a) at all times comply, and be responsible for compliance by itself and by the Vessel, with the mandatory requirements of the ISM Code;

(b) at all times ensure that the Vessel has a valid Safety Management Certificate (or, following delivery until a final certificate is issued, a valid interim Safety Management Certificate) which is held on board the Vessel and that the Manager holds a valid Document of Compliance for the Vessel, a copy of which is held on board the Vessel;

(c) promptly notify the Agent of any actual or, upon becoming aware of the same, threatened withdrawal of an applicable Safety Management Certificate or Document of Compliance;

(d) promptly notify the Agent of the identity of the person ashore designated for the purposes of paragraph 4 of the ISM Code and of any change in the identity of that person; and

(e) promptly upon becoming aware of the same notify the Agent of the occurrence of any accident or major non-conformity requiring action under the ISM Code.

22.24 ISPS Code

The Borrower shall, and shall procure that the Manager shall, at all times comply and be responsible for compliance by itself and by the Vessel with the mandatory requirements of the ISPS Code, and ensure that the Vessel has a valid International Ship Security Certificate (as defined in the ISPS Code).

22.25 Delivery of Vessel

If the Borrower is required by the terms of the Shipbuilding Contract to accept delivery of the Vessel from the Builder, then the Borrower will exercise all rights it has under the Drilling Charter in place at such time to require the Charterer to take delivery of the Vessel under such Drilling Charter.

22.26 Tax affairs

Each Obligor must:

(a) promptly file all Tax reports and returns required to be filed by it in any jurisdiction; and

(b) promptly pay all Taxes or, if any Tax is being contested in good faith and by appropriate means, ensure an adequate reserve is set aside for payment of that Tax.

22.27 Annex VI (Regulations for the Prevention of Air Pollution from Ships) to MAR POL

The Borrower shall, and shall procure that the Manager shall, at all times after the Delivery Date comply and be responsible for compliance by itself and by the Vessel with mandatory requirements of Annex VI (Regulations for the Prevention of Air Pollution from Ships) to MARPOL, and ensure that the Vessel has a valid International Air Pollution Prevention Certificate (as defined in Annex VI to MARPOL).

22.28 Oil Pollution Act

For so long as the Vessel is operated in the territorial waters of the United States of America, the Borrower shall and/or shall procure the Charterer shall, comply with the requirements of all mandatory United States laws, regulations and requirements (including United States Coastguard regulations applicable to the Vessel and including for the avoidance of doubt any requirement to have a valid and current Certificate of Financial Responsibility pursuant to the United States Oil Pollution Act 1990) in relation to the operation and navigation of the Vessel in force at the relevant time in the relevant area(s) of the United States of America.

22.29 Sponsor's shares

The Parent shall procure at all times during the Security Period that the shares of the Parent will remain listed on NASDAQ.

22.30 Exercise of options

(a) The Obligors shall not, and shall procure that their Subsidiaries do not, exercise any of the options to purchase provided for in the Alternative Vessel Option Agreement in relation to the construction of up to four ultra deepwater drillships (each, an "**Alternative Vessel**").

(b) Paragraph (a) does not apply to:

(i) the exercise of an option to purchase one Alternative Vessel by a Guarantor or a Subsidiary of a Guarantor (other than the Borrower); or

(ii) the exercise of any additional options to purchase Alternative Vessels by a Guarantor or a Subsidiary of a Guarantor (other than the Borrower) if, after the date of this Agreement but prior to the exercise of such option, the Group has received Net Issuance Proceeds, in an amount determined by the Agent (acting on the instructions of the Majority Lenders, each acting reasonably) to be sufficient to pay the relevant amounts due to the Builder from time to time in connection with the exercise of all such exercised options.

23. INSURANCES

23.1 Scope of Obligatory Insurances

The Borrower shall:

(a) at all times keep the Vessel insured in the Required Insurance Amount, with a deductible of no more than US$15,000,000, in Dollars against fire and usual marine risks (including Excess Risks), and if requested by the Agent all spares, stores and other property held elsewhere than on the Vessel against all risks of physical loss or damage as is typically insured, in each case in the name of the Borrower and with the interest of the Security Agent noted as mortgagee or assignee with underwriters or insurance companies approved by the Agent and (as applicable) through brokers approved by the Agent (acting on the instructions of the Majority Lenders), and by policies in form and content approved by the Agent (acting on the instructions of the Majority Lenders);

(b) at all times after the Delivery Date keep the Vessel insured in at least the Required Insurance Amount in the same manner as above against war risks (including, without limitation), (a) those risks covered by the standard form of English marine policy with Institute War and Strike Clauses (Time) (1/10/83) attached or similar cover and (b) war, terrorist or similar protection and indemnity risks cover excluded from the

protection and indemnity risks covered by the entry of the Vessel with the relevant protection and indemnity association by reason of any exclusion clauses contained in such entry, and all spares, stores, and other property held elsewhere than on the Vessel against, at the minimum, riots, strikes, civil commotion and terrorism, in each case either:

(i) with underwriters or insurance companies approved by the Agent (acting on the instructions of the Majority Lenders) and by policies in form and content approved by the Agent (acting on the instructions of the Majority Lenders); or

(ii) by entering the Vessel in an approved war risks association;

(c) at all times after the Delivery Date keep, or procure the Charterer keeps the Vessel entered in an approved protection and indemnity association against all risks as are normally covered by such protection and indemnity association, including without limitation, pollution risks, the proportion not recoverable in case of collision under the running down clause inserted in the ordinary Hull and Machinery policies and Specialist Operations coverage, in the name of the Borrower for claims which the Borrower would have incurred had they been pursued against it, such cover to be for:

(i) the higher of the minimum amount stipulated in any Drilling Charter and US$500,000,000 or such other amount of cover against P&I including pollution risks as shall at any time be comprised in the basic entry of the Vessel with either a protection and indemnity association which is a member of either the International Group of P&I Clubs (or any successor organisation designated by the Agent for this purpose); or

(ii) if the International Group or any such successor ceases to exist or ceases to provide or arrange any cover for pollution risks (or any supplemental cover for pollution risks over and above that afforded by the basic entry of the Vessel with its protection and indemnity association), such aggregate amount of cover against pollution risks as shall be generally available on the open market and by basic entry with a protection and indemnity association for ships of the same type, size, age and flag as the Vessel,

provided that, if the Vessel has ceased trading or is in lay up and in either case has unloaded all cargo, the level of pollution risks cover afforded by ordinary protection and indemnity cover available through a member of the International Group or such successor organisation or, as the case may be, on the open market in such circumstances shall be sufficient for such purposes;

(d) at all times, maintain in full force and effect loss of hire insurance, on a daily amount fixed and agreed basis, in respect of the Vessel subject to a deductible of 45 days (or minimum deductible available by loss of hire underwriters) per incident or occurrence and for a minimum indemnity period of 180 days with underwriters or insurance companies approved by the Agent (acting on the instructions of the Majority Lenders) in form and content approved by the Agent (acting on the instructions of the Majority Lenders), provided always that the obligation of the Borrower to maintain such loss of hire insurance shall cease if a prudent owner of a vessel similar to the Vessel and employed on a similar basis, acting reasonably, would consider the cost of the loss of hire insurance to be commercially unacceptable;

(e) at all times, if and as requested from time to time by the Agent, to maintain in full force and effect insurance(s) in respect of such other matters of whatsoever nature and howsoever arising in respect of which insurance would be available to a prudent owner of the Vessel; and

(f) comply or procure compliance with the terms and conditions of the Obligatory Insurances (including, but not limited to, making any declarations required by such insurances in order to maintain cover for operating within any waters where it is required to be located under a Drilling Charter, which declarations the Borrower shall promptly copy to the Agent), not do, consent to or permit any act or omissions which might invalidate or render unenforceable the whole or any part of the Insurances.

23.2 Mortgagee's interest and additional perils insurances

The Agent shall be entitled (if so instructed by the Majority Lenders), from time to time and at the Borrower's cost and expense, to effect from the Delivery Date, maintain and renew all or any of the following insurances in the Required Insurance Amount, and on such terms, through such insurers and in such manner as the Agent (acting on the instructions of the Majority Lenders) may from time to time consider appropriate:

(a) a mortgagee's interest marine insurance providing for the indemnification of the Finance Parties for any Losses under or in connection with any Finance Document which directly or indirectly result from loss of or damage to the Vessel or a liability of the Vessel or the Borrower, being a loss or damage which is *prima facie* covered by an Obligatory Insurance but in respect of which there is a non-payment (or reduced payment) by the underwriters by reason of, or on the basis of any allegation concerning:

(i) any act or omission on the part of the Borrower, of any operator or manager of the Vessel or of any officer, employee or agent of the Borrower or of any such person, including any breach of warranty or condition or any non-disclosure relating to such Obligatory Insurance;

(ii) any act or omission, whether deliberate, negligent or accidental, or any knowledge or privity of the Borrower or any other person referred to in subparagraph (i) above, or of any officer, employee or agent of an Borrower or of such a person, including the casting away or damaging of the Vessel and/or the Vessel being unseaworthy; and/or

(iii) any other matter capable of being insured against under a mortgagee's interest marine insurance policy whether or not similar to the foregoing; and

(b) a mortgagee's interest additional perils policy providing for the indemnification of the Finance Parties against, amongst other things, any Losses or other consequences of any Environmental Claim, including the risk of expropriation, arrest or any form of detention of the Vessel, or the imposition of any Security Interest over the Vessel and/or any other matter capable of being insured against under a mortgagee's interest additional perils (pollution) policy whether or not similar to the foregoing.

23.3 Obligatory Insurances

Without prejudice to its obligations under Clause 23.1 (*Scope of Obligatory Insurances*), the Borrower shall:

(a) not without the prior consent of the Agent (acting on the instructions of the Majority Lenders) alter any Obligatory Insurance nor make, do, consent or agree to any act or omission which would or might render any Obligatory Insurance invalid, void, voidable or unenforceable or render any sum paid out under any Obligatory Insurance repayable in whole or in part;

(b) not cause or permit the Vessel to be operated in any way inconsistent with the provisions or warranties of, or implied in, or outside the cover provided by, any Obligatory Insurance or to be engaged in any voyage or to carry any cargo not permitted by any Obligatory Insurances;

(c) duly and punctually pay all premiums, calls, contributions or other sums of money from time to time payable in respect of any Obligatory Insurance;

(d) at least 28 days before the relevant policies, contracts or entries expire, notify the Agent of the names of the insurance companies and/or the war risks and protection and indemnity associations proposed to be employed for the purposes of the renewal of such Obligatory Insurances and of the amounts in which such Obligatory Insurances are proposed to be renewed and the risks to be covered, and to procure that appropriate instructions for the renewal of such Obligatory Insurances on the terms so specified are given to the brokers (if applicable) and associations in each case approved in accordance with Clause 23.1 (*Scope of Obligatory Insurances)* and will at least three Business Days before such expiry (or within such shorter period as the Agent may from time to time agree) confirm in writing to the Agent that such renewals have been effected in accordance with the instructions so given;

(e) forthwith upon the effecting of any Obligatory Insurance, ensure that all approved brokers (if applicable) and/or approved insurers and the approved P&I Club provide the Agent with pro forma copies of all policies relating to the Obligatory Insurances which they are to effect or renew and of a letter or letters of undertaking substantially in the forms scheduled to or referred to in the General Assignment or such other form acceptable to the Agent, in each case stating the full particulars (including the dates and amounts) of the insurance, and on request produce the receipts for each sum paid by it pursuant to paragraph (c) above, and including undertakings from the approved brokers (if applicable) or the approved underwriters or insurance companies that:

(i) they will have endorsed on each policy, when issued, a loss payee provision and notice of assignment, in the form scheduled to the General Assignment;

(ii) they will hold such policies, and the benefit of such insurances, to the order of the Security Agent;

(iii) they will advise the Agent forthwith of any material change to the terms of the Obligatory Insurances;

(iv) they will upon written application by the approved brokers (if applicable) to the Agent notify the Agent, not less than 28 days before the expiry of the Obligatory Insurances, in the event of their not having received notice of renewal instructions from the Borrower or its agents and, in the event of their receiving instructions to renew, they will promptly notify the Agent of the terms of the instructions;

(v) they will not exercise any rights of cancellation in respect of default in payment of premiums without giving the Agent 28 days' notice in writing, either by letter or electronically transmitted message, and a reasonable opportunity for the Agent to pay any premiums outstanding;

(vi) if any of the Obligatory Insurances form part of a fleet cover, their lien on the fleet policies shall be confined to the outstanding premiums due on the Vessel only;

(vii) they shall neither set off against any claim(s) and/or returns of premium(s) in respect of the Vessel any premiums due in respect of other vessels under the fleet cover or any premiums due for other insurances, nor cancel the insurance for reason of non-payment of premiums for other vessels under the fleet cover or of premiums for such other insurances; and

(viii) they will arrange for a separate policy to be issued in respect of the Vessel forthwith upon being so requested by the Agent;

(f) not settle, release, compromise or abandon any claim in respect of any Total Loss unless the Agent (acting promptly and on the instructions of the Majority Lenders, acting reasonably) is satisfied that such release, settlement, compromise or abandonment will not prejudice the interests of the Finance Parties under or in relation to any Finance Document;

(g) arrange for the execution and delivery of such guarantees as may from time to time be required by any protection and indemnity or war risks club or association in accordance with the rules of such club or association;

(h) procure that the interest of the Security Agent as mortgagee or assignee is noted on all policies of insurance; and

(i) in the event that the Borrower receives payment of any moneys under the General Assignment in respect of Insurances, save as provided in the loss payable clauses scheduled to the General Assignment, forthwith pay over the same to the Security Agent and, until paid over, such moneys shall be held in trust for the Security Agent by the Borrower.

23.4 Power of Agent to insure

If the Borrower fails to effect and keep in force Obligatory Insurances in accordance with this Agreement, it shall be permissible, but not obligatory, for the Agent to effect and keep in force insurance or insurances, for itself or on behalf of the Security Agent, in the amounts required under this Agreement and (in the case of Clause 23.1(d) (*Scope of Obligatory Insurances)* only) entries in a protection and indemnity association or club and, if it deems necessary or expedient, to insure the war risks upon the Vessel, and the Borrower shall reimburse the Agent for the costs of so doing. The Agent agrees to notify the Borrower if it effects any such insurance or insurances in respect of the Vessel as soon as practicable and in any event no later than five Business Days after effecting such insurances.

24. EVENTS OF DEFAULT

Each of the events or circumstances set out in Clause 24 is an Event of Default (save for Clause 24.16 (*Acceleration*)).

24.1 Non-payment

An Obligor does not pay on the due date any amount payable by it under the Finance Documents in the manner required under the Finance Documents, unless the non-payment:

(a) is caused by technical or administrative error or a Disruption Event; and

(b) where such payment is a scheduled payment, is remedied within one Business Day of the due date; or

(c) where such payment is on-demand, is remedied within three Business Days of the date of demand.

24.2 Financial covenants

Any requirement of Clause 21 (*Financial covenants)* is not satisfied.

24.3 Other obligations

An Obligor does not comply with any provision of the Finance Documents (other than those referred to in Clause 24.1 (*Non-payment*) and Clause 24.2 (*Financial covenants)),* unless the non-compliance:

(a) is capable of remedy; and

(b) is remedied within 30 days of the earlier of the Agent giving notice of the breach to the Borrower and an Obligor becoming aware of the non-compliance, save in the case of the Borrower's non-compliance with Clause 22.10(a) (*Security*), Clause 22.11(a) (*Registration of the Vessel),* Clauses 22.21 (*Charters*), Clause 22.22 (*Management Agreement)* or Clause 23.1 (*Scope of Obligatory Insurances),* for each of which the grace period for remedy shall be three days from the date the Agent gives notice of the breach to the Borrower, provided always that, in respect of Clause 23.1 (*Scope of Obligatory Insurances),* there shall be no grace period unless the Agent (acting on the good faith and reasonable instructions of the Majority Lenders) is satisfied that the Finance Parties have neither suffered nor will, in the future, suffer any material detriment (whether financial, to their security position or otherwise howsoever) as a result of the non-compliance.

24.4 Misrepresentation

Any representation or warranty made or repeated by an Obligor in the Finance Documents or any other document delivered by or on behalf of any Obligor under any Finance Document is incorrect or misleading in any material respect when made or deemed to be repeated, unless the circumstances giving rise to the misrepresentation or breach of warranty:

(a) are capable of remedy; and

(b) are remedied within 14 days of the Borrower receiving notice from the Agent of the circumstances giving rise to the misrepresentation or breach of warranty.

24.5 Cross default

Any of the following occurs in respect of any of the Project Parties:

(a) any of its Financial Indebtedness is not paid when due (after the expiry of any originally applicable grace period);

(b) any of its Financial Indebtedness:

(i) becomes prematurely due and payable; or

(ii) is placed on demand,

in each case, as a result of an event of default or any provision having a similar effect (howsoever described) and after the expiry of any applicable grace period (if any); or

(c) any commitment for its Financial Indebtedness is cancelled or suspended as a result of an event of default (howsoever described),

unless the aggregate amount of Financial Indebtedness falling within paragraphs (a) to (c) above is less than US$2,500,000 or its equivalent in the case of the an Obligor or US$10,000,000 or its equivalent in the case of the Charterer Parent or the Charterer.

24.6 Insolvency

Any of the following occurs in respect of any of the Project Parties:

(a) it is, or is deemed for the purposes of any relevant applicable law to be, unable to pay its debts as they fall due or insolvent;

(b) it admits its inability to pay its debts as they fall due;

(c) it suspends making payments on any of its debts or announces an intention to do so;

(d) by reason of actual or anticipated financial difficulties, it begins negotiations with any creditor for the rescheduling or restructuring of any of its indebtedness;

(e) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities); or

(f) a moratorium is declared in respect of any of its Financial Indebtedness; or

(g) any similar local law process not described in (a) to (f) above.

If a moratorium occurs in respect of any such person, the ending of the moratorium will not remedy any Event of Default caused by the moratorium.

24.7 Insolvency proceedings

(a) Except as provided in paragraph (b) below, any of the following occurs in respect of any of the Project Parties:

(i) any step is taken with a view to a moratorium, composition, assignment or similar arrangement with any of its creditors;

(ii) a meeting of its shareholders, directors or other officers is convened for the purpose of considering any resolution to petition for or to file documents with a court or any registrar for its winding-up, administration or dissolution or any such resolution is passed;

(iii) any person presents a petition or files documents with a court for its winding-up, administration or dissolution or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise);

(iv) any Security Interest is enforced over any of its assets;

(v) an order for its winding-up, administration or dissolution is made;

(vi) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, receiver and manager, judicial manager, administrator or similar officer is appointed in respect of it or any of its assets;

(vii) its directors, shareholders or other officers request the appointment of, or give notice of their intention to appoint a liquidator, trustee in bankruptcy, judicial custodian, judicial manager, receiver and manager, compulsory manager, receiver, administrative receiver, receiver and manager, administrator or similar officer; or

(viii) any other analogous step or procedure is taken in any jurisdiction.

(b) Paragraph (a) above does not apply to a frivolous or vexatious petition for winding-up presented by a creditor which is being contested in good faith and with due diligence and is discharged or struck out within 14 days.

24.8 Creditors' process

Any attachment, sequestration, distress, execution or analogous event affects any asset(s) of any of the Project Parties having an aggregate value of at least US$2,500,000 or its equivalent in the case of any Obligor or at least US$10,000,000 or its equivalent in the case of the Charterer Parent or the Charterer and in any case is not discharged within 14 days.

24.9 Cessation of business

Any of the Project Parties ceases, or threatens to cease, to carry on business.

24.10 Failure to pay final judgment

Any of the Project Parties fails to comply with or pay any sum in excess of US$2,500,000 or its equivalent in the case of an Obligor or at least US$10,000,000 or its equivalent in the case of the Charterer Parent or the Charterer and in either case due from it under any final judgment or any final order made or given by any court of competent jurisdiction within the period specified in the relevant judgment or if no period is specified within 14 days of such final judgment being issued.

24.11 Charter Termination Event

A Charter Termination Event occurs.

24.12 Alternative Vessel Option Agreement

Any Obligor or any Subsidiary of an Obligor fails to comply with its payment obligations under the Alternative Vessel Option Agreement.

24.13 Material adverse change

Any event or series of events occurs affecting the financial condition or operation of any of the Project Parties which, in the opinion of the Majority Lenders, has a Material Adverse Effect.

24.14 Litigation

Any litigation, arbitration or administrative proceedings (other than proceedings of a frivolous or vexatious nature which are being contested in good faith and for which adequate reserves

or security are at the relevant time maintained or provided or for which indemnity or liability insurance cover for at least the full amount in dispute has been obtained by the Borrower or the relevant person from underwriters or insurance companies that have been approved by the Agent (acting on the instructions of the Majority Lenders acting reasonably)) are current or, to the knowledge of the Obligors or the Finance Parties, pending or threatened against any person which in the opinion of the Majority Lenders have, or if adversely determined are reasonably likely to have, a Material Adverse Effect.

24.15 Liability of Lenders and Administrative Parties

(a) Any event occurs or circumstance arises in relation to the Vessel which results in any person making an Environmental Claim against any Finance Party and such Finance Party has not been indemnified by a person and on terms satisfactory to the relevant Finance Party in respect of such amount within 15 days after the date on which such Environmental Claim is made provided such Finance Party gives prompt notice of such claim to the Borrower and has afforded the Borrower (at its cost and expense) the right (with full co-operation of such Finance Party) to such action as it considers necessary or appropriate (acting reasonably) to defend or contest in its own name the validity or amount of such claim. The Borrower may defend or contest the validity or amount of such claim in the name of the relevant Finance Party if such Finance Party is (acting in its absolute discretion) satisfied that:

(i) such action has a reasonable chance of success and in reaching this conclusion such Finance Party shall have the right to require the Borrower to obtain (at the cost of the Borrower) the opinion of Queen's Counsel concerning the merits of the claim. Counsel shall be selected and instructed by the legal advisers to the Finance Party concerned;

(ii) such Finance Party is satisfied that such claim will not materially damage its reputation or any part of its business affairs; and

(iii) the scope of the provisions of Clause 14.2 (*Other indemnities*) will indemnify the relevant Finance Party against any and all costs, losses, expenses or liabilities arising as a result of the Borrower defending or contesting the validity or amount of the claim in the name of that Finance Party.

(b) Any event occurs or circumstance arises in relation to the ownership or operation of the Vessel which results in criminal liability being imposed on any Finance Party except where such liability arises out of the gross negligence or wilful misconduct of such Finance Party.

24.16 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

(a) cancel the Total Commitments whereupon they shall immediately be cancelled;

(b) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable;

(c) declare that all or part of the Loan be payable on demand, whereupon it shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders; and/or

(d) exercise or direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

25. CHANGES TO THE LENDERS

25.1 Transfers by the Lenders

Subject to this Clause 25, a Lender (the "**Existing Lender**") may transfer by novation any of its rights and obligations under any Finance Document to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the "**New Lender**").

25.2 Conditions of transfer

(a) The consent of the Borrower is required for a transfer by an Existing Lender, unless the transfer is to another Lender or an Affiliate of a Lender.

(b) The consent of the Borrower to a transfer must not be unreasonably withheld or delayed. The Borrower will be deemed to have given its consent five Business Days after the Existing Lender has requested it unless consent is expressly refused by the Borrower within that time.

(c) A transfer will only be effective if the procedure set out in Clause 25.5 (*Procedure for transfer)* is complied with.

(d) If:

(i) a Lender transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and

(ii) as a result of circumstances existing at the date the transfer or change occurs, an Obligor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax gross-up and indemnities)* or Clause 13 (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the transfer or change had not occurred. This paragraph (d) shall not apply in respect of a transfer made in the ordinary course of the primary syndication of the Facility.

(e) Each New Lender, by executing the relevant Transfer Certificate, confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender.

25.3 Transfer fee

The New Lender shall, on the date upon which a transfer takes effect, pay to the Agent (for its own account) a fee of US$5,000.

25.4 Limitation of responsibility of Existing Lenders

(a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

(i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;

(ii) the financial condition of any Obligor;

(iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or

(iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

(b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

(i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and

(ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

(c) Nothing in any Finance Document obliges an Existing Lender to:

(i) accept a re-transfer from a New Lender of any of the rights and obligations transferred under this Clause 25; or

(ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

25.5 Procedure for transfer

(a) Subject to the conditions set out in Clause 25.2 (*Conditions of transfer*) a transfer is effected in accordance with paragraph (c) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.

(b) The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.

(c) On the Transfer Date:

(i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the "**Discharged Rights and Obligations**");

(ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;

(iii) the Agent, the Arranger, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Arranger and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and

(iv) the New Lender shall become a Party as a "Lender".

25.6 Copy of Transfer Certificate to Borrower

The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to the Borrower a copy of that Transfer Certificate.

25.7 Security Interests over Lenders' rights

In addition to the other rights provided to Lenders under this Clause 25, each Lender may without consulting with or obtaining consent from any Obligor, at any time charge, assign or otherwise create Security Interests in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

(a) any charge, assignment or other Security Interest to secure obligations to a federal reserve or central bank; and

(b) in the case of any Lender which is a fund, any charge, assignment or other Security Interest granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,

except that no such charge, assignment or Security Interest shall:

(i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security Interest for the Lender as a party to any of the Finance Documents; or

(ii) require any payments to be made by an Obligor other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

26. CHANGES TO THE OBLIGORS

26.1 Assignments and transfer by Obligors

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

27. ROLE OF THE ADMINISTRATIVE PARTIES AND THE ARRANGER

27.1 Appointment of the Administrative Parties

(a) Each other Finance Party appoints the Agent to act as its agent under and in connection with the Finance Documents.

(b) Each other Finance Party authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to the Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

(c) The provisions of the Security Trust Deed apply in respect of the appointment, office and function of the Security Agent.

27.2 Duties of the Agent

(a) Subject to paragraph (b) below, the Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.

(b) Without prejudice to Clause 25.6 (*Copy of Transfer Certificate to Borrower*), paragraph (a) above shall not apply to any Transfer Certificate.

(c) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

(d) If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.

(e) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent, the Security Agent or the Arranger) under this Agreement it shall promptly notify the other Finance Parties.

(f) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

27.3 Role of the Arranger

Except as specifically provided in the Finance Documents, the Arranger has no obligations of any kind to any other Party under or in connection with any Finance Document.

27.4 No fiduciary duties

(a) Nothing in this Agreement constitutes the Agent or the Arranger as a trustee or fiduciary of any other person.

(b) Neither the Agent nor the Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

27.5 Business with the Group

The Agent and the Arranger may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

27.6 Rights and discretions of the Agent

(a) The Agent may rely on:

(i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and

(ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.

(b) The Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:

(i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 24.1 (*Non-payment*));

(ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised; and

(iii) any notice or request made by the Borrower (other than a Utilisation Request or Selection Notice) is made on behalf of and with the consent and knowledge of all the Obligors.

(c) The Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.

(d) The Agent may act in relation to the Finance Documents through its personnel and agents.

(e) The Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.

(f) Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor the Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

27.7 Majority Lenders' instructions

(a) Unless a contrary indication appears in a Finance Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.

(b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties other than the Security Agent.

(c) The Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.

(d) In the absence of instructions from the Majority Lenders, (or, if appropriate, the Lenders) the Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.

(e) The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document. This paragraph (e) shall not apply to any legal or arbitration proceeding relating to the perfection, preservation or protection of rights under the Security Documents or enforcement of the Transaction Security or Security Documents.

27.8 Responsibility for documentation

Neither the Agent nor the Arranger:

(a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, the Arranger, an Obligor or any other person given in or in connection with any Finance Document or the Information Memorandum;

(b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document or the Transaction Security; or

(c) is responsible for any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

27.9 Exclusion of liability

(a) Without limiting paragraph (b) below (and without prejudice to the provisions of paragraph (e) of Clause 30.10 (*Disruption to Payment Systems etc.*)), the Agent will not be liable (including, without limitation, for negligence or any other category of liability whatsoever) for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.

(b) No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Agent may rely on this Clause subject to Clause 1.3 (*Third Party Rights*) and the provisions of the Third Parties Act.

(c) The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Agent if the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.

(d) Nothing in this Agreement shall oblige the Agent or the Arranger to carry out any "know your customer" or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agent and the Arranger that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or the Arranger.

27.10 Lenders' indemnity to the Agent

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent, within three Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 30.10 (*Disruption to Payment Systems etc.*) notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by an Obligor pursuant to a Finance Document).

27.11 Resignation of the Agent

(a) The Agent may resign and appoint one of its Affiliates acting through an office in a Participating Member State as successor by giving notice to the other Finance Parties and the Borrower.

(b) Alternatively the Agent may resign by giving 30 days' notice to the other Finance Parties and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Agent.

(c) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (b) above within 20 days after notice of resignation was given, the retiring Agent (after consultation with the Borrower) may appoint a successor Agent (acting through an office in a Participating Member State).

(d) The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.

(e) The Agent's resignation notice shall only take effect upon the appointment of a successor.

(f) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 27. Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

(g) After consultation with the Borrower, the Majority Lenders may, by notice to the Agent, require it to resign in accordance with paragraph (b) above. In this event, the Agent shall resign in accordance with paragraph (b) above.

27.12 Confidentiality

(a) In acting as agent for the Finance Parties, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.

(b) If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.

(c) Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor the Arranger is obliged to disclose to any other person (i) any confidential information or (ii) any other information if the disclosure would or might in its reasonable opinion constitute a breach of any law or a breach of a fiduciary duty.

27.13 Relationship with the Lenders

(a) The Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office:

(i) entitled to or liable for any payment due under any Finance Document on that day; and

(ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

(b) Each Lender shall supply the Agent with any information that the Security Agent may reasonably specify (through the Agent) as being necessary or desirable to enable the Security Agent to perform its functions as Security Agent. Each Lender shall deal with the Security Agent exclusively through the Agent and shall not deal directly with the Security Agent.

(c) Any Lender may by notice to the Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 32.5 (*Electronic communication*)) electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of Clause 32.2 (*Addresses*) and paragraph (a)(iii) of Clause 32.5 (*Electronic communication*) and the Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

27.14 Credit appraisal by the Lenders

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Agent and the Arranger that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

(a) the financial condition, status and nature of each Obligor;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and the Transaction Security and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document or the Transaction Security;

(c) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the Transaction Security, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

(d) the adequacy, accuracy and/or completeness of the Information Memorandum and any other information provided by the Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

(e) the right or title of any person in or to, or the value or sufficiency of any part of the Security Assets, the priority of any of the Transaction Security or the existence of any Security Interest affecting the Security Assets.

27.15 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (in consultation with the Borrower) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

27.16 Agent's Management Time

Any amount payable to the Agent under Clause 14.3 (*Indemnity to the Administrative Parties*), Clause 16 (*Costs and expenses*) and Clause 27.10 (*Lenders' indemnity to the Agent*) shall include the cost of utilising the Agent's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Agent may notify to the Borrower and the Lenders, and is in addition to any fee paid or payable to the Agent under Clause 11 (*Fees*).

27.17 Deduction from amounts payable by the Agent

If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

28. CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

(a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;

(b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or

(c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

29. SHARING AMONG THE FINANCE PARTIES

29.1 Payments to Finance Parties

If a Finance Party (a "**Recovering Finance Party**") receives or recovers any amount from an Obligor other than in accordance with Clause 30 (*Payment mechanics*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

(a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery to the Agent;

(b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 30 (*Payment mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and

(c) the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 30.5 (*Partial payments*).

29.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 30.5 (*Partial payments*) towards the obligations of that Obligor to the Sharing Finance Parties.

29.3 Recovering Finance Party's rights

On a distribution by the Agent under Clause 29.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from an Obligor, as between the relevant Obligor and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Obligor.

29.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

(a) each Sharing Finance Party shall, upon request of the Agent, pay to the Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the "**Redistributed Amount**"); and

(b) as between the relevant Obligor and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Obligor.

29.5 Exceptions

(a) This Clause 29 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Obligor.

(b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:

(i) it notified that other Finance Party of the legal or arbitration proceedings; and

(ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

30. PAYMENT MECHANICS

30.1 Payments to the Agent

(a) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, that Obligor or Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

(b) Payment shall be made to such account in the principal financial centre of the country of that currency with such bank as the Agent specifies.

30.2 Distributions by the Agent

Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 30.3 (*Distributions to an Obligor*) and Clause 30.4 (*Clawback*) be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency.

30.3 Distributions to an Obligor

The Agent may (with the consent of the Obligor or in accordance with Clause 31 (*Set-off*)) apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

30.4 Clawback

(a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

(b) If the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

30.5 Partial payments

(a) If the Agent receives a payment for application against amounts due in respect of any Finance Documents that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Agent shall apply that payment towards the obligations of that Obligor under the Finance Documents in the following order:

(i) **first,** in or towards payment pro rata of any unpaid fees, costs and expenses of the Administrative Parties under the Finance Documents;

(ii) **secondly,** in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under the Finance Documents;

(iii) **thirdly,** in or towards payment pro rata of any principal due but unpaid under the Finance Documents; and

(iv) **fourthly,** in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.

(b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.

(c) Paragraphs (a) and (b) above will override any appropriation made by an Obligor.

30.6 No set-off by Obligors

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

30.7 Business Days

(a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

(b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

30.8 Currency of account

(a) Subject to paragraphs (b) and (c) below, the Dollar is the currency of account and payment for any sum due from an Obligor under any Finance Document.

(b) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

(c) Any amount expressed to be payable in a currency other than Dollars shall be paid in that other currency.

30.9 Change of currency

(a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

(i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and

(ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).

(b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

30.10 Disruption to Payment Systems etc.

If either the Agent determines (in its discretion) that a Disruption Event has occurred or the Agent is notified by the Borrower that a Disruption Event has occurred:

(a) the Agent may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of the Facility as the Agent may deem necessary in the circumstances;

(b) the Agent shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;

(c) the Agent may consult with the Finance Parties in relation to any changes mentioned in paragraph (a) but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;

(d) any such changes agreed upon by the Agent and the Borrower shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 36 (*Amendments and Waivers*);

(e) the Agent shall not be liable for any damages, costs or losses whatsoever (including, without limitation for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 30.10; and

(f) the Agent shall notify the Finance Parties of all changes agreed pursuant to paragraph (d) above.

31. SET-OFF

A Finance Party may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

32. NOTICES

32.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

32.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

(a) in the case of the Borrower, that identified with its name below;

(b) in the case of each Lender or any other Obligor, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and

(c) in the case of the Agent, that identified with its name below,

or any substitute address or fax number or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

32.3 Delivery

(a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

(i) if by way of fax, when received in legible form; or

(ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details provided under Clause 32.2 (*Addresses*), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Agent will be effective only when actually received by the Agent and then only if it is expressly marked for the attention of the department or officer identified with the Agent's signature below (or any substitute department or officer as the Agent shall specify for this purpose).

(c) All notices from or to an Obligor shall be sent through the Agent.

(d) Any communication or document made or delivered to the Borrower in accordance with this Clause will be deemed to have been made or delivered to each of the Obligors.

32.4 Notification of address and fax number

Promptly upon receipt of notification of an address or fax number or change of address or fax number pursuant to Clause 32.2 (*Addresses*) or changing its own address or fax number, the Agent shall notify the other Parties.

32.5 Electronic communication

(a) Any communication to be made between the Agent and a Lender under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent and the relevant Lender:

(i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;

(ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(iii) notify each other of any change to their address or any other such information supplied by them.

(b) Any electronic communication made between the Agent and a Lender will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to the Agent only if it is addressed in such a manner as the Agent shall specify for this purpose.

32.6 English language

(a) Any notice given under or in connection with any Finance Document must be in English.

(b) All other documents provided under or in connection with any Finance Document must be:

(i) in English; or

(ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

33. CALCULATIONS AND CERTIFICATES

33.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

33.2 Certificates and Determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

33.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

34. PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

35. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

36. AMENDMENTS AND WAIVERS

36.1 Required consents

(a) Subject to Clause 36.2 (*Exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Obligors and any such amendment or waiver will be binding on all Parties.

(b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause.

36.2 Exceptions

(a) An amendment or waiver that has the effect of changing or which relates to:

(i) the definition of "Majority Lenders" in Clause 1.1 (*Definitions*);

(ii) an extension to the date of payment of any amount under the Finance Documents;

(iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;

(iv) an increase in or an extension of any Commitment or the Total Commitments;

(v) a change to the Borrower or Guarantors;

(vi) any provision which expressly requires the consent of all the Lenders;

(vii) Clause 2.2 (*Finance Parties' rights and obligations*), Clause 25 (*Changes to the Lenders*) or this Clause 36;

(viii) other than as expressly permitted by the provisions of the Finance Documents, the nature or scope of:

(A) the guarantee and indemnity granted under Clause 17 (*Guarantee and Indemnity*);

(B) the Security Assets or any of them; or

(C) the manner in which the proceeds of enforcement of the Transaction Security are distributed

(except in the case of paragraph (B) and paragraph (C) above, insofar as it relates to a sale or disposal of an asset which is the subject of the Transaction Security where such sale or disposal is expressly permitted under this Agreement or any other Finance Document); or

(ix) the release of any guarantee and indemnity granted under Clause 17 (*Guarantee and Indemnity*) or of any Transaction Security unless permitted under this Agreement or any other Finance Document or relating to a sale or disposal of an asset which is the subject of the Transaction Security where such sale or disposal is expressly permitted under this Agreement or any other Finance Document,

shall not be made without the prior consent of all the Lenders.

(b) An amendment or waiver which relates to the rights or obligations of the Agent, the Security Agent or the Arranger (each in their capacity as such) may not be effected without the consent of the Agent, the Security Agent or, as the case may be, the Arranger.

37. CONFIDENTIALITY

37.1 Confidential Information

Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 37.2 (*Disclosure of Confidential Information*) and Clause 37.3 (*Disclosure to numbering service providers*), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

37.2 Disclosure of Confidential Information

Any Finance Party may disclose:

(a) to any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

(b) to any person:

(i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents and to any of that person's Affiliates, Representatives and professional advisers;

(ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Obligors and to any of that person's Affiliates, Representatives and professional advisers;

(iii) appointed by any Finance Party or by a person to whom paragraph (b)(i) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including, without limitation, any person appointed under paragraph (c) of Clause 27.13 (*Relationship with the Lenders*));

(iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above;

(v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(vi) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security Interest (or may do so) pursuant to Clause 25.7 (*Security Interest over Lenders' rights*);

(vii) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;

(viii) who is a Party; or

(ix) with the consent of the Borrower;

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

(A) in relation to paragraphs (b)(i), (b)(ii) and b(iii) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;

(B) in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;

(C) in relation to paragraphs (b)(v), (b)(vi) and (b)(vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances;

(c) to any person appointed by that Finance Party or by a person to whom paragraph (b)(i) or (b)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Borrower and the relevant Finance Party;

(d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Obligors if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information.

37.3 Disclosure to numbering service providers

(a) Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Facility and/or one or more Obligors the following information:

(i) names of Obligors;

(ii) country of domicile of Obligors;

(iii) place of incorporation of Obligors;

(iv) date of this Agreement;

(v) the names of the Agent and the Arranger;

(vi) date of each amendment and restatement of this Agreement;

(vii) amount of Total Commitments;

(viii) currency of the Facility;

(ix) type of Facility;

(x) ranking of Facility;

(xi) Repayment Date for Facility;

(xii) changes to any of the information previously supplied pursuant to paragraphs (i) to (xi) above; and

(xiii) such other information agreed between such Finance Party and the Borrower,

to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

(b) The Parties acknowledge and agree that each identification number assigned to this Agreement, the Facility and/or one or more Obligors by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.

(c) Each Obligor represents that none of the information set out in paragraphs (i) to (xiii) of paragraph (a) above is, nor will at any time be, unpublished price-sensitive information.

(d) The Agent shall notify the Borrower and the other Finance Parties of:

(i) the name of any numbering service provider appointed by the Agent in respect of this Agreement, the Facility and/or one or more Obligors; and

(ii) the number or, as the case may be, numbers assigned to this Agreement, the Facility and/or one or more Obligors by such numbering service provider.

37.4 Entire agreement

This Clause 37 (*Confidentiality*) constitutes the entire agreement between the Parties in relation to the obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

37.5 Inside information

Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

37.6 Notification of disclosure

Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Borrower:

(a) of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(v) of Clause 37.2 (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

(b) upon becoming aware that Confidential Information has been disclosed in breach of this Clause 37 (*Confidentiality*).

37.7 Continuing obligations

The obligations in this Clause 37 (*Confidentiality*) are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of twelve months from the earlier of:

(a) the date on which all amounts payable by the Obligors under or in connection with the Finance Documents have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and

(b) the date on which such Finance Party otherwise ceases to be a Finance Party.

38. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

39. GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

40. ENFORCEMENT

40.1 Jurisdiction

(a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement) (a "**Dispute**").

(b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

(c) Notwithstanding the foregoing paragraphs (a) and (b), the Parties agree that the Majority Lenders shall have the exclusive right, at their option, to have any Dispute referred to and finally resolved by arbitration under the LCIA Rules, which LCIA Rules are deemed to be incorporated by reference into this clause.

(d) In respect of any arbitration referred to in paragraph (c) above:

(i) the number of arbitrators shall be three;

(ii) the claimant (or if more than one claimant, the claimants jointly) shall nominate one arbitrator and the respondent (or if more than one respondent, the respondents jointly) shall nominate one arbitrator within the time limits specified in the LCIA Rules (but if the respondents have not agreed the identity of their nominated arbitrator within the time limits specified in the LCIA Rules, the second arbitrator shall be appointed by the LCIA Court);

(iii) the chairman shall be nominated by the two appointed arbitrators within 15 days of the appointment of the second arbitrator (whether by the LCIA Court or otherwise), failing which the chairman shall be appointed by the LCIA Court;

(iv) the seat, or legal place, of arbitration shall be London, England; and

(v) the language to be used in the arbitral proceedings shall be English.

(e) This Clause 40.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

40.2 Service of process

Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than an Obligor incorporated in England and Wales):

(a) irrevocably appoints Ince & Co., London as its agent for service of process in relation to any proceedings before the English courts or any arbitration in connection with any Finance Document; and

(b) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

THE ORIGINAL PARTIES

Part I

The Guarantors

Name of Guarantor	Jurisdiction of Incorporation
DryShips Inc.	Marshall Islands
Ocean Rig UDW Inc.	Marshall Islands
Drillships Holdings Inc.	Marshall Islands
Drillship Hydra Shareholders Inc.	Marshall Islands

Part II

The Original Lenders

Name of Original Lender	Commitment
Deutsche Bank Luxembourg S.A.	US$325,000,000

SCHEDULE 2

CONDITIONS PRECEDENT

Obligors

1. An up to date certificate of good standing of each Obligor and a certified copy of the certificate of incorporation and constitutional documents of each.
2. A certified copy of a resolution of the board of directors of each Obligor:
   (a) approving the terms of, and the transactions contemplated by, each Finance Document to which it is a party and resolving that it executes each such Finance Document then to be executed;
   (b) authorising a specified person or persons to execute each Finance Document on its behalf to which it is a party, then to be executed; and
   (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all other documents and notices to be signed and/or despatched by it under or in connection with each Finance Document then to be executed.
3. A certified copy of a resolution of the sole shareholder of each of the Borrower, HSI and DHI ratifying the resolutions of the relevant Obligor's board of directors.
4. A specimen of the signature of each person authorised by the resolutions referred to in 2 above.

Finance Documents

5. An original of each of the following documents duly executed by the parties to it:
   (a) each Finance Document; and
   (b) any mandate or similar document, to be entered into by the Borrower with the Account Bank.
6. A letter from Ince & Co., London, agreeing to its appointment as process agent for each Obligor under the Finance Documents.

Evidence of perfection of Security Interests

7. Original Share Certificates of each of the Borrower and HSI in relation to the Share Charge.
8. Executed blank share transfer forms in relation to the Share Charge.
9. Duly executed originals (or, if originals are not available, fax/pdf copies with originals to follow as soon as possible and in any event within five (5) Business Days) of all notices of assignment required to be served under each Security Document and duly executed originals (or, if originals are not available, fax/pdf copies with originals to follow as soon as possible and in any event within one (1) month) of the acknowledgements thereof, notarised, legalised and/or apostilled, as required.
10. A duly executed Power of Attorney and the Appointment of Judicial Representative in respect of the Mortgage.

11. A transcript of the Marshall Islands ship registry showing that:

    (a) the Mortgage has been duly recorded in the Marshall Islands and constitutes a first priority security interest over the Vessel and that all taxes and fees payable to the Marshall Islands Maritime Administrator in respect of the Vessel have been paid in full; and

    (b) the Vessel is provisionally registered in the name of the Borrower as a fully completed Marshall Islands ship free of all Security Interests other than Permitted Liens.

12. Duly executed letters of undertaking substantially in the form provided in the General Assignment from, inter alios, the approved brokers (if applicable), insurer and club concerned with the Obligatory Insurances.

Evidence of repayment of Existing Secured Debt and release of Existing Security

13. Evidence that not less than US$115,000,000 in principal amount of the Existing Secured Debt has been (or will on the Utilisation Date be) repaid and that the Obligors have been released from all obligations and liabilities (actual or contingent) in respect of the Existing Secured Debt.

14. Evidence that all the Existing Security has been (or will on the Utilisation Date be) released including, but not limited to, evidence of the deregistration of any registered Security Interest and evidence of re-assignment of all Security Interests taken by way of assignment.

Related Contracts

15. A certified copy of each Related Contract (other than the Obligatory Insurances), each in form and substance satisfactory to the Agent (acting on the instructions of all of the Lenders).

Vessel

16. A certified copy of the invoice issued by the Builder in relation to the Instalment payable by the Borrower on the Utilisation Date.

17. A copy of any and all invoices issued by the Builder in relation to any Instalments payable by the Borrower before the Utilisation Date.

18. A certified copy of:

    (a) an interim classification certificate from the Classification Society in respect of the Vessel showing the Vessel to be in class without recommendation, condition or qualification (other than any immaterial recommendations, conditions or qualifications that are capable of rectification within 12 months or such shorter period as is required by the Classification Society) or, in the event that this is not available, a faxed copy with a certified copy to follow as soon as practicable after the Delivery Date;

    (b) an Interim Safety Management Certificate or a faxed copy of the same;

    (c) an interim Document of Compliance or a faxed copy of the same; and

    (d) an interim International Ship Security Certificate or a faxed copy of the same.

19. Confirmation acceptable to the Agent (acting on the instructions of the Majority Lenders, such acceptance not to be unreasonably withheld or delayed by the Lenders) that the Borrower has accepted the Vessel pursuant to the terms of the Shipbuilding Contract and executed a protocol of delivery and acceptance.

20. A certified copy of the Builder's certificate in respect of the Vessel.

21. Certificate from the Borrower confirming that there are no material disputes with the Builder and confirmation from the same that there have been no amendments or variations to the Shipbuilding Contract other than amendments disclosed and agreed in writing prior to the date hereof or permitted under the terms of this Agreement.

Insurances

22. Confirmation from the Agent (acting on the instructions of the Majority Lenders) of the Majority Lenders' satisfaction with a final insurance report prepared by Marsh, or such other insurance adviser appointed by the Agent.

23. Fax confirmations from each broker (if applicable), insurer and club concerned with the Obligatory Insurances that the insurances meet the requirements set out in Clause 23.1 (*Scope of Obligatory Insurances*) including the insurances referred to in Clause 23.1(e) (*Scope of Obligatory Insurances*), will be effective from the actual delivery of the Vessel and are consistent with the requirements of the Drilling Charter.

Accounts

24. Evidence that each Account has been opened in accordance with the Finance Documents.

25. Evidence that US$25,000,000 has been or will immediately after the drawing of the Loan be credited to the balance of the Reserve Account.

Legal opinions

26. A legal opinion of Bingham McCutchen (London) LLP, legal advisers to the Arranger as to English law substantially in the form distributed to and agreed by the Original Lenders prior to signing this Agreement.

27. A legal opinion of Blank Rome LLP, legal advisers to the Arranger as to Marshall Islands law substantially in the form distributed to and agreed by the Original Lenders prior to signing this Agreement.

Other documents and evidence

28. Evidence that all fees (including all fees payable on or at the Utilisation Date under the Fee Letters and legal costs (including the legal fees of the legal advisers to the Arranger, which the Obligors shall pay directly)) and reasonable out-of-pocket expenses then due and payable from an Obligor under the Finance Documents have been or will be paid by the Utilisation Date.

29. Certified copy of the Original Financial Statements of each Obligor.

30. Evidence that all Transaction Authorisations required by an Obligor to perform its obligations under the Transaction Documents have been obtained or will, at the appropriate time, be obtained.

31. Confirmation from the Lenders that they have satisfied their "know your customer" requirements in respect of the relevant parties to the Transaction Documents.

32. Confirmation from the Parent that as far as it is aware there has been no material adverse change in the prospects of the Borrower or the Group or the operations or financial condition of the Borrower, any Obligor or the Manager (if an Affiliate of the Parent) as from the date of this Agreement.

33. Completion of each Lender's legal, technical, environmental, financial, tax and insurance due diligence with regard to the project, including, among others, review of all Related Contracts and receipt of appropriate internal credit approvals by such Lender.

34. The Annual Budget of the Borrower in form and substance satisfactory to the Lenders.

35. Confirmation from the Borrower and the Agent (acting on behalf of each of the Lenders) of their satisfactory due diligence on the Charterer's and the Lenders' withholding tax and the Borrower's withholding tax and corporation tax exposure, if any.

36. Evidence satisfactory to the Agent (acting on the instructions of the Majority Lenders) that the Borrower will be in compliance with Clause 21.1(b) as at the Utilisation Date immediately after giving effect to the Utilisation.

37. Copies of such other documents which, based on legal advice received from the relevant advisers referred to in this Agreement and which are reasonably required to evidence the legality, validity and enforceability of the obligations of the parties to any Finance Document.

SCHEDULE 3

UTILISATION REQUEST

From: Drillship Hydra Owners Inc.

To: Deutsche Bank Luxembourg S.A.

Dated:

Dear Sirs

Drillship Hydra Owners Inc. – US$325,000,000 Facility Agreement

dated [•] December 2010 (the "Agreement")

1. We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2. We wish to borrow the Loan on the following terms:

Proposed Utilisation Date:	[ ]
Amount:	US$[ ]
[Amount payable to the Builder towards the Instalment referred to in Article II paragraph 4(e) of the Shipbuilding Contract][Amount payable in partial reimbursement of the Borrower for the Instalment referred to in Article II paragraph 4(e) of the Shipbuilding Contract and repayment of intercompany Financial Indebtedness incurred to finance the Borrower's payment of that Instalment]:	US$[ ]
Amount payable to [ ] in partial repayment of the Existing Secured Debt:	US$[ ]
Amount payable to the Reserve Account:	US$[25,000,000]
Amount payable to the Borrower for general corporate purposes:	US$[ ]

3. Our payment instructions are:

[to include provisions that: (a) amount of Loan in respect of Instalment payable or paid under the Shipbuilding Contract to be payable to [the Builder's account [set out account details]][the Borrower's account [set out account details]]; (b) amount of Loan in respect of repayment of Existing Secured Debt to be payable to [set out payee and account details]; (c) amount of Loan to be paid into the Reserve Account to be credited to the Reserve Account; and (d) amount of Loan to be used for general corporate purposes to be payable to [the Borrower's account [set out account details]].]

4. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.

5. This Utilisation Request is irrevocable.

Yours faithfully

_____

authorised signatory for
Drillship Hydra Owners Inc.

SCHEDULE 4
FORM OF TRANSFER CERTIFICATE

To: DEUTSCHE BANK LUXEMBOURG S.A. as Agent

DEUTSCHE BANK AG FILIALE DEUTSCHLANDGESCHÄFT as Security Agent

From: [*The Existing Lender*] (the "**Existing Lender**") and [*The New Lender*] (the "**New Lender**")

Dated:

Drillship Hydra Owners Inc. – US$325,000,000 Facility Agreement

dated [•] December 2010 (the "Agreement")

1. We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
2. We refer to Clause 25.5 (*Procedure for transfer*):
   (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the Schedule in accordance with Clause 25.5 (*Procedure for transfer*).
   (b) The proposed Transfer Date is [ ].
   (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 32.2 (*Addresses*) are set out in the Schedule.
3. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (c) of Clause 25.4 (*Limitation of responsibility of Existing Lenders*).
4. In consideration of the New Lender being accepted as a Lender for the purposes of the Agreement and the Security Trust Deed, the New Lender confirms that, as from [date], it intends to be party to the Security Trust Deed as a Lender and undertakes to perform all the obligations expressed in the Security Trust Deed to be assumed by a Lender and agrees that it shall be bound by all the provisions of the Security Trust Deed, as if it had been an original party to the Security Trust Deed.
5. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
6. This Transfer Certificate and any non-contractual obligations arising out of or in connection with it are governed by English law.
7. This Transfer Certificate has been entered into on the date stated at the beginning of this Transfer Certificate.

THE SCHEDULE

Commitment/rights and obligations to be transferred

[*insert relevant details*]
[*Facility Office address, fax number and attention details for notices and account details for payments,*]

EXECUTED as a DEED by)
[NEW LENDER])
acting by)
and)
acting under the)
authority of [NEW LENDER])
in the presence of:)

Witness' signature:
Name:
Address:

[Existing Lender]

By:

This Transfer Certificate is accepted by the Agent and the Transfer Date is confirmed as [ ].

[Agent]

By:

SCHEDULE 5

FORM OF COMPLIANCE CERTIFICATE

To: Deutsche Bank Luxembourg S.A. as Agent

From: DryShips Inc.

Dated:

Dear Sirs

Drillship Hydra Owners Inc. – US$325,000,000 Facility Agreement

dated [•] December 2010 (the "Agreement")

1. We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

2. We hereby certify that, as at [•] 201[•] (the "**Compliance Date**"):

   2.1 The Market Adjusted Equity Ratio was [•] calculated on the basis of the figures in the table below.

Relevant Figures as at the Compliance Date	**US$**
Stockholders' equity:	
Total Assets:	
Insurance Market Value of all Fleet Vessels:	
Market Value Adjusted Total Assets:	
Adjusted Equity:	
Total Interest Bearing Liabilities:	

   2.2 The Market Value Adjusted Net Worth of the Group was [•] calculated on the basis of the figures in the table below.

Relevant Figures as at the Compliance Date	**US$**
Paid-Up Capital:	
General Reserves:	
Retained Earnings:	
Book value of all Fleet Vessels:	
Insurance Market Value of all Fleet Vessels:	

2.3 The immediately freely available and unencumbered bank or cash balances of the Parent and all the other members of the Group was US$[•].

2.4 the LTV Ratio was [•] calculated on the basis of the figures in the table below.

Relevant Figures	**US$**
Aggregate principal amount outstanding under the Facility as at the Compliance Date:	
Latest Market Value of the Vessel:	
Amount standing to the credit of the Reserve Account as at the Compliance Date:	
Value attributed by the Agent to any additional security provided pursuant to Clause 21.1(c)(iii) as at the Compliance Date:	

3. [We hereby certify that no Default is continuing.][*]

Yours faithfully,

By: _____
[Chief Financial Officer]
[Authorised Signatory] of DryShips Inc.

[*] If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

SCHEDULE 6

LMA FORM OF CONFIDENTIALITY UNDERTAKING

[Letterhead of Seller]

To:

[insert name of Potential Purchaser]

Re: **The Agreement**

Company: Drillship Hydra Owners Inc. (the "**Company**") ***Date: [•] December 2010*** ***Amount: US$325,000,000*** ***Agent: Deutsche Bank Luxembourg S.A.***

Dear Sirs

We understand that you are considering acquiring an interest in the Agreement which, subject to the Agreement, may be by way of novation, assignment, the entering into, whether directly or indirectly, of a sub-participation or any other transaction under which payments are to be made or may be made by reference to one or more Finance Documents and/or one or more Obligors or by way of investing in or otherwise financing, directly or indirectly, any such novation, assignment, sub-participation or other transaction (the "**Acquisition**"). In consideration of us agreeing to make available to you certain information, by your signature of a copy of this letter you agree as follows:

1. CONFIDENTIALITY UNDERTAKING

You undertake (a) to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by paragraph 2 below and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to your own confidential information, and (b) until the Acquisition is completed to use the Confidential Information only for the Permitted Purpose.

2. PERMITTED DISCLOSURE

We agree that you may disclose:

2.1 to any of your Affiliates and any of your or their officers, directors, employees, professional advisers and auditors such Confidential Information as you shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph 2.1 is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information, except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

2.2 subject to the requirements of the Agreement, to any person:

(a) to (or through) whom you assign or transfer (or may potentially assign or transfer) all or any of your rights and/or obligations which you may acquire under the Agreement such Confidential Information as you shall consider appropriate if the person to whom the Confidential Information is to be given pursuant to this sub-paragraph (a) of paragraph 2.2 has delivered a letter to you in equivalent form to this letter;

(b) with (or through) whom you enter into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to the Agreement or any Obligor such Confidential Information as you shall consider appropriate if the person to whom the Confidential Information is to be given pursuant to this sub-paragraph (b) of paragraph 2.2 has delivered a letter to you in equivalent form to this letter;

(c) to whom information is required or requested to be disclosed by any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation such Confidential Information as you shall consider appropriate; and

2.3 notwithstanding paragraphs 2.1 and 2.2. above, Confidential Information to such persons to whom, and on the same terms as, a Finance Party is permitted to disclose Confidential Information under the Agreement, as if such permissions were set out in full in this letter and as if references in those permissions to Finance Party were references to you.

3. NOTIFICATION OF DISCLOSURE

You agree (to the extent permitted by law and regulation) to inform us:

3.1 of the circumstances of any disclosure of Confidential Information made pursuant to sub-paragraph (c) of paragraph 2.2 above except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

3.2 upon becoming aware that Confidential Information has been disclosed in breach of this letter.

4. RETURN OF COPIES

If you do not enter into the Acquisition and we so request in writing, you shall return all Confidential Information supplied to you by us and destroy or permanently erase (to the extent technically practicable) all copies of Confidential Information made by you and use your reasonable endeavours to ensure that anyone to whom you have supplied any Confidential Information destroys or permanently erases (to the extent technically practicable) such Confidential Information and any copies made by them, in each case save to the extent that you or the recipients are required to retain any such Confidential Information by any applicable law, rule or regulation or by any competent judicial, governmental, supervisory or regulatory body or in accordance with internal policy, or where the Confidential Information has been disclosed under sub-paragraph (c) of paragraph 2.2 above.

5. CONTINUING OBLIGATIONS

The obligations in this letter are continuing and, in particular, shall survive and remain binding on you until (a) if you acquire an interest in the Agreement by way of novation, the date on which you acquire such an interest; (b) if you enter into the Acquisition other than by way of novation, the date falling twelve months after termination of that Acquisition; or (c) in any other case twelve months after the date of this letter.

6. NO REPRESENTATION; CONSEQUENCES OF BREACH, ETC

You acknowledge and agree that:

6.1 neither we, nor any member of the Group nor any of our or their respective officers, employees or advisers (each a "Relevant Person") (i) make any representation or warranty, express or implied, as to, or assume any responsibility for, the accuracy, reliability or completeness of any of the Confidential Information or any other information supplied by us or the assumptions on which it is based or (ii) shall be under any obligation to update or correct any inaccuracy in the Confidential Information or any other information supplied by us or be otherwise liable to you or any other person in respect of the Confidential Information or any such information; and

6.2 we or members of the Group may be irreparably harmed by the breach of the terms of this letter and damages may not be an adequate remedy; each Relevant Person may be granted an injunction or specific performance for any threatened or actual breach of the provisions of this letter by you.

7. ENTIRE AGREEMENT: NO WAIVER; AMENDMENTS, ETC

7.1 This letter constitutes the entire agreement between us in relation to your obligations regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

7.2 No failure or delay in exercising any right or remedy under this letter will operate as a waiver thereof nor will any single or partial exercise of any right or remedy preclude any further exercise thereof or the exercise of any other right or remedy under this letter.

7.3 The terms of this letter and your obligations under this letter may only be amended or modified by written agreement between us.

8. INSIDE INFORMATION

You acknowledge that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and you undertake not to use any Confidential Information for any unlawful purpose.

9. NATURE OF UNDERTAKINGS

The undertakings given by you under this letter are given to us and are also given for the benefit of the Company and each other member of the Group.

10. THIRD PARTY RIGHTS

10.1 Subject to this paragraph 10 and to paragraphs 6 and 9, a person who is not a party to this letter has no right under the Contracts (Rights of Third Parties) Act 1999 (the "Third Parties Act") to enforce or to enjoy the benefit of any term of this letter.

10.2 The Relevant Persons may enjoy the benefit of the terms of paragraphs 6 and 9 subject to and in accordance with this paragraph 10 and the provisions of the Third Parties Act.

10.3 Notwithstanding any provisions of this letter, the parties to this letter do not require the consent of any Relevant Person to rescind or vary this letter at any time.

11. GOVERNING LAW AND JURISDICTION

11.1 This letter (including the agreement constituted by your acknowledgement of its terms) (the "Letter") and any non-contractual obligations arising out of or in connection with it (including any non-contractual obligations arising out of the negotiation of the transaction contemplated by this Letter) are governed by English law.

11.2 The courts of England have non-exclusive jurisdiction to settle any dispute arising out of or in connection with this Letter (including a dispute relating to any non-contractual obligation arising out of or in connection with either this Letter or the negotiation of the transaction contemplated by this Letter).

12. DEFINITIONS

In this letter (including the acknowledgement set out below) terms defined in the Agreement shall, unless the context otherwise requires, have the same meaning and:

"**Confidential Information**" means all information relating to the Company, any Obligor, the Group, the Finance Documents, the Facility and/or the Acquisition which is provided to you in relation to the Finance Documents or the Facility by us or any of our affiliates or advisers, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(a) is or becomes public information other than as a direct or indirect result of any breach by you of this letter; or

(b) is identified in writing at the time of delivery as non-confidential by us or our advisers; or

(c) is known by you before the date the information is disclosed to you by us or any of our affiliates or advisers or is lawfully obtained by you after that date, from a source which is, as far as you are aware, unconnected with the Group and which, in either case, as far as you are aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"**Group**" means DryShips Inc. and its subsidiaries for the time being (as such term is defined in the Companies Act 2006).

"**Permitted Purpose**" means considering and evaluating whether to enter into the Acquisition.

Please acknowledge your agreement to the above by signing and returning the enclosed copy.

Yours faithfully

_____

For and on behalf of

[Seller]

To: [Seller]
The Company

We acknowledge and agree to the above:

_____

For and on behalf of

[Potential Purchaser]

SIGNATORIES

The Borrower

SIGNED by) /s/ Ziad Nakhleh
as attorney for) ZIAD NAKHLEH
DRILLSHIP HYDRA OWNERS INC.)
)
in the presence of:)

Witness: /s/ Stelios N. Deverakis
STELIOS N. DEVERAKIS
Attorney - at - law
80 Kifisias Avenue - GR - 151 25 Marousi
Athens - Greece
Tel.: +302106140810 - Fax: +302106140267

The Guarantors

SIGNED by) /s/ Ziad Nakhleh
as attorney for) ZIAD NAKHLEH
DRYSHIPS INC.)
)
In the presence of:)

Witness: /s/ Stelios N. Deverakis
STELIOS N. DEVERAKIS
Attorney - at - law
80 Kifisias Avenue - GR - 151 25 Marousi
Athens - Greece
Tel.: +302106140810 - Fax: +302106140267

SIGNED by) /s/ Ziad Nakhleh
as attorney for) ZIAD NAKHLEH
OCEAN RIG UDW INC.)
)
in the presence of:)

Witness: /s/ Stelios N. Deverakis
STELIOS N. DEVERAKIS
Attorney - at - law
80 Kifisias Avenue - GR - 151 25 Marousi
Athens - Greece
Tel.: +302106140810 - Fax: +302106140267

SIGNED by) /s/ Ziad Nakhleh
as attorney for) ZIAD NAKHLEH
DRILLSHIPS HOLDINGS INC.)
)
in the presence of:)

Witness: /s/ Stelios N. Deverakis
STELIOS N. DEVERAKIS
Attorney - at - law
80 Kifisias Avenue - GR - 151 25 Marousi
Athens - Greece
Tel.: +302106140810 - Fax: +302106140267

SIGNED by) /s/ Ziad Nakhleh
as attorney for) ZIAD NAKHLEH
DRILLSHIP HYDRA SHAREHOLDER INC.)
)
in the presence of:)

Witness: /s/ Stelios N. Deverakis
STELIOS N. DEVERAKIS
Attorney - at - law
80 Kifisias Avenue - GR - 151 25 Marousi
Athens - Greece
Tel.: +302106140810 - Fax: +302106140267

The Original Lender

By: /s/ Budzisch /s/ M. Heinemann

as authorised signatories for BUDZISCH M. HEINEMANN

DEUTSCHE BANK LUXEMBOURG S.A.

The Arranger

By: /s/ Illegible /s/ Illegible

as authorised signatories for

DEUTSCHE BANK AG, LONDON BRANCH

The Agent

By: /s/ Philippi /s/ Ewerhardy

as authorised signatories for PHILIPPI Ewerhardy

DEUTSCHE BANK LUXEMBOURG S.A.

The Security Agent

By: /s/ Illegible /s/ Illegible

as authorised signatories for

DEUTSCHE BANK AG FILIALE DEUTSCHLANDGESCHÄFT

The Original Lender

By: /s/ Illegible /s/ Illegible

as authorised signatories for

DEUTSCHE BANK LUXEMBOURG S.A.

The Arranger

By: /s/ Illegible /s/ Illegible

as authorised signatories for

DEUTSCHE BANK AG, LONDON BRANCH

The Agent

By: /s/ Illegible /s/ Illegible

as authorised signatories for

DEUTSCHE BANK LUXEMBOURG S.A.

The Security Agent

By: /s/ Illegible /s/ Illegible

as authorised signatories for

DEUTSCHE BANK AG FILIALE DEUTSCHLANDGESCHÄFT

The Original Lender

By: /s/ Illegible /s/ Illegible

as authorised signatories for

DEUTSCHE BANK LUXEMBOURG S.A.

The Arranger

By: /s/ Illegible /s/ Illegible

as authorised signatories for

DEUTSCHE BANK AG, LONDON BRANCH

The Agent

By: /s/ Illegible /s/ Illegible

as authorised signatories for

DEUTSCHE BANK LUXEMBOURG S.A.

The Security Agent

By: /s/ Stein /s/ Roth
Stein Roth

as authorised signatories for

DEUTSCHE BANK AG FILIALE DEUTSCHLANDGESCHÄFT

Exhibit 4.119

Private & Confidential

LOAN AGREEMENT
for a term loan of up to US$70,000,000
to
OLYMPIAN ZEUS OWNERS INC.
and
OLYMPIAN APOLLO OWNERS INC.
provided by
THE BANKS AND FINANCIAL INSTITUTIONS SET OUT IN SCHEDULE 1

Arranger, Agent, Security Agent
and Account Bank
NORDEA BANK FINLAND PLC, LONDON BRANCH

Swap Provider
NORDEA BANK FINLAND PLC

NORTON ROSE

Contents

THIS AGREEMENT is dated 7 February 2011 and made **BETWEEN**:

(1) **OLYMPIAN ZEUS OWNERS INC.** and **OLYMPIAN APOLLO OWNERS INC.** as joint and several Borrowers;

(2) **NORDEA BANK FINLAND PLC, LONDON BRANCH** as Arranger, Agent, Security Agent and Account Bank;

(3) **THE BANKS AND FINANCIAL INSTITUTIONS** whose names and addresses are set out in schedule 1 as Banks; and

(4) **NORDEA BANK FINLAND PLC** as Swap Provider.

IT IS AGREED as follows:

1 Purpose and definitions

1.1 Purpose

This Agreement sets out the terms and conditions upon and subject to which the Banks agree, according to their several obligations, to make available to the Borrowers, jointly and severally, in two (2) Advances, a loan of up to Seventy million Dollars ($70,000,000) for the purposes of:

(a) financing part of the construction and acquisition cost of the Ships under the Contracts; and

(b) financing general corporate and working capital needs of the Borrowers,

1.2 Definitions

In this Agreement, unless the context otherwise requires:

"**Account Bank**" means Nordea Bank Finland plc, a company incorporated in Finland with its registered office at Aleksanterinkatu 36B, FI-00020 Helsinki, Finland, acting for the purposes of this Agreement through its branch at 8th Floor, City Place House, 55 Basinghall Street, London EC2V 5NB, England (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.1.3) or such other bank as may be designated by the Agent as the Account Bank for the purposes of this Agreement and includes its successors in title;

"**Advance**" means each borrowing of a proportion of the Total Commitment by the Borrowers or (as the context may require) the principal amount of such borrowing owing to the Banks under this Agreement at any relevant time and:

(a) in relation to the Zeus Ship, means the Zeus Advance; or

(b) in relation to the Apollo Ship, means the Apollo Advance,

and "**Advances**" means either or both of them;

"**Agent**" means Nordea Bank Finland plc, a company incorporated in Finland with its registered office at Aleksanterinkatu 36B, FI-00020 Helsinki, Finland, acting for the purposes of this Agreement through its branch at 8th Floor, City Place House, 55 Basinghall Street, London EC2V 5NB, England (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.1.3) or such other person as may be appointed as agent by the Banks and the Swap Provider pursuant to clause 16.13 and includes its successors in title;

"**Apollo Advance**" means an Advance of up to Thirty eight million Dollars ($38,000,000) made or (as the context may require) to be made available to the Borrowers for the purpose of (a) financing part of the acquisition cost of the Apollo Ship by the Apollo Borrower pursuant to the Apollo Contract and (b) financing general corporate and working capital needs of the Apollo Borrower;

"**Apollo Borrower**" means Olympian Apollo Owners Inc. of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 and includes its successors in title;

"**Apollo Contract**" means the shipbuilding contract dated 22 November 2010 as amended by an addendum No. 1 dated 3 December 2010 and an addendum No. 2 dated 10 December 2010, all made between the Builder and the Apollo Borrower as may be further amended and supplemented from time to time, relating to the sale by the Builder and the purchase by the Apollo Borrower, of the Apollo Ship;

"**Apollo Contract Price**" means the purchase price payable by the Apollo Borrower to the Builder for the Apollo Ship under the Apollo Contract, being Sixty nine million seven hundred and fifty thousand Dollars ($69,750,000) or such other sum as is determined by the Agent under the terms of the Apollo Contract to be the purchase price of the Apollo Ship thereunder;

"**Apollo Deed of Covenant**" means the deed of covenant collateral to the Apollo Mortgage executed or (as the context may require) to be executed by the Apollo Borrower in favour of the Security Agent in the form set out in schedule 7;

"**Apollo Management Agreement**" means the agreement dated 1 January 2011, made between the Apollo Borrower and the Manager or any other agreement previously approved in writing by the Agent between the Apollo Borrower and the Manager, providing *(Inter alia)* for the Manager to carry out the technical and commercial management at the Apollo Ship;

"**Apollo Manager's Undertaking**" means the undertaking and assignment in respect of the Apollo Ship executed or (as the context may require) to be executed by the Manager in favour of the Security Agent in the form set out in schedule 10;

"**Apollo Mortgage**" means the first priority statutory Maltese mortgage of the Apollo Ship executed or (as the context may require) to be executed by the Apollo Borrower in favour of the Security Agent in the form set out in schedule 6;

"**Apollo Operating Account**" means an interest bearing Dollar account of the Apollo Borrower opened or (as the context may require) to be opened with the Account Bank and includes any sub-accounts thereof and any other account designated in writing by the Agent to be the Apollo Operating Account for the purposes of this Agreement;

"**Apollo Operating Account Assignment**" means a first priority assignment executed or (as the context may require) to be executed by the Apollo Borrower in favour of the Security Agent in respect of the Apollo Operating Account in the form set out in schedule 13;

"**Apollo Ship**" means the (approximately) 158,300 dwt, crude oil tanker, known on the date of this Agreement as Hull No. 1887 and under construction at the Builder's yard in Geoje Island, Korea and to be delivered to the Apollo Borrower and registered in its ownership on the Delivery Date through the relevant Registry and under the laws and flag of the relevant Flag State with the name *Vilamoura*;

"**Applicable Accounting Principles**" means the most recent and up-to-date US GAAP applicable at any relevant time;

"**Approved Shipbrokers**" means, together, H. Clarkson and Company Ltd of London, England, Arrow Research Ltd. of London, England, Braemar Seascope Ltd. of London, England, Simpsons Spence & Young of London, England, Fearnleys A/S of Oslo, Norway and RS Platou Shipbrokers of Oslo, Norway and includes their respective successors in title and "**Approved Shipbroker**" means any of them;

"**Arranger**" means Nordea Bank Finland plc, a company incorporated in Finland with its registered office at Aleksanterinkatu 36B, FI-00020 Helsinki, Finland, acting for the purposes of this Agreement through its branch at 8th Floor, City Place House, 55 Basinghall Street, London EC2V 5NB, England (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.1.3), as arranger and bookrunner, and includes its successors in title;

"**Asclepius Guarantee**" means the corporate guarantee executed or (as the context may require) to be executed by the Asclepius Guarantor in favour of the Security Agent in the form set out in schedule 8;

"**Asclepius Guarantor**" means Olympian Asclepius Holdings Inc. of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 and includes its successors in title;

"**Balloon Instalment**" means:

(a) in relation to the Zeus Advance, the Zeus Balloon Instalment (as defined in clause 4.1.1); or

(b) in relation to the Apollo Advance, the Apollo Balloon Instalment (as defined in clause 4.1.2);

"**Banking Day**" means a day on which dealings in deposits in Dollars are carried on in the London Interbank Eurocurrency Market and (other than Saturday or Sunday) on which banks are open for business in London, Athens and New York City (or any other relevant place of payment under clause 6);

"**Banks**" means the banks and financial institutions listed in schedule 1 and includes their respective successors in title and Transferee Banks and "**Bank**" means any of them;

"**Basel II Accord**" means the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement;

"**Basel II Approach**" means, in relation to a Bank, either the Standardised Approach or the relevant Internal Ratings Based Approach (each as defined in the Basel II Accord) adopted by such Bank (or its holding company) for the purposes of implementing or complying with the Basel II Accord;

"**Basel II Regulation**" means, in relation to a Bank, (a) any law or regulation implementing the Basel II Accord or (b) any Basel II Approach adopted by such Bank;

"**Basel III Accord**" means, together, "Basel III: A global regulatory framework for more resilient banks and banking systems" and "Basel III: International framework for liquidity risk measurement, standards and monitoring" both published by the Basel Committee on Banking Supervision on 16th December, 2010, in either case in the form existing on the date of this Agreement;

"**Borrowed Money**" means Indebtedness in respect of (i) money borrowed or raised and debit balances at banks, (ii) any bond, note, loan stock, debenture or similar debt instrument, (iii) acceptance or documentary credit facilities, (iv) receivables sold or discounted (otherwise than on a non-recourse basis), (v) deferred payments for assets or services acquired, (vi) finance leases and hire purchase contracts, (vii) swaps, forward exchange contracts, futures and other derivatives and if the agreement under which any such transaction is entered requires netting of mutual liabilities, the Indebtedness for the net amount shall be taken into account as calculated on a "marked to market" basis, (viii) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or raising of money or of any of (ii) to (vii) above and (ix) guarantees in respect of Indebtedness of any person falling within any of (i) to (viii) above;

"**Borrower**":

(a) in relation to the Zeus Ship and/or the Zeus Advance means the Zeus Borrower; or

(b) in relation to the Apollo Ship and/or the Apollo Advance means the Apollo Borrower,

and "**Borrowers**" means either or both of them;

"**Borrowers' Security Documents**" means, at any relevant time, such of the Security Documents as shall have been executed by either of the Borrowers at such time;

"**Builder**" means Samsung Heavy Industries Co., Ltd. of 34th Floor, Samsung Life Insurance Seocho Tower 1321-15, Seocho-Dong, Seocho-Gu, Seoul, Korea 137-857 and includes its successors in title;

"**Capital Adequacy Law**" means any law or any regulation (whether or not having the force of law, but, if not having the force of law, with which a Bank or, as the case may be, its holding company habitually complies), including (without limitation) those relating to Taxation, capital adequacy, liquidity, reserve assets, cash ratio deposits and special deposits or other banking or monetary controls or requirements which affect the manner in which a Bank allocates capital resources to its obligations hereunder (including, without limitation, those resulting from the implementation or application of or compliance with the Basel II Accord, the Basel III Accord or any Basel II Regulation);

"**Casualty Amount**" means Five hundred thousand Dollars ($500,000) or its equivalent in any other currency;

"**Change of Control**" means if:

(a) two (2) or more persons acting in concert (other than the DryShips Guarantor); or

(b) a person (other than the DryShips Guarantor):

(i) acquire legally and/or beneficially, and either directly or indirectly, in excess of fifty per cent (50%) of the issued voting share capital of the Asclepius Guarantor at any time; and/or

(ii) have the right or the ability to control, and either directly or indirectly, the affairs or composition of the majority of the board of directors (or equivalent of it) of the Asclepius Guarantor or the Borrowers at any time;

"**Charter**" means, in relation to a Ship, any time charter, pool agreement (including the Initial Charter of such Ship) or other contract of employment in respect of that Ship with an original term in excess of twelve (12) months (taking into account any option to extend or renew contained therein) which is entered into by the relevant Borrower as owner of that Ship and any other person as its counterparty thereunder);

"**Charter Assignment**" means, in relation to a Ship, a specific assignment of any Charter (including the relevant Initial Charter) for that Ship executed or (as the context may require) to be executed by the relevant Borrower in favour of the Security Agent in such form as the Agent may require in its absolute discretion;

"**Charterer**" means, in relation to a Ship and a Charter (including the relevant Initial Charter) relevant to it, any such person which shall enter into such Charter in respect of that Ship as the relevant Borrower's counterparty thereunder (including the relevant counterparty of the relevant Borrower under the relevant Initial Charter) during the Security Period;

"**Classification**" means, in relation to each Ship, the highest class available to a vessel of such Ship's type with the relevant Classification Society or such other classification as the Agent (acting on the instructions of the Majority Banks) shall, at the request of the Borrower owning such Ship, have agreed in writing shall be treated as the Classification in relation to such Ship for the purposes of the relevant Ship Security Documents;

"**Classification Society**" means, in relation to each Ship, such classification society (being a member of the International Association of Classification Societies ("IACS")) which the Agent (acting on the instructions of the Majority Banks) shall, at the request of the Borrower owning such Ship, have agreed in writing, shall be treated as the Classification Society in relation to such Ship for the purposes of the relevant Ship Security Documents;

"**Code**" means the International Management Code for the Safe Operation of Ships and for Pollution Prevention constituted pursuant to Resolution A. 741 (18) of the International Maritime Organisation and incorporated into the International Convention for the Safety of Life at Sea 1974 (as amended) and includes any amendments or extensions thereto and any regulation issued pursuant thereto;

"**Commitment**" means, in relation to each Bank, the aggregate amount set out opposite such Bank's name in the column headed "**Commitment**" in schedule 1, and/or, in the case of a Transferee Bank, the aggregate amount transferred as specified in the relevant Transfer Certificate, as reduced in each case by any relevant term of this Agreement;

"**Compliance Certificate**" means a certificate substantially in the form set out in the schedule to the Asclepius Guarantee;

"**Compulsory Acquisition**" means requisition for title or other compulsory acquisition, requisition, appropriation, expropriation, deprivation, forfeiture or confiscation for any reason of a Ship by any Government Entity or other competent authority, whether de jure or de facto, but shall exclude requisition for use or hire not involving requisition of title;

"**Confirmation**" shall have, in relation to any continuing Designated Transaction, the meaning ascribed to it in the Master Swap Agreement;

"**Contract**":

(a) in relation to Zeus Ship, means the Zeus Contract; or

(b) in relation to the Apollo Ship, means the Apollo Contract,

and "**Contracts**" means either or both of them;

"**Contract Price**":

(a) in relation to the Zeus Ship and the Zeus Contract, the Zeus Contract Price; or

(b) in relation to the Apollo Ship and the Apollo Contract the Apollo Contract Price,

and "**Contract Prices**" means either or both of them;

"**Contribution**" means, in relation to each Bank, the principal amount of the Loan owing to such Bank at any relevant time;

"**Creditors**" means, together, the Arranger, the Agent, the Security Agent, the Account Bank, the Swap Provider and the Banks and "**Creditor**" means any of them;

"**Corporate Guarantees**" means, together, the DryShips Guarantee and the Asclepius Guarantee and "**Corporate Guarantee**" means either of them;

"**Corporate Guarantors**" means, together, the DryShips Guarantor and the Asclepius Guarantor and "**Corporate Guarantor**" means either of them;

"**Deed of Covenant**":

(a) in relation to the Zeus Ship, means the Zeus Deed of Covenant; or

(b) in relation to the Apollo Ship, means the Apollo Deed of Covenant,

and "**Deeds of Covenant**" means either or both of them;

"**Default**" means any Event of Default or any event or circumstance which with the giving of notice or lapse of time or the satisfaction of any other condition (or any combination thereof) would constitute an Event of Default;

"**Delivery Date**" means the date on which the Apollo Ship is delivered to, and accepted by, the Apollo Borrower under the Apollo Contract;

"**Designated Transaction**" means a Transaction which is entered into by the Borrowers with the Swap Provider pursuant to the Master Swap Agreement as contemplated by clause 2.9;

"**DOC**" means a document of compliance issued to an Operator in accordance with rule 13 of the Code;

"**Dollars**" and "**$**" mean the lawful currency of the United States of America and, in respect of all payments to be made under any of the Security Documents, mean funds which are for same day settlement in the New York Clearing House Interbank Payments System (or such other U.S. dollar funds as may at the relevant time be customary for the settlement of international banking transactions denominated in U.S. dollars);

"**Drawdown Date**" means any date, being a Banking Day falling during the Drawdown Period, on which an Advance is, or is to be, made available;

"**Drawdown Notice**" means, in relation to each Advance, a notice substantially in the form of schedule 2 in respect of such Advance;

"**Drawdown Period**" means, in relation to each Advance, the period commencing on the date of this Agreement and ending on the earlier of (a) the Termination Date, (b) the date on which the aggregate amount of the Advances is equal to the Total Commitment (c) the date on which the Total Commitment is reduced to zero pursuant to clauses 4.3, 10.2 or 12 or any other provision of this Agreement and (d) the date when both Advances have been drawn down (in full or in part);

"**DryShips Guarantee**" means the corporate guarantee executed or (as the context may require) to be executed by the DryShips Guarantor in favour of the Security Agent in the form set out in schedule 9;

"**DryShips Guarantor**" means DryShips Inc. of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 and includes its successors in title;

"**Early Termination Date**" shall have, in relation to any continuing Designated Transaction, the meaning ascribed to it in the Master Swap Agreement;

"**Earnings**" means, in relation to a Ship, all moneys whatsoever from time to time due or payable to the Borrower owning such Ship during the Security Period arising out of the use or operation of such Ship including (but without limiting the generality of the foregoing) all freight, hire and passage moneys, income arising out of pooling arrangements, compensation payable to such Borrower in event of requisition of such Ship for hire, remuneration for salvage or towage services, demurrage and detention moneys, and damages for breach (or payment for variation or termination) of any charterparty or other contract for the employment of such Ship;

"**Encumbrance**" means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, trust arrangement or security interest or other encumbrance of any kind securing any obligation of any person or any type of preferential arrangement (including without limitation title transfer and/or retention arrangements) having a similar effect;

"**Environmental Affiliate**" means any agent or employee of either Borrower or any other Relevant Party or any person having a contractual relationship with either Borrower or any other Relevant Party in connection with any Relevant Ship or its operation or the carriage of cargo and/or passengers thereon and/or the provision of goods and/or services on or from any Relevant Ship;

"**Environmental Approval**" means any consent, authorisation, licence or approval of any governmental or public body or authorities or courts applicable to any Relevant Ship or its operation or the carriage of cargo and/or passengers thereon and/or the provision of goods and/or services on or from such Relevant Ship required under any Environmental Law;

"**Environmental Claim**" means any and all enforcement, clean-up, removal or other governmental or regulatory actions or orders instituted or completed pursuant to any Environmental Law or any Environmental Approval together with claims made by any third party relating to damage, contribution, loss or injury, resulting from any actual or threatened emission, spill, release or discharge of a Pollutant from any Relevant Ship;

"**Environmental Laws**" means all national, international and state laws, rules, regulations, treaties and conventions applicable to any Relevant Ship pertaining to the pollution or protection of human health or the environment including, without limitation, the carriage of Pollutants and actual or threatened emissions, spills, releases or discharges of Pollutants;

"**Event of Default**" means any of the events or circumstances described in clause 10.1;

"**Fees Letter**" means the fees letter of even date herewith made or (as the context may require) to be made between the Arranger, the Agent, the Borrowers and the Corporate Guarantors in respect of certain of the fees referred to in clause 5.1;

"**Final Maturity Date**" means the earlier of (a) the date falling sixty (60) months after the date of this Agreement and (b) 15 February 2016;

"**Flag State**" means, in relation to a Ship, the Republic of Malta or such other state or territory designated in writing by the Agent (acting on the instructions of the Majority Banks), at the request of the Borrower owning such Ship, as being the "**Flag State**" of such Ship for the purposes of the relevant Ship Security Documents;

"**Government Entity**" means and includes (whether having a distinct legal personality or not) any national or local government authority, board, commission, department, division, organ, Instrumentality, court or agency and any association, organisation or institution of which any of the foregoing is a member or to whose jurisdiction any of the foregoing is subject or in whose activities any of the foregoing is a participant;

"**Group**" means, together, the Asclepius Guarantor and its Subsidiaries from time to time (including, for the avoidance of doubt, the Borrowers) and "**member of the Group**" shall only mean the Asclepius Guarantor or any of its Subsidiaries;

"**Indebtedness**" means any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

"**Initial Charter**" means:

(a) in relation to the Zeus Ship, a pool agreement and/or charterparty providing for its employment in the Heidmar's Sigma Tankers Inc. pool on terms and conditions in all respects acceptable to the Agent; or

(b) in relation to the Apollo Ship, a pool agreement and/or charterparty providing for its employment in the Blue Fin Tankers Inc. pool on terms and conditions In all respects acceptable to the Agent,

and "**Initial Charters**" means either or both of them;

"**Insurances**" means, in relation to a Ship, all policies and contracts of insurance (which expression includes all entries of such Ship in a protection and indemnity or war risks association) which are from time to time during the Security Period in place or taken out or entered into by or for the benefit of the Borrower owning such Ship (whether in the sole name of such Borrower, or in the joint names of such Borrower and the Secured Creditors and/or the Security Agent and/or any other Creditor or otherwise) in respect of such Ship and her Earnings or otherwise howsoever in connection with such Ship and all benefits thereof (including claims of whatsoever nature and return of premiums);

"**Interest Payment Date**" means the last day of an Interest Period;

"**Interest Period**" means, in relation to an Advance, each period for the calculation of interest in respect of such Advance, ascertained in accordance with clauses 3.2 and 3.3;

"**ISPS Code**" means the International Ship and Port Facility Security Code constituted pursuant to resolution A.924(22) of the International Maritime Organization now set out in Chapter Xl-2 of the International Convention for the Safety of Life at Sea 1974 (as amended) as adopted by a Diplomatic conference of the International Maritime Organisation on Maritime Security in December 2002 and includes any amendments or extensions thereto and any regulation issued pursuant thereto;

"**ISSC**" means, in relation to each Ship, an International Ship Security Certificate issued in respect of such Ship pursuant to the ISPS Code;

"**LIBOR**" means, in relation to any amount and for any period, the offered rate (if any) for deposits of Dollars for such amount and for the period which is,

(a) the rate for such period as displayed on Reuters page LIBOR 01 (British Bankers' Association Interest Settlement Rates) (or such other page as may replace such page LIBOR 01 on such system or on any other system of the information vendor for the time being designated by the British Bankers' Association to calculate the BBA Interest Settlement Rate (as defined in the British Bankers' Association's Recommended Terms and Conditions ("**BBAIRS**" terms) applicable at the relevant time) at or about 11:00 a.m. (London time) on the Quotation Date for such period; or

(b) if on such date no such rate is displayed, the rate (rounded upwards to the nearest 1/16th of one per cent) quoted to the Agent by the Reference Bank at the request of the Agent as the Reference Bank's offered rate for deposits of Dollars in an amount equal or approximately equal to the amount in relation to which LIBOR is to be determined and for a period equivalent to such period to prime banks in the London Interbank Market at or about 11:00 a.m. (London time) on the Quotation Date for such period;

"**Loan**" means the aggregate principal amount owing to the Banks under this Agreement at any relevant time;

"**Majority Banks**" means, at any relevant time, Banks (a) the aggregate of whose Contributions exceeds sixty-six point six per cent (66.6%) of the Loan or (b) (if no principal amounts are outstanding under this Agreement) the aggregate of whose Commitments exceeds sixty-six point six per cent (66.6%) of the Total Commitment;

"**Management Agreement**":

(a) in relation to the Zeus Ship, means the Zeus Management Agreement; or

(b) in relation to the Apollo Ship, means the Apollo Management Agreement,

and "**Management Agreements**" means either or both of them;

"**Manager**" means TMS Tankers Ltd. of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 or any other person appointed by a Borrower, with the prior written consent of the Majority Banks as the technical and commercial manager of such Borrower's Ship and includes its successors in title;

"**Manager's Undertaking**":

(a) in relation to the Zeus Ship, means the Zeus Manager's Undertaking; or

(b) in relation to the Apollo Ship, means the Apollo Manager's Undertaking,

and "**Manager's Undertakings**" means either or both of them;

"**Mandatory Cost**" means, in relation to any period, a percentage calculated by the Agent for such period at an annual rate determined by the application of the formula set out in schedule 14;

"**Margin**" means two point seven five per cent (2.75%) per annum;

"**Master Swap Agreement**" means the agreement made or (as the context may require) to be made between the Swap Provider and the Borrowers, comprising a 2002 ISDA Master Agreement (including a schedule thereto and a credit support annex thereto) in the form set out in schedule 11 and includes any Designated Transactions from time to time entered into pursuant thereto and any Confirmations (as defined therein) from time to time exchanged thereunder and governed thereby;

"**Material Adverse Effect**" means a material adverse effect:

(a) on the business, assets, nature of assets, operations, prospects, liabilities or condition (financial or otherwise) of any Security Party, any member of the Group or the Group as a whole; or

(b) on the ability of any of the Borrowers, the Corporate Guarantors, the Manager or any other Security Party to comply with any of their respective obligations under the Security Documents or any of them; or

(c) on the legality, validity or enforceability of any of the Security Documents or any of the rights or remedies of the Creditors or any of them thereunder; or

(d) in any Relevant Jurisdiction (or any of the financial markets thereof);

"**month**" means a period beginning in one calendar month and ending in the next calendar month on the day numerically corresponding to the day of the calendar month on which it started, provided that (a) if the period started on the last Banking Day in a calendar month or if there is no such numerically corresponding day, it shall end on the last Banking Day in such next calendar month and (b) if such numerically corresponding day is not a Banking Day, the period shall end on the next following Banking Day in the same calendar month but if there is no such Banking Day it shall end on the preceding Banking Day and "**months**" and "**monthly**" shall be construed accordingly;

"**Mortgage**":

(a) in relation to the Zeus Ship, means the Zeus Mortgage; or

(b) in relation to the Apollo Ship, means the Apollo Mortgage,

and "**Mortgages**" means either or both of them;

"**Mortgaged Ship**" means, at any relevant time, a Ship which is at such time subject to a Mortgage and/or the Earnings, Insurances and Requisition Compensation of which are subject to an Encumbrance pursuant to the relevant Ship Security Documents and a Ship shall for the purposes of this Agreement be deemed to be a Mortgaged Ship as from whichever shall be the earlier of (a) the drawdown of the Advance relating to that Ship and (b) the date that the Mortgage of that Ship shall have been executed and registered in accordance with this Agreement until whichever shall be the earlier of (i) the payment in full of the amount required by the Agent to be paid pursuant to clause 4.3 following the sale or Total Loss of such Ship and (ii) the date on which all moneys owing under the Security Documents have been repaid in full;

"**Operating Account**":

(a) in relation to the Zeus Ship, means the Zeus Operating Account; or

(b) in relation to the Apollo Ship, means the Apollo Operating Account,

and "**Operating Accounts**" means either or both of them;

"**Operating Account Assignment**":

(a) in relation to the Zeus Ship, means the Zeus Operating Account Assignment; or

(b) in relation to the Apollo Ship, means the Apollo Operating Account Assignment,

and "**Operating Account Assignments**" means either or both of them;

"**Operator**" means any person who is from time to time during the Security Period concerned in the operation of a Ship and falls within the definition of "Company" set out in rule 1.1.2 of the Code;

"**Permitted Encumbrance**" means any Encumbrance in favour of the Security Agent or any other Creditor created pursuant to the Security Documents and Permitted Liens;

"**Permitted Liens**" means, in relation to a Ship:

(a) any lien on such Ship for master's, officer's or crew's wages outstanding in the ordinary course of trading;

(b) any lien for salvage; and

(c) any ship repairer's or outfitter's possessory lien for a sum not (except with the prior written consent of the Agent) exceeding the Casualty Amount for such Ship;

"**Pollutant**" means and includes pollutants, contaminants, toxic substances, oil as defined in the United States Oil Pollution Act of 1990 and all hazardous substances as defined in the United States Comprehensive Environmental Response, Compensation and Liability Act 1980;

"**Quotation Date**" means, in respect of any period for which LIBOR falls to be determined under this Agreement, the day falling two (2) Banking Days before the first day of such period;

"**Reference Bank**" means, in relation to LIBOR and Mandatory Cost, the principal London office of Nordea Bank Finland plc or of any other bank appointed from time to time by the Agent pursuant to clause 16.21 and includes its successors in title;

"**Registry**" means, in relation to a Ship, such registrar, commissioner or representative of the relevant Flag State who is duly authorised and empowered to register such Ship, the relevant Borrower's title to such Ship and the relevant Mortgage under the laws and flag of the relevant Flag State;

"**Related Company**" of a person means any Subsidiary of such person, any company or other entity of which such person is a Subsidiary and any Subsidiary of any such company or entity;

"**Relevant Jurisdiction**" means any jurisdiction in which or where any Security Party is incorporated, resident, domiciled, has a permanent establishment, carries on, or has a place of business or is otherwise effectively connected;

"**Relevant Party**" means each of the Borrowers, each of the Borrower's Related Companies, any other Security Party and any Security Party's Related Company (and includes, for the avoidance of doubt, each member of the Group);

"**Relevant Ship**" means the Ships and any other vessel from time to time (whether before or after the date of this Agreement) owned, managed or crewed by, or chartered to, any Relevant Party;

"**Repayment Dates**" means, in relation to each Advance and subject to clause 6.3, each of the dates falling at three (3) monthly intervals after the Drawdown Date for such Advance, up to and including the Final Maturity Date;

"**Requisition Compensation**" means, in relation to a Ship, all sums of money or other compensation from time to time payable during the Security Period by reason of the Compulsory Acquisition of that Ship;

"**Secured Creditors**" means, together, the Agent, the Banks and the Swap Provider and "**Secured Creditor**" means any of them;

"**Security Agent**" means Nordea Bank Finland plc, a company incorporated in Finland with its registered office at Aleksanterinkatu 36B, FI-00020 Helsinki, Finland acting for the purposes of this Agreement through its branch at 8th Floor, City Place House, 55 Basinghall Street, London EC2V 5NB, England (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.1.3) or such other person as may be appointed as security agent and trustee by the Banks, the Swap Provider and the Agent pursuant to clause 16.14 and includes its successors in title;

"**Security Documents**" means this Agreement, the Fees Letter, the Master Swap Agreement, the Mortgages, the Deeds of Covenant, the Operating Account Assignments, the Corporate Guarantees, the Manager's Undertakings, any Charter Assignments, the Swap Assignment and the Trust Deed and any other documents as may have been or shall from time to time after the date of this Agreement be executed to guarantee and/or secure all or any part of the Loan, interest thereon and other moneys from time to time owing by the Borrowers and/or any other Security Party and/or any of them pursuant to this Agreement and/or any other Security Document (whether or not any such document also secures moneys from time to time owing pursuant to any other document or agreement);

"**Security Party**" means each of the Borrowers, the Manager, the Corporate Guarantors or any other person who may at any time be a party to any of the Security Documents (other than the Creditors);

"**Security Period**" means the period commencing on the date of this Agreement and terminating upon discharge of the security created by the Security Documents by payment of all moneys payable thereunder;

"**Security Requirement**" means the amount in Dollars (as certified by the Agent whose certificate shall, in the absence of manifest error, be conclusive and binding on the Borrowers and the other Creditors) which is, at any relevant time:

(a) during the period commencing on the day of this Agreement and ending on the day falling twenty four (24) months after the first Drawdown Date under this Agreement (the "**Adjustment Date**"), One hundred and thirty per cent (130%) of the Loan; and

(b) during the period commencing on the day falling immediately after the Adjustment Date and at all times thereafter, One hundred and thirty five per cent (135%) of the Loan;

"**Security Value**" means the amount in Dollars (as certified by the Agent whose certificate shall, in the absence of manifest error, be conclusive and binding on the Borrowers and the other Creditors) which is, at any relevant time, the aggregate of (a) the aggregate market value of the Mortgaged Ships as most recently determined in accordance with clause 8.2.2 and/or clause 8.1.6 and (b) the amount in Dollars for the time being actually pledged or charged in favour of the Security Agent in accordance with clause 8.2.1(b);

"**Ship**":

(a) in relation to the Zeus Borrower and/or the Zeus Advance, means the Zeus Ship; or

(b) in relation to the Apollo Borrower and/or the Apollo Advance, means the Apollo Ship,

and "**Ships**" means either or both of them;

"**Ship Security Documents**":

(a) in respect of the Zeus Ship, means the Zeus Mortgage, the Zeus Deed of Covenant, the Zeus Manager's Undertaking and any Charter Assignment in relation to the Zeus Ship; or

(b) in respect of the Apollo Ship, means the Apollo Mortgage, the Apollo Deed of Covenant, the Apollo Manager's Undertaking and any Charter Assignment in relation to the Apollo Ship;

"**SMC**" means a safety management certificate issued in respect of a Ship in accordance with rule 13 of the Code;

"**Subsidiary**" of a person means any company or entity directly or indirectly controlled by such person, and for this purpose "**control**" means either the ownership of more than fifty per cent (50%) of the voting share capital (or equivalent rights of ownership) of such company or entity or the power to direct its policies and management, whether by contract or otherwise;

"**Swap Assignment**" means the assignment executed or (as the context may require) to be executed by the Borrowers in favour of the Security Agent in the form set out in schedule 12;

"**Swap Exposure**" means, as at any relevant time, the total sum certified by the Swap Provider to the Agent and the Borrowers to be the aggregate net amount in Dollars which would, in the absolute discretion of the Swap Provider, be an estimate of what would be payable by the Borrowers to the Swap Provider under (and calculated in accordance with) section 6(e) (Payments on Early Termination) of the Master Swap Agreement if an Early Termination Date had occurred under the Master Swap Agreement at the relevant time in relation to all continuing Designated Transactions thereunder;

"**Swap Provider**" means Nordea Bank Finland plc, a company incorporated in Finland with its registered office at Aleksanterinkatu 36B, FI-00020 Helsinki, Finland, acting for the purposes of this Agreement and the other Security Documents through its office at 2747 Securities Services, FIN-00020 Nordea, Helsinki, Finland (or of such other address as may last have been notified to the other parties to this Agreement pursuant to clause 17.1.3) and includes its successors in title;

"**Taxes**" includes all present and future taxes, levies, imposts, duties, fees or charges of whatever nature together with interest thereon and penalties in respect thereof and "**Taxation**" shall be construed accordingly;

"**Termination Date**" means 30 June 2011 or such other later date as the Borrowers may request and the Agent (acting on the instructions of all the Banks) may in its absolute discretion consent to;

"**Total Commitment**" means, at any relevant time, the total of the Commitments of all of the Banks at such time;

"**Total Loss**" in relation to a Ship means:

(a) the actual, constructive, compromised or arranged total loss of such Ship; or

(b) the Compulsory Acquisition of such Ship; or

(c) the hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation of such Ship (other than where the same amounts to the Compulsory Acquisition of such Ship) by any Government Entity, or by persons acting or purporting to act on behalf of any Government Entity, unless such Ship be released and restored to the Borrower owning such Ship from such hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation within thirty (30) days after the occurrence thereof;

"**Transaction**" has the meaning given to it in the Master Swap Agreement;

"**Transfer Certificate**" means a certificate substantially in the form set out in schedule 4;

"**Transferee Bank**" has the meaning ascribed thereto in clause 15.3;

"**Transferor Bank**" has the meaning ascribed thereto in clause 15.3;

"**Trust Deed**" means a trust deed in the form, or substantially in the form, set out in schedule 5;

"**Trust Property**" means (a) the security, powers, rights, titles, benefits and interests (both present and future) constituted by and conferred on the Security Agent under or pursuant to the Security Documents (including, without limitation, the benefit of all covenants, undertakings, representations, warranties and obligations given, made or undertaken to the Security Agent in the Security Documents), (b) all moneys, property and other assets paid or transferred to or vested in the Security Agent or any agent of the Security Agent or any receiver or received or recovered by the Security Agent or any agent of the Security Agent or any receiver pursuant to, or in connection with, any of the Security Documents whether from any Security Party or any other person and (c) all money, investments, property and other assets at any time representing or deriving from any of the foregoing, including all interest, income and other sums at any time received or receivable by the Security Agent or any agent of the Security Agent in respect of the same (or any part thereof);

"**Underlying Documents**" means, together, the Management Agreements, the Contracts and any Charter and "**Underlying Document**" means any of them;

"**Zeus Advance**" means an Advance of up to Thirty two million Dollars ($32,000,000) made or (as the context may require) to be made available to the Borrowers for the purpose of (a) financing part of the acquisition cost of the Zeus Ship by the Zeus Borrower pursuant to the Zeus Contract and (b) financing general corporate and working capital needs of the Zeus Borrower;

"**Zeus Borrower**" means Olympian Zeus Owners Inc. of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 and includes its successors in title;

"**Zeus Contract**" means the shipbuilding contract dated 22 November 2010 as amended by an addendum No. 1 dated 3 December 2010 and an addendum No. *2* dated 10 December 2010, all made between the Builder and the Zeus Borrower, as may be further amended and supplemented from time to time, relating to the sale by the Builder and the purchase by the Zeus Borrower, of the Zeus Ship;

"**Zeus Contract Price**" means the purchase price payable or paid by the Zeus Borrower to the Builder for the Zeus Ship under the Zeus Contract being Fifty eight million seven hundred and fifty thousand Dollars ($58,750,000);

"**Zeus Deed of Covenant**" means the deed of covenant collateral to the Zeus Mortgage executed or (as the context may require) to be executed by the Zeus Borrower in favour of the Security Agent in the form set out in schedule 7;

"**Zeus Management Agreement**" means the agreement dated 1 January 2011, made between the Zeus Borrower and the Manager or any other agreement previously approved in writing by the Agent between the Zeus Borrower and the Manager, providing *(inter alia)* for the Manager to carry out the technical and commercial management at the Zeus Ship;

"**Zeus Manager's Undertaking**" means the undertaking and assignment in respect of the Zeus Ship executed or (as the context may require) to be executed by the Manager in favour of the Security Agent in the form set out in schedule 10;

"**Zeus Mortgage**" means the first priority statutory Maltese mortgage of the Zeus Ship executed or (as the context may require) to be executed by the Zeus Borrower in favour of the Security Agent in the form set out in schedule 6;

"**Zeus Operating Account**" means an interest bearing Dollar account of the Zeus Borrower opened or (as the context may require) to be opened with the Account Bank and includes any sub-accounts thereof and any other account designated in writing by the Agent to be the Zeus Operating Account for the purposes of this Agreement;

"**Zeus Operating Account Assignment**" means a first priority assignment executed or (as the context may require) to be executed by the Zeus Borrower in favour of the Security Agent in respect of the Zeus Operating Account in the form set out in schedule 13; and

"**Zeus Ship**" means the motor vessel *Saga*, a (approximately) 115,200 dwt, 2011 built crude oil tanker with IMO Number 9228031 owned on the date of this Agreement by the Zeus Borrower and registered in its ownership through the relevant Registry and under the laws and flag of the relevant Flag State.

1.3 Headings

Clause headings and the table of contents are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement.

1.4 Construction of certain terms

In this Agreement, unless the context otherwise requires:

1.4.1 references to clauses and schedules are to be construed as references to clauses of, and schedules to, this Agreement and references to this Agreement include its schedules;

1.4.2 references to (or to any specified provision of) this Agreement or any other document shall be construed as references to this Agreement, that provision or that document as in force for the time being and as amended in accordance with the terms thereof, or, as the case may be, with the agreement of the relevant parties;

1.4.3 references to a "**regulation**" include any present or future regulation, rule, directive, requirement, request or guideline (whether or not having the force of law) of any agency, authority, central bank or government department or any self-regulatory or other national or supra-national authority and, for the avoidance of doubt, shall include any Basel II Regulation;

1.4.4 words importing the plural shall include the singular and vice versa;

1.4.5 references to a time of day are to London time;

1.4.6 references to a "**person**" shall be construed as references to an individual, firm, company, corporation, unincorporated body of persons or any Government Entity;

1.4.7 "**control**" means, in relation to a body corporate:

(a) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise, directly or indirectly) to:

(i) cast, or control the casting of, more than fifty per cent (50%) of the maximum number of votes that might be cast at a general meeting of such body corporate; or

(ii) appoint or remove all, or the majority, of the directors or other equivalent officers of such body corporate; or

(iii) give directions with respect to the operating and financial policies of such body corporate with which the directors or other equivalent officers of such body corporate are obliged to comply; or

(b) the holding beneficially of more than fifty per cent (50%) of the issued share capital of such body corporate (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital);

1.4.8 two or more persons are "**acting in concert**" if, pursuant to an agreement or understanding (whether formal or informal), they actively co-operate, through the acquisition (directly or indirectly) of shares in the Asclepius Guarantor by any of them, either directly or indirectly to obtain or consolidate control of the Asclepius Guarantor;

1.4.9 references to a "**guarantee**" include references to an indemnity or other assurance against financial loss including, without limitation, an obligation to purchase assets or services as a consequence of a default by any other person to pay any Indebtedness and "**guaranteed**" shall be construed accordingly; and

1.4.10 references to any enactment shall be deemed to include references to such enactment as re-enacted, amended or extended.

1.5 Majority Banks

Where this Agreement provides for any matter to be determined by reference to the opinion of the Majority Banks or to be subject to the consent or request of the Majority Banks or for any action to be taken on the instructions in writing of the Majority Banks, such opinion, consent, request or instructions shall (as between the Banks) only be regarded as having been validly given or issued by the Majority Banks if all the Banks shall have received prior notice of the matter on which such opinion, consent, request or instructions are required to be obtained and the relevant majority of Banks shall have given or issued such opinion, consent, request or instructions but so that (as between the Borrowers and the Creditors) the Borrowers shall be entitled (and bound) to assume that such notice shall have been duly received by each Bank and that the relevant majority shall have been obtained to constitute Majority Banks whether or not this is in fact the case.

1.6 Banks' Commitment

For the purposes of the definition of "**Majority Banks**" in clause 1.2 and the relevant provisions of the Security Documents, references to the Commitment of a Bank shall, if the Total Commitment has, at any relevant time, been reduced to zero, be deemed to be a reference to the Commitment of that Bank immediately prior to such reduction to zero.

2 The Total Commitment and the Advances

2.1 Agreement to lend

The Banks, relying upon each of the representations and warranties in clause 7, agree to lend to the Borrowers, jointly and severally, in two (2) Advances and upon and subject to the terms of this Agreement, the aggregate principal sum of up to Seventy million Dollars ($70,000,000). The obligation of each Bank under this Agreement shall be to contribute that proportion of each Advance which, as at the Drawdown Date of such Advance, such Bank's Commitment bears to the Total Commitment.

2.2 Obligations several

The obligations of the Banks under this Agreement are several according to their respective Commitments and/or Contributions; the failure of any Bank to perform such obligations or the failure of the Swap Provider to perform its obligations under the Master Swap Agreement shall not relieve any other Creditor or the Borrowers or either of them of any of their respective obligations or liabilities under this Agreement or, as the case may be, the Master Swap Agreement nor shall any Creditor be responsible for the obligations of any other Creditor (except for its own obligations, if any, as a Bank or as Swap Provider) under this Agreement or the Master Swap Agreement, respectively.

2.3 Interests several

Notwithstanding any other term of this Agreement (but without prejudice to the provisions of this Agreement relating to or requiring action by the Majority Banks) the interests of the Creditors are several and the amount due to any Creditor is a separate and independent debt. Each Creditor shall have the right to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Creditor to be joined as an additional party in any proceedings for this purpose.

2.4 Drawdown

Subject to the terms and conditions of this Agreement, each Advance shall be made to the Borrowers or the proposed Drawdown Date for such Advance, following receipt by the Agent from the Borrowers of a Drawdown Notice not later than 10:00 a.m. on the second Banking Day before the proposed Drawdown Date, which shall be a Banking Day falling within the Drawdown Period. A Drawdown Notice (a) shall be effective on actual receipt by the Agent and (b), once given, shall, subject as provided in clause 3.6.1, be irrevocable.

2.5 Amounts, timing and limitation of Advances

2.5.1 The amount of the Loan shall not exceed the lower of (a) Seventy million Dollars ($70,000,000) and (b) the amount in Dollars which is fifty five per cent (55%) of the aggregate of the market values of both Ships determined in accordance with the valuations obtained for the Ships pursuant to schedule 3, Part 2.

2.5.2 The amount of the Zeus Advance shall not exceed the lower of (a) Thirty two million Dollars ($32,000,000) and (b) fifty five per cent (55%) of the market value of the Zeus Ship determined in accordance with the valuations obtained for that Ship pursuant to schedule 3, Part 2.

2.5.3 The Zeus Advance:

(a) shall be applied in or towards (i) payment to the Zeus Borrower following payment in full by the Zeus Borrower of the Zeus Contract Price and/or (ii) financing any of the Zeus Borrower's general corporate or working capital needs;

(b) shall be drawn down as and when specified in the Drawdown Notice for such Advance; and

(c) shall be paid by the Banks to the Zeus Borrower.

2.5.4 The amount of the Apollo Advance shall not exceed the lower of (a) Thirty eight million Dollars ($38,000,000) and (b) fifty five per cent (55%) of the market value of the Apollo Ship determined in accordance with the valuations obtained for that Ship pursuant to schedule 3, Part 2.

2.5.5 The Apollo Advance:

(a) shall be applied in or towards (i) payment to the Builder of a part of the Apollo Contract Price which is payable on the Delivery Date and/or (ii) financing any of the Apollo Borrower's general corporate or working capital needs;

(b) shall be drawn down only when the part of the Apollo Contract Price referred to in paragraph 2.5.5(a) above has become due and payable; and

(c) shall be paid by the Banks to the Builder directly, as provided in the Apollo Contract (except for any part of the Apollo Advance referred to in paragraph (a)(ii) above which shall be paid to the Apollo Borrower).

2.6 Availability

Upon receipt of a Drawdown Notice complying with the terms of this Agreement the Agent shall promptly notify each Bank and, subject to the provisions of clause 9, on the Drawdown Date for the relevant Advance, each Bank shall make available to the Agent its portion of such Advance for payment by the Agent in accordance with clause 6.2. The Borrowers acknowledge that payment of either Advance to a Borrower or of the Apollo Advance or part thereof to the Builder, in accordance with clause 6.2, shall satisfy the obligations of the Banks to lend such Advance or part thereof to the Borrowers.

2.7 Termination of Total Commitment

Any part of the Total Commitment which remains undrawn and uncancelled by the end of the Termination Date, shall thereupon be automatically cancelled.

2.8 Application of proceeds

Without prejudice to the Borrowers' obligations under clause 8.1.3, none of the Creditors shall have any responsibility for the application of the proceeds of the Loan or any part thereof by the Borrowers.

2.9 Derivative transactions

2.9.1 If, at any time during the Security Period, the Borrowers wish to enter into interest rate swap or other derivative transactions with the Swap Provider for the purpose of hedging all or any part of their exposure under this Agreement to interest rate fluctuations or for any other purpose (including hedging of currency risks), they shall advise in writing, and discuss with, the Agent their (or the Group's) hedging strategy in respect of such transactions and, when such hedging strategy has been discussed and agreed between the Borrowers and the Agent, the Borrowers shall advise the Swap Provider in writing of such strategy.

2.9.2 Any such swap or other derivative transaction shall be entered into pursuant to the hedging strategy discussed and agreed with the Agent pursuant to clause 2.9.1 and shall be concluded with the Swap Provider under the Master Swap Agreement.

2.9.3 No such swap or other derivative transaction shall be concluded or entered into with the Swap Provider unless the Swap Provider and the Agent first agree to it in writing. For the avoidance of doubt, other than the Agent's and the Swap Provider's agreement in writing referred to in the preceding sentence, no other prior approval is required by the Borrowers from any of the other Creditors before concluding any such swap or other derivative transaction with the Swap Provider.

2.9.4 If and when any such swap or other derivative transaction has been concluded or executed with the Swap Provider, it shall constitute a Designated Transaction, and the Borrowers shall sign a Confirmation with the Swap Provider and advise the Banks through the Agent promptly after concluding any Designated Transaction.

2.9.5 For the avoidance of doubt, nothing on this clause 2.9, the other provisions of this Agreement or the other Security Documents, shall oblige the Swap Provider or constitute a commitment by the Swap Provider to, enter into such a swap or other transaction under the Master Swap Agreement.

3 Interest and Interest Periods

3.1 Normal interest rate

The Borrowers shall pay interest on each Advance in respect of each Interest Period relating thereto on each Interest Payment Date (or, in the case of Interest Periods of more than three (3) months, by instalments, the first instalment being due three (3) months from the commencement of the Interest Period and the subsequent instalments at intervals of three (3) months thereof or, if shorter, the period from the date of the preceding instalment until the Interest Payment Date relative to such Interest Period) at the rate per annum determined by the Agent to be the aggregate of (a) the Margin, (b) LIBOR for such Interest Period and (c) Mandatory Cost (if any).

3.2 Selection of Interest Periods

The Borrowers may by notice received by the Agent not later than 10:00 a.m. on the third Banking Day before the beginning of each Interest Period specify whether such Interest Period shall have a duration of one (1) month, three (3) months, six (6) months or, subject to availability, such other period (shorter than twelve (12) months) as the Borrowers may select and the Agent (acting on the instructions of all the Banks) may agree.

3.3 Determination of Interest Periods

Every Interest Period shall be of the duration required by, or specified by the Borrowers pursuant to clause 3.2, but so that:

3.3.1 the first Interest Period in respect of each Advance shall commence on the Drawdown Date for such Advance and each subsequent Interest Period for such Advance shall commence on the last day of the previous Interest Period for such Advance;

3.3.2 if any Interest Period in respect of an Advance would otherwise overrun a Repayment Date for such Advance, then, in the case of the last Repayment Date for such Advance, such Interest Period shall end on such Repayment Date, and in the case of any other Repayment Date or Repayment Dates for such Advance, the relevant Advance shall be divided into parts so that there is one part in the amount of the repayment instalment or instalments due on each Repayment Date for such Advance falling during that Interest Period and having an Interest Period ending on the relevant Repayment Date and another part in the amount of the balance of the relevant Advance having an Interest Period ascertained in accordance with clause 3.2 and the other provisions of this clause 3.3; and

3.3.3 If the Borrowers fail to specify the duration of an Interest Period in accordance with the provisions of clause 3.2 and this clause 3.3 such Interest Period shall have a duration of three (3) months or such other period as shall comply with this clause 3.3.

3.4 Default interest

If the Borrowers or either of them fail to pay any sum (including, without limitation, any sum payable pursuant to this clause 3.4) on its due date for payment under any of the Security Documents (except the Master Swap Agreement), the Borrowers shall pay interest on such sum on demand from the due date up to the date of actual payment (as well after as before judgment) at a rate determined by the Agent pursuant to this clause 3.4. The period beginning on such due date and ending on such date of payment shall be divided into successive periods of not more than three (3) months as selected by the Agent each of which (other than the first, which shall commence on such due date) shall commence on the last day of the preceding such period. The rate of interest applicable to each such period shall be the aggregate (as determined by the Agent) of (a) two per cent (2%) per annum, (b) the Margin, (c) LIBOR for such period and (d) the Mandatory Cost (if any). Such interest shall be due and payable on the last day of each such period as determined by the Agent and each such day shall, for the purposes of this Agreement, be treated as an Interest Payment Date, provided that if such unpaid sum is an amount of principal which became due and payable by reason of a declaration by the Agent under clause 10.2.2 or a prepayment pursuant to clauses 4.3., 8.2.1 or 12.1, on a date other than an Interest Payment Date relating thereto, the first such period selected by the Agent shall be of a duration equal to the period between the due date of such principal sum and such Interest Payment Date and interest shall be payable on such principal sum during such period at a rate of two per cent (2%) above the rate applicable thereto immediately before it shall have become so due and payable. If, for the reasons specified in clause 3.6.1, the Agent is unable to determine a rate in accordance with the foregoing provisions of this clause 3.4, each Bank shall promptly notify the Agent of the cost of funds to such Bank and interest on any sum not paid on its due date for payment shall be calculated at a rate determined by the Agent to be two per cent (2%) per annum above the aggregate of the Margin and the cost of funds to such Bank (including Mandatory Cost, if any).

3.5 Notification of Interest Periods and interest rate

The Agent shall notify the Borrowers and the Banks promptly of the duration of each Interest Period and of each rate of interest (or, as the case may be default interest) determined by it under this clause 3.

3.6 Market disruption; non-availability

3.6.1 If and whenever, at any time prior to the commencement of any Interest Period:

(a) the Agent shall have determined (which determination shall, in the absence of manifest error, be conclusive) that adequate and fair means do not exist for ascertaining LIBOR during such Interest Period; or

(b) the Reference Bank does not supply the Agent with a quotation for the purposes of calculating LIBOR (where such a quotation is required having regard to paragraph (b) of the definition of "**LIBOR**" in clause 1.2); or

(c) the Agent shall have received notification from Banks whose aggregate Contributions are not less than one-third (1/3rd) of the Loan (or, prior to the first Drawdown Date, whose aggregate Commitments are not less than one-third (1/3rd) of the Total Commitment), that deposits in Dollars are not available to such Banks in the London Interbank Market in the ordinary course of business in sufficient amounts to fund their Commitments or their Contributions for such Interest Period, or that LIBOR does not accurately reflect the cost to such Banks of obtaining such deposits,

the Agent shall forthwith give notice (a "**Determination Notice**") thereof to the Borrowers and to each of the Banks and the Swap Provider. A Determination Notice shall contain particulars

of the relevant circumstances giving rise to its issue. After the giving of any Determination Notice the undrawn amount of the Total Commitment shall not be borrowed until notice to the contrary is given to the Borrowers by the Agent.

3.6.2 During the period of ten (10) days after any Determination Notice has been given by the Agent under clause 3.6.1, each Bank shall certify an alternative basis (the "**Alternative Basis**") for funding its Commitment and/or for maintaining its Contribution. The Alternative Basis may at the relevant Bank's sole and unfettered discretion (without limitation) include alternative interest periods, alternative currencies or alternative rates of interest but shall include a margin above the cost of funds to such Bank (including Mandatory Cost, if any) equivalent to the Margin. The Agent shall calculate the arithmetic mean of the Alternative Bases provided by the relevant Banks (the "**Substitute Basis**") and certify the same to the Borrowers, the Banks and the Swap Provider. The Substitute Basis so certified shall be binding upon the Borrowers and shall take effect in accordance with its terms from the date specified in the Determination Notice until such time as the Agent notifies the Borrowers that none of the circumstances specified in clause 3.6.1 continues to exist whereupon the normal interest rate fixing provisions of this Agreement shall apply.

4 Repayment and prepayment

4.1 Repayment

4.1.1 The Borrowers shall repay the Zeus Advance by twenty (20) instalments, one such instalment to be repaid on each of the Repayment Dates for such Advance, Subject to the provisions of this Agreement, the amount of each of the first to the nineteenth instalments (inclusive) in respect of such Advance shall be Five hundred and thirty three thousand three hundred and thirty three Dollars and thirty three cents ($533,333.33) and the amount of the twentieth and final instalment in respect of such Advance shall be Twenty one million eight hundred and sixty six thousand six hundred and sixty six Dollars and seventy three cents ($21,866,666.73) (comprising a repayment instalment of Five hundred and thirty three thousand three hundred and thirty three Dollars and thirty three cents ($533,333.33) and a balloon payment of Twenty one million three hundred and thirty three thousand three hundred and thirty three Dollars and forty cents ($21,333,333.40) (the "**Zeus Balloon Instalment**")).

4.1.2 The Borrowers shall repay the Apollo Advance by as many instalments as there are Repayment Dates for that Advance, one such instalment to be repaid on each of the Repayment Dates for such Advance. Subject to the provisions of this Agreement, the amount of each of the instalments in respect of such Advance shall be Six hundred and thirty three thousand three hundred and thirty three Dollars and thirty three cents ($633,333.33). Any remaining balance of the Apollo Advance which remains unpaid on the Final Maturity Date (the "**Apollo Balloon Instalment**") shall be repaid on the Final Maturity Date.

4.1.3 For the avoidance of doubt, on the Final Maturity Date the Borrowers shall repay all amounts outstanding in respect of both Advances in full.

4.1.4 If the Total Commitment in respect of an Advance is not drawn down in full, the amount of each repayment instalment in respect of such Advance (including the relevant Balloon Instalment) shall be reduced proportionately.

4.2 Voluntary prepayment

The Borrowers may prepay the Loan in whole or part (being One million Dollars ($1,000,000) or any larger sum which is an integral multiple of Five hundred thousand Dollars ($ 500,000)), on any Interest Payment Date relating to the part of the Loan to be prepaid without premium or penalty but subject to clause 11.1 and the other provisions of this clause 4.

4.3 Prepayment on Total Loss or sale

4.3.1 Before drawdown of an Advance

On a Ship becoming a Total Loss (or suffering damage or being involved in an incident which in the opinion of the Agent may result in such Ship being subsequently determined to be a Total Loss) before the Advance relevant to such Ship is drawn down, the obligations of the Banks to make that Advance available shall immediately cease and the Total Commitment shall immediately be reduced by the amount of such Advance.

4.3.2 Thereafter

On the Disposal Reduction Date for a Mortgaged Ship, the Borrowers shall prepay to the Agent:

(a) the Advance relating to such Mortgaged Ship (for the purposes of this clause 4.3.2, the "**Relevant Advance**") in full; and

(b) if the Applicable Fraction of the Loan as of such date is higher than the Relevant Advance, such additional part of the other Advance which is equal to the sum of (i) the Applicable Fraction of the Loan as of such date, minus (ii) the amount of the Relevant Advance.

4.3.3 Defined terms

For the purposes of this clause 4.3:

(a) "**Applicable Fraction**" means, in relation to a Mortgaged Ship, a fraction having a numerator of an amount equal to the market value of such Mortgaged Ship (as most recently determined in accordance with clause 8.2.2) and a denominator of an amount equal to the market values of all Mortgaged Ships (as most recently determined in accordance with clause 8.2.2), in each case as at the Disposal Reduction Date of such Mortgaged Ship;

(b) "**Disposal Reduction Date**" means:

(i) in relation to a Mortgaged Ship which has become a Total Loss, its Total Loss Reduction Date; or

(ii) in relation to a Mortgaged Ship which is sold (subject always to the other provisions of the relevant Ship Security Documents), the date of (and simultaneously with or immediately prior to) completion of such sale by the transfer of title to such Mortgaged Ship to the purchaser in exchange for payment of the relevant purchase price; and

(c) "**Total Loss Reduction Date**" means, in relation to a Mortgaged Ship which has become a Total Loss, the date which is the earlier of:

(i) the day falling one hundred and twenty (120) days after that on which such Mortgaged Ship became a Total Loss; and

(ii) the day upon which the insurance proceeds in respect of such Total Loss are, or Requisition Compensation is, received by the Borrower owning such Mortgaged Ship (or the Security Agent or any other Creditors, pursuant to the relevant Ship Security Documents).

4.3.4 Interpretation

For the purposes of this Agreement and the other Security Documents, a Total Loss in respect of a Ship shall be deemed to have occurred:

(a) in the case of an actual total loss of a Ship, on the actual date and at the time such Ship was lost or, if such date is not known, on the date on which such Ship was last reported;

(b) in the case of a constructive total loss of a Ship, upon the date and at the time notice of abandonment of such Ship is given to the insurers of such Ship for the time being;

(c) in the case of a compromised or arranged total loss of a Ship, on the date upon which a binding agreement as to such compromised or arranged total loss has been entered into by the insurers of such Ship;

(d) in the case of Compulsory Acquisition of a Ship, on the date upon which the relevant requisition of title or other compulsory acquisition of such Ship occurs; and

(e) in the case of hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation of a Ship (other than where the same amounts to Compulsory Acquisition of such Ship) by any Government Entity, or by persons purporting to act on behalf of any Government Entity, which deprives the Borrower owning such Ship of the use of such Ship for more than thirty (30) days, upon the expiry of the period of thirty (30) days after the date upon which the relevant hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation occurred,

4.4 Amounts payable on prepayment

Any prepayment of all or part of the Loan under this Agreement shall be made together with:

(a) accrued interest on the amount to be prepaid to the date of such prepayment;

(b) any additional amount payable under clauses 6.6 or 12.2; and

(c) all other sums payable by the Borrowers to the Creditors under this Agreement or any of the other Security Documents including, without limitation, any accrued commitment commission and any amounts payable under clause 11.

4.5 Notice of prepayment; reduction of repayment Instalments; re-borrowing

4.5.1 No prepayment may be effected under clause 4.2 unless the Borrowers shall have given the Agent at least five (5) Banking Days' prior written notice of their intention to make such prepayment. Every notice of prepayment shall be effective only on actual receipt by the Agent, shall be irrevocable, shall specify the Advance and the amount thereof to be prepaid and shall oblige the Borrowers to make such prepayment on the date specified.

4.5.2 Any amount prepaid pursuant to clause 4.3.2(b) in respect of an Advance shall be applied in reducing the repayment instalments of that Advance (including the relevant Balloon Instalment) under clause 4.1 proportionately.

4.5.3 Any amount prepaid pursuant to clause 4.2 or clause 8.2.1 shall be applied in prepayment of both Advances proportionately as between them, and in reduction of the repayment instalments under clause 4.1 (including the relevant Balloon Instalment) of each Advance proportionately.

4.5.4 The Borrowers may not prepay the Loan or any part thereof save as expressly provided in this Agreement.

4.5.5 No amount prepaid under this Agreement may be re-borrowed.

4.6 Unwinding of Designated Transactions

On or prior to any repayment or prepayment of all or part of the Loan (including, without limitation, pursuant to clauses 4.2, 4.3 or 8.2.1 or any other provision of this Agreement), the Borrowers, shall upon the request of the Agent (acting on the instructions of the Banks), wholly

or partially reverse, offset, unwind, cancel, close out, net out or otherwise terminate one or more of the continuing Designated Transactions at that time so that the notional principal amount of the continuing Designated Transactions thereafter remaining does not and will not in the future (taking into account the scheduled amortisation) exceed the amount of the Loan as reducing from time to time thereafter pursuant to clause 4.1.

5 Fees, commitment commission and expenses

5.1 Fees

The Borrowers shall pay to the Agent:

5.1.1 for the account of the Arranger, the Banks and the Agent such fees of such amount and payable at such times as is specified in the Fees Letter; and

5.1.2 for the account of each Bank, on 31 March 2011 and on each of the dates falling at three (3) monthly intervals after such date until the last day of the Drawdown Period and on such day, commitment commission computed from the date of this Agreement (in the case of the first payment of commission) and from the due date of the preceding payment of commission (in the case of each subsequent payment), at the rate of one point one per cent (1.1%) per annum on the daily undrawn amount of such Bank's Commitment.

The fees and the commitment commission referred to in this clause 5.1 shall be payable by the Borrowers to the Agent, whether or not any part of the Total Commitment is ever advanced and shall be, in each case, non refundable.

5.2 Expenses

The Borrowers shall pay to the Agent on a full indemnity basis on demand all expenses (including legal, printing and out-of-pocket expenses) incurred by the Creditors or any of them:

5.2.1 in connection with the negotiation, preparation, execution and, where relevant, registration of the Security Documents and of any amendment or extension of or the granting of any waiver or consent under, any of the Security Documents and the syndication of the Loan; and

5.2.2 in contemplation of, or otherwise in connection with, the enforcement of, or preservation of any rights under, any of the Security Documents or otherwise in respect of the moneys owing under any of the Security Documents,

together with interest at the rate referred to in clause 3.4 from the date on which such expenses were incurred to the date of payment (as well after as before judgment).

5.3 Value added Tax

All fees and expenses payable pursuant to this clause 5 and/or pursuant to the Security Documents shall be paid together with value added tax or any similar tax (if any) properly chargeable thereon. Any value added tax chargeable in respect of any services supplied by the Creditors or any of them under this Agreement shall, on delivery of the value added tax invoice, be paid in addition to any sum agreed to be paid hereunder.

5.4 Stamp and other duties

The Borrowers shall pay all stamp, documentary, registration or other like duties or taxes (including any duties or taxes payable by, or assessed on, the Creditors or any of them) imposed on or in connection with any of the Underlying Documents, the Security Documents or the Loan and shall indemnify the Creditors or any of them against any liability arising by reason of any delay or omission by the Borrowers to pay such duties or taxes.

6 Payments and taxes; accounts and calculations

6.1 No set-off or counterclaim

The Borrowers acknowledge that in performing their respective obligations under this Agreement, the Banks will be incurring liabilities to third parties in relation to the funding of amounts to the Borrowers, such liabilities matching the liabilities of the Borrowers to the Banks and that it is reasonable for the Banks to be entitled to receive payments from the Borrowers gross on the due date in order that each of the Banks is put in a position to perform its matching obligations to the relevant third parties. All payments to be made by the Borrowers under any of the Security Documents shall be made in full, without any set-off or counterclaim whatsoever and, subject as provided in clause 6.6, free and clear of any deductions or withholdings, in Dollars on the due date to the account of the Agent at such bank and in such place as the Agent may from time to time specify for this purpose. Save for payments which are for the account of the Swap Provider and save as otherwise provided in this Agreement or any relevant Security Documents such payments shall be for the account of all the Banks and the Agent or, as the case may be, the Security Agent shall forthwith distribute such payments in like funds as are received by the Agent or, as the case may be, the Security Agent to the Banks rateably in accordance with their respective Commitment or (if after the first drawdown) Contribution, as the case may be.

6.2 Payment by the Banks

All sums to be advanced by the Banks to the Borrowers under this Agreement in respect of the Loan shall be remitted in Dollars on the Drawdown Date for the relevant Advance to the account of the Agent at such bank as the Agent may have notified to the Banks and shall be paid by the Agent on such date in like funds as are received by the Agent to such account as is specified in the Drawdown Notice for such Advance.

6.3 Non-Banking Days

When any payment under any of the Security Documents would otherwise be due on a day which is not a Banking Day, the due date for payment shall be extended to the next following Banking Day unless such Banking Day falls in the next calendar month in which case payment shall be made on the immediately preceding Banking Day.

6.4 Calculations

All interest and other payments of an annual nature under any of the Security Documents shall accrue from day to day and be calculated on the basis of actual days elapsed and a three hundred and sixty (360) day year.

6.5 Certificates conclusive

Any certificate or determination of the Agent or the Security Agent or any Bank or the Swap Provider as to any rate of interest or any other amount pursuant to and for the purposes of any of the Security Documents shall, in the absence of manifest error, be conclusive and binding on the Borrowers and (in the case of a certificate or determination by the Agent or the Security Agent) on the other Creditors.

6.6 Grossing-up for Taxes

6.6.1 If at any time the Borrowers are required to make any deduction or withholding in respect of Taxes from any payment due under any of the Security Documents for the account of any Creditor (or if the Agent or, as the case may be, the Security Agent is required to make any such deduction or withholding from a payment to a Bank), the sum due from the Borrowers in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the relevant Creditor receives on the due date for such payment (and retains, free from any liability in respect of such deduction or withholding), a net sum equal to the sum which it would have received had no such deduction or

withholding been required to be made and the Borrowers shall Indemnify each Creditor against any losses or costs incurred by it by reason of any failure of the Borrowers to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment. The Borrowers shall promptly deliver to the Agent any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid.

6.6.2 For the avoidance of doubt, clause 6.6.1 does not apply in respect of sums due from the Borrowers to the Swap Provider under or in connection with the Master Swap Agreement as to which sums the provisions of section 2(d) (Deduction or Withholding for Tax) of the Master Swap Agreement shall apply.

6.7 Loan account

Each Bank shall maintain, in accordance with its usual practice, an account or accounts evidencing the amounts from time to time lent by, owing to and paid to it under the Security Documents. The Agent and the Security Agent shall maintain a control account or accounts showing the Loan, interest and other sums owing and/or payable by the Borrowers under the Security Documents. Each such control account (which shall be the "**Account Current**" referred to in each Mortgage) shall, in the absence of manifest error, be conclusive as to the amount from time to time owing by the Borrowers under the Security Documents.

6.8 Agent may assume receipt

Where any sum is to be paid under this Agreement to the Agent for the account of another person, the Agent may assume that the payment will be made when due and the Agent may (but shall not be obliged to) make such sum available to the person so entitled. If it proves to be the case that such payment was not made to the Agent, then the person to whom such sum was so made available shall on request refund such sum to the Agent together with interest thereon sufficient to compensate the Agent for the cost of making available such sum up to the date of such repayment and the person by whom such sum was payable shall indemnify the Agent for any and all loss or expense which the Agent may sustain or incur as a consequence of such sum not having been paid on its due date.

6.9 Partial payments

If, on any date on which a payment is due to be made by the Borrowers under any of the Security Documents, the amount received by the Agent from the Borrowers falls short of the total amount of the payment due to be made by the Borrowers on such date then, without prejudice to any rights or remedies available to the Creditors or any of them under any of the Security Documents, the Agent shall apply the amount actually received from the Borrowers in or towards discharge of the obligations of the Borrowers under the Security Documents in the following order, notwithstanding any appropriation made, or purported to be made, by the Borrowers:

6.9.1 firstly, in or towards payment, on a pro rata basis, of any unpaid costs, expenses and fees owing to the Arranger, the Agent or the Security Agent under, or in relation to, the Security Documents;

6.9.2 secondly, in or towards payment, on a pro rata basis, of any unpaid costs, expenses and fees owing to the Banks or the Account Bank under, or in relation to, the Security Documents;

6.9.3 thirdly, in or towards payment to the Banks, on a pro rata basis, of any accrued interest which shall have become due under any of the Security Documents (other than the Master Swap Agreement) but remains unpaid;

6.9.4 fourthly, in or towards payment to the Banks, on a pro rata basis, for any loss suffered by reason of any such payment in respect of principal not being effected on an Interest Payment Date relating to the part of the Loan repaid and which amounts are so payable under this Agreement;

6.9.5 fifthly, in or towards payment to the Banks, on a pro rata basis, of any principal in respect of the Loan which shall have become due but remains unpaid;

6.9.6 sixthly, in or towards payment to the Swap Provider of any sums owing to it under the Master Swap Agreement; and

6.9.7 seventhly, in or towards payment to the relevant person of any other sum which shall have become due under any of the Security Documents but remains unpaid (and, if more than one such sum so remains unpaid, on a pro rata basis).

The order of application set out in clauses 6.9.3 to 6.9.6 may be varied by the Agent if the Majority Banks so direct, without any reference to, or consent or approval from the Borrowers.

7 Representations and warranties

7.1 Continuing representations and warranties

The Borrowers jointly and severally represent and warrant to each Creditor that:

7.1.1 Due incorporation

the Borrowers and each of the other Security Parties are duly incorporated and validly existing in good standing under the laws of their respective countries of incorporation as limited liability companies or (as the case may be) corporations and have power to carry on their respective businesses as they are now being conducted and to own their respective property and other assets;

7.1.2 Corporate power

each of the Borrowers has power to execute, deliver and perform its obligations under the Underlying Documents and the Borrowers' Security Documents to which it is or is to be a party and to borrow the Total Commitment and each of the other Security Parties has power to execute and deliver and perform its obligations under the Security Documents and the Underlying Documents to which it is or is to be a party; all necessary corporate, shareholder and other action has been taken to authorise the execution, delivery and performance of the same and no limitation on the powers of either Borrower to borrow will be exceeded as a result of borrowing the Loan or entering into the Master Swap Agreement;

7.1.3 Binding obligations

the Underlying Documents and the Security Documents constitute or will, when executed, constitute valid and legally binding obligations of the relevant Security Parties enforceable in accordance with their respective terms;

7.1.4 No conflict with other obligations

the execution and delivery of, the performance of their obligations under, and compliance with the provisions of, the Underlying Documents and the Security Documents by the relevant Security Parties will not:

(a) contravene any existing applicable law, statute, rule or regulation or any judgment, decree or permit to which either of the Borrowers or any other Security Party is subject;

(b) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which either of the Borrowers or any other Security Party is a party or is subject or by which it or any of its property is bound;

(c) contravene or conflict with any provision of the constitutional documents of either of the Borrowers or any other Security Party; or

(d) result in the creation or Imposition of or oblige either of the Borrowers or any of its Related Companies or any other Security Party to create any Encumbrance (other than a Permitted Encumbrance) on any of the undertakings, assets, rights or revenues of either of the Borrowers or any of its Related Companies or any other Security Party;

7.1.5 No litigation

no litigation, arbitration, investigation or proceeding (administrative or otherwise) is taking place, pending or, to the knowledge of the officers of either of the Borrowers, threatened against either of the Borrowers or any of its Related Companies or any other Security Party which could have a Material Adverse Effect;

7.1.6 No filings required

save for the registration of each Mortgage under the laws of the relevant Flag State through the relevant Registry, it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of any of the Underlying Documents or the Security Documents that they or any other instrument be notarised, filed, recorded, registered or enrolled in any court, public office or elsewhere in any Relevant Jurisdiction or that any stamp, registration or similar tax or charge be paid in any Relevant Jurisdiction on or in relation to any of the Underlying Documents or the Security Documents and each of the Underlying Documents and the Security Documents is in proper form for its enforcement. In the courts of each Relevant Jurisdiction;

7.1.7 Choice of law

the choice of English law to govern the Underlying Documents and the Security Documents (other than the Mortgages) and the choice of the laws of the relevant Flag State to govern each Mortgage, and the submission therein by the Security Parties therein to the non-exclusive jurisdiction of the English courts, are valid and binding;

7.1.8 No immunity

neither of the Borrowers nor any other Security Party nor any of their respective assets is entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding (which shall include, without limitation, suit, attachment prior to judgement, execution or other enforcement);

7.1.9 Consents obtained

every consent, authorisation, licence or approval of, or registration with or declaration to, governmental or public bodies or authorities or courts required by any Security Party to authorise, or required by any Security Party in connection with, the execution, delivery, validity, enforceability or admissibility in evidence of each of the Underlying Documents and each of the Security Documents to which it is a party or the performance by each Security Party of its obligations under the Underlying Documents and the Security Documents to which it is a party, respectively, has been obtained or made and is in full force and effect and there has been no default in the observance of any of the conditions or restrictions (if any) imposed in, or in connection with, any of the same;

7.1.10 Compliance with laws and regulations

each of the Borrowers, the Corporate Guarantors and the Manager is in compliance with the terms and conditions of all laws, regulations, agreements, licences and concessions material to the carrying on of its business (including in relation to Taxation);

7.1.11 No Material Adverse Effect

no events, conditions, facts or circumstances exist or have arisen or occurred since the date of this Agreement, which have had or could reasonably be expected to have a Material Adverse Effect;

7.1.12 Borrowers' own account

in relation to the borrowing by the Borrowers of the Loan or any part thereof, the performance and discharge of its obligations and liabilities under the Security Documents and the transactions and other arrangements effected or contemplated by this Agreement, each of the Borrowers is acting for its own account and that the foregoing will not involve or lead to a contravention of any law, official requirement or other regulatory measure or procedure which has been implemented to combat "**money laundering**" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Communities (as amended)); and

7.1.13 Solvency

(a) neither of the Borrowers nor any other Relevant Party is unable, or admits or has admitted its inability, to pay its debts or has suspended making payments on any of its debts;

(b) neither of the Borrowers nor any other Relevant Party (other than the DryShips Guarantor) by reason of actual or anticipated financial difficulties has commenced, or intends to commence, negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;

(c) the value of the assets of each of the Borrowers and the other Relevant Parties is not less than their respective liabilities (taking into account contingent and prospective liabilities); and

(d) no moratorium has been, or may, in the reasonably foreseeable future be, declared in respect of any Indebtedness of either of the Borrowers or any other Relevant Party.

7.2 Initial representations and warranties

The Borrowers jointly and severally further represent and warrant to each Creditor that:

7.2.1 Pari passu and subordinated Indebtedness

(a) the obligations of each Borrower under this Agreement and the Master Swap Agreement are direct, general and unconditional obligations of such Borrower and rank at least pari passu with all other present and future unsecured and unsubordinated Indebtedness of such Borrower with the exception of any obligations which are mandatorily preferred by law and not by contract; and

(b) any Indebtedness of each Borrower owing to its respective shareholders or other Relevant Parties is subordinated in all respects to such Borrower's obligations under this Agreement and the Master Swap Agreement;

7.2.2 No default under other Indebtedness

neither of the Borrowers nor any other Security Party nor any other Relevant Party is (nor would with the giving of notice or lapse of time or the satisfaction of any other condition or combination thereof be) in breach of or in default under any agreement relating to Indebtedness to which it is a party or by which it may be bound;

7.2.3 Information - full disclosure

the information, exhibits and reports furnished by or on behalf of any Security Party to the Agent and/or the Arranger in connection with the negotiation and preparation of the Security Documents are true and accurate in all material respects and not misleading, do not omit material facts and all reasonable enquiries have been made to verify the facts and statements contained therein; there are no other facts the omission of which would make any fact or statement therein misleading;

7.2.4 No withholding Taxes

no Taxes are imposed by withholding or otherwise on any payment to be made by any Security Party under the Underlying Documents or the Security Documents or are imposed on or by virtue of the execution or delivery by the Security Parties of the Underlying Documents or the Security Documents or any other document or instrument to be executed or delivered under any of the Security Documents;

7.2.5 No Default

no Default has occurred and is continuing;

7.2.6 The Ships

each Ship will, on the Drawdown Date of the Advance relevant to such Ship, be:

(a) in the absolute ownership of the relevant Borrower who will, on and after such Drawdown Date, be the sole, legal and beneficial owner of such Ship;

(b) registered in the name of the relevant Borrower under the laws and flag of the relevant Flag State;

(c) operationally seaworthy and in every way fit for service; and

(d) classed with the relevant Classification free of all requirements and recommendations of the relevant Classification Society;

7.2.7 Ships' employment

save under the Initial Charters, neither of the Ships is nor will, on or before the Drawdown Date of the Advance relevant to such Ship, be subject to any charter or contract or to any agreement to enter into any charter or contract which, if entered into after the date of the relevant Ship Security Documents, would have required the consent of the Agent or, as the context may require, the Security Agent or the other Secured Creditors and, on or before the Drawdown Date of the Advance relevant to such Ship, there will not be any agreement or arrangement whereby the Earnings of such Ship may be shared with any other person;

7.2.8 Freedom from Encumbrances

neither of the Ships, nor her Earnings, Insurances or Requisition Compensation nor the Operating Account for such Ship nor any other properties or rights which are, or are to be, the subject of any of the Security Documents, nor any part thereof will be, on the Drawdown Date of the Advance relevant to such Ship, be subject to any Encumbrance other than the Permitted Encumbrances;

7.2.9 Compliance with Environmental Laws and Approvals

except as may already have been disclosed by the Borrowers in writing to, and acknowledged in writing by, the Agent and/or the Arranger:

(a) the Borrowers and the other Relevant Parties and, to the best of the Borrowers' knowledge and belief (having made due enquiry), any of their respective Environmental Affiliates have complied with the provisions of all Environmental Laws;

(b) the Borrowers and the other Relevant Parties and, to the best of the Borrowers' knowledge and belief (having made due enquiry), any of their respective Environmental Affiliates have obtained all Environmental Approvals and are in compliance with all such Environmental Approvals; and

(c) neither the Borrowers nor any other Relevant Party nor, to the best of the Borrowers' knowledge and belief (having made due enquiry), any of their respective Environmental Affiliates have received notice of any Environmental Claim that the Borrowers or any other Relevant Party or any such Environmental Affiliate is not in compliance with any Environmental Law or any Environmental Approval;

7.2.10 No Environmental Claims

except as may already have been disclosed by the Borrowers in writing to, and acknowledged in writing by, the Agent and/or the Arranger, there is no Environmental Claim pending or, to the best of the Borrowers' knowledge and belief (having made due enquiry), threatened against either of the Borrowers or either of the Ships or any other Relevant Party or any other Relevant Ship or, to the best of the Borrowers' knowledge and belief (having made due enquiry), any of their respective Environmental Affiliates;

7.2.11 No potential Environmental Claims

except as may already have been disclosed by the Borrowers in writing to, and acknowledged in writing by, the Agent and/or the Arranger, there has been no emission, spill, release or discharge of a Pollutant from either of the Ships or any other Relevant Ship owned by, managed or crewed by or chartered to the Borrowers nor, to the best of the Borrowers' knowledge and belief (having made due enquiry), from any Relevant Ship owned by, managed or crewed by or chartered to any other Relevant Party which could give rise to an Environmental Claim;

7.2.12 Copies true and complete

the copies of the Underlying Documents delivered or to be delivered to the Agent pursuant to clause 9.1 are or will, when delivered, be true and complete copies of such documents; and such documents constitute valid and binding obligations of the parties thereto enforceable in accordance with their respective terms and there have been no amendments or variations thereof or defaults thereunder;

7.2.13 Shareholdings

each Borrower is a wholly-owned indirect Subsidiary of the Asclepius Guarantor, the Asclepius Guarantor is a wholly-owned indirect Subsidiary of the DryShips Guarantor and all of the issued shares in the Manager are legally and ultimately beneficially owned by such person or persons as have been disclosed by or on behalf of the Borrowers or any other Security Party to the Agent, the Arranger and the Banks in the negotiation of this Agreement;

7.2.14 DOC and SMC

on the Drawdown Date of the Advance relevant to a Ship the Operator will have a DOC for itself and an SMC in respect of such Ship; and

7.2.15 ISPS Code

on the Drawdown Date of the Advance relevant to a Ship the relevant Borrower will have a valid and current ISSC in respect of such Ship and such Ship shall be in compliance with the ISPS Code.

7.3 Repetition of representations and warranties

On and as of each Drawdown Date and (except in relation to the representations and warranties in clause 7.2) on each Interest Payment Date, the Borrowers shall:

7.3.1 be deemed to repeat the representations and warranties in clauses 7.1 and 7.2 as if made with reference to the facts and circumstances existing on such day; and

7.3.2 be deemed to further represent and warrant to each of the Creditors that the then latest audited financial statements delivered to the Agent and/or the Security Agent by the Borrowers (if any) under clause 8.1.5 of this Agreement and clause 5.1.4 of the Asclepius Guarantee have been prepared in accordance with the Applicable Accounting Principles which have been consistently applied and present fairly and accurately the consolidated financial position of the Group as at the end of the financial period to which the same relate, and the consolidated results of the operations of the Group for the financial period to which the same relate and, as at the end of such financial period, neither the Asclepius Guarantor nor any other member of the Group, nor the Group as a whole had any significant liabilities (contingent or otherwise) or any unrealised or anticipated losses which are not disclosed by, or reserved against or provided for in, such financial statements.

8 Undertakings

8.1 General

The Borrowers jointly and severally undertake with each Creditor that, from the date of this Agreement and so long as any moneys are owing under any of the Security Documents and while all or any part of the Total Commitment remains outstanding, they will:

8.1.1 Notice of Default and certain other events

promptly inform the Agent of any occurrence of which either of them becomes aware which might adversely affect the ability of any Security Party to perform its obligations under any of the Security Documents or the Underlying Documents and, without limiting the generality of the foregoing and, without prejudice to clause 8.1.6, will inform the Agent of any material litigation involving the Group or any member thereof, any Environmental Claim, any discharge of a Pollutant from a Ship or any other Relevant Ship or any other incident which may give rise to an Environmental Claim and of any Default forthwith upon becoming aware thereof and will, from time to time, if so requested by the Agent, confirm to the Agent in writing that, save as otherwise stated in such confirmation, no Default has occurred and is continuing;

8.1.2 Consents and licences; compliance with laws and regulations

(a) without prejudice to clauses 7.1 and 9, obtain or cause to be obtained, maintain in full force and effect and comply in all material respects with the conditions and restrictions (if any) imposed in, or in connection with, every consent, authorisation, licence or approval of governmental or public bodies or authorities or courts and do, or cause to be done, all other acts and things which may from time to time be necessary or desirable under applicable law for the continued due performance of all the obligations of the Security Parties under each of the Security Documents and the Underlying Documents; and

(b) comply with the terms and conditions of all laws, regulations, agreements, licences and concessions material to the carrying out of its business;

8.1.3 Use of proceeds

use the Loan or, as the case may be, the Advances for their benefit and under their full responsibility and exclusively for the purposes specified in clauses 1.1 and 2.5;

8.1.4 Pari passu and subordination

without prejudice to the provisions of clause 8.3, ensure that:

(a) their obligations under this Agreement and the Master Swap Agreement shall, at all times rank at least pari passu with all their other present and future unsecured and unsubordinated indebtedness with the exception of any obligations which are mandatorily preferred by law and not by contract; and

(b) their Indebtedness (if any) to their shareholders or their Related Companies is on terms acceptable to the Agent in its absolute discretion and is, and shall remain, at all times fully subordinated towards their obligations to the Creditors under this Agreement, the Master Swap Agreement and the other Security Documents;

8.1.5 Financial statements

prepare or cause to be prepared:

(a) audited consolidated financial statements of the Group in accordance with the Applicable Accounting Principles consistently applied in respect of each financial year (namely, each 12-month period ending on 31 December of each calendar year but commencing with the financial year ending on 31 December 2011) and cause the same to be reported on by the Group's auditors;

(b) unaudited consolidated financial statements of the Group on the same basis as the audited statements in respect of each financial year (namely, each 12-month period ending on 31 December of each calendar year but commencing with the financial year ending on 31 December 2011);

(c) unaudited consolidated financial statements of the Group on the same basis as the audited statements consistently applied in respect of each quarter of each financial year (namely, each 3-month period ending on 31 March, 30 June and 30 September of each calendar year) and including on a year to date basis (but commencing with the financial quarter ending on 30 June 2011); and

(d) upon the Agent's request, financial projections of the Group on an annual consolidated basis in respect of each of the next three (3) consecutive financial years (inclusive) (namely, each of the three 12-month periods ending on 31 December of the next three (3) calendar years),

and, in each case, deliver as many copies of the same as the Agent may reasonably require as soon as practicable but not later than:

(i) in the case of audited financial statements, one hundred and eighty (180) days after the end of the financial period to which they relate (namely, not later than 30 June of each calendar year);

(ii) in the case of unaudited annual financial statements, ninety (90) days after the end of the financial period to which they relate (namely, not later than 2 April of each calendar year);

(iii) in the case of unaudited quarterly financial statements, ninety (90) days after the end of the financial period to which they relate (namely, not later than 30 June, 30 September and 31 December, respectively, of each calendar year); and

(iv) in the case of annual financial projections, one hundred and twenty (120) days after the beginning of the financial period to which they relate (namely, not later than 30 April of each calendar year);

8.1.6 Valuations and Compliance Certificate

(a) at the same time as the Borrowers and/or the Asclepius Guarantor provide the Agent and/or the Security Agent with unaudited half-yearly and annual consolidated financial statements of the Group pursuant to clause 8.1.5 of this Agreement or clause 5.1.4 of the Asclepius Guarantee (namely, not later than 2 April and 30 September of each calendar year but commencing with 30 September 2011) and, if a Default has occurred, at any other time as and when the Agent in its absolute discretion shall require, provide the Agent with valuations of the Ships made in accordance with clause 8.2.2; and

(b) at the same time as the Borrowers and/or the Asclepius Guarantor provide the Agent and/or the Security Agent with consolidated financial statements of the Group pursuant to clause 8.1.5 of this Agreement or clause 5.1.4 of the Asclepius Guarantee (namely, on 2 April, 30 June, 30 September and 31 December of each calendar year) deliver to the Agent a Compliance Certificate (including any supporting schedules or other information and evidence as the Agent may require) duly signed by two duly authorised signatories of each of the Borrowers and two duly authorised signatories of the Asclepius Guarantor, and otherwise in accordance with clause 5.1.5 of the Asclepius Guarantee;

8.1.7 Delivery of reports

deliver to the Agent in sufficient copies for all the Banks of every report, circular, notice or like document issued by any of the Borrowers to its shareholders or creditors generally, at the same time it is issued or given;

8.1.8 Provision of further information

provide the Agent with such financial and other information concerning the Borrowers, the other Security Parties, any other Relevant Parties, the Group and its members and their respective affairs (including, without limitation, financial projections of the Group on an annual consolidated basis) as the Agent, any Bank or the Swap Provider (acting through the Agent) may from time to time reasonably require, and keep the Agent advised regularly of all major financial developments in relation to the Borrowers, the other Security Parties, any other Relevant Parties, the Group and its members including, without prejudice to the generality of the foregoing, any vessels' sales or purchases and any new borrowings;

8.1.9 Obligations under Security Documents

and will procure that each of the other Security Parties will, duly and punctually perform each of the obligations expressed to be assumed by them under the Security Documents and the Underlying Documents;

8.1.10 Compliance with Code

and will procure that the Manager or any Operator will, comply with, and ensure that each Ship and the Manager or any Operator at all times complies with, the requirements of the Code, including (but not limited to) the maintenance and renewal of valid certificates pursuant thereto throughout the Security Period and will procure that each member of the Group and each Relevant Vessel complies with the requirements of the Code;

8.1.11 Issuance of DOC and SMC

and will procure that the Manager or any Operator will, promptly inform the Agent upon the issuance to either of the Borrowers, the Manager or any Operator of a DOC and to each Ship of an SMC or the receipt by either of the Borrowers, the Manager or any Operator of notification that its application for the same has been refused;

8.1.12 Withdrawal of DOC and SMC

and will procure that the Manager or any Operator will, immediately inform the Agent if there is any threatened or actual withdrawal of its Operator's DOC or the SMC in respect of either Ship;

8.1.13 ISPS Code compliance

and will procure that the Manager or any Operator will:

(a) maintain at all times a valid and current ISSC in respect of each Ship;

(b) immediately notify the Agent in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC in respect of each Ship; and

(c) procure that each Ship and any Relevant Ship will comply at all times with the ISPS Code;

8.1.14 Employment

without prejudice to the rights of the Creditors under the provisions of the other Security Documents, advise the Agent promptly of any Charter (other than the Initial Charters) in respect of a Ship, and:

(a) deliver a certified copy of each such Charter to the Agent forthwith after its execution;

(b) forthwith following a demand made by the Agent (acting on the instructions of the Majority Banks);

(i) procure that the relevant Borrower executes a Charter Assignment of any such Charter in favour of the Security Agent and any notice of assignment required in connection therewith; and

(ii) procure the service of any such notice of assignment on the relevant Charterer, and use its best endeavours to procure the execution of the acknowledgement of such notice by the relevant Charterer;

(c) upon the Agent's request, deliver to the Agent such documents and evidence of the type referred to in schedule 3, in relation to any such Charter Assignment or any other related matter referred to in this clause 8.1.14, as the Agent (acting on the instructions of the Majority Banks in their sole discretion) shall reasonably require; and

(d) pay on the Agent's demand all legal costs and other costs incurred by the Agent and/or the Banks and/or the Security Agent in connection with or in relation to any such Charter Assignment or any other related matter referred to in this clause 8.1.14;

8.1.15 Know your customer information

deliver to the Agent such documents and evidence as the Agent shall from time to time require relating to the verification of identity and knowledge of the Agent's or any Bank's, the Account Bank's or any Swap Provider's customers and the compliance by the Agent or any Bank or any Swap Provider or the Account Bank with all necessary "know your customer" or similar checks, always on the basis of applicable laws and regulations or the Agent's or any Bank's or the Swap Provider's or the Account Bank's own internal guidelines, in each case as such laws, regulations or internal guidelines apply from time to time; and

8.1.16 Money laundering

ensure that any borrowing by it and the performance of its obligations hereunder and under the other Security Documents to which it is a party will be for its own account and will not

involve any breach by it of any law or regulatory measure relating to money laundering as defined in Article 1 of the directive (91/308/EEC) of the Council of the European Communities or any equivalent law or regulatory measure in any other jurisdiction.

8.2 Security value maintenance

8.2.1 Security shortfall

If at any time the Security Value shall be less than the Security Requirement, the Agent may, and if so directed by the Majority Banks shall, give notice to the Borrowers requiring that such deficiency be remedied and then the Borrowers shall, within a period of fifteen (15) days of the date of receipt by the Borrowers of the Agent's said notice, either:

(a) prepay such sum in Dollars as will result in the Security Requirement after such prepayment (taking into account any other repayment of the Loan made between the date of the notice and the date of such prepayment) being equal to the Security Value; or

(b) constitute to the satisfaction of the Agent further security for the Loan and amounts owing under the Master Swap Agreement in the form of cash deposits in Dollars, pledged and/or assigned and/or charged in favour of the Security Agent (in a form substantial to that of the Operating Account Assignment), and in an amount which, as at the date upon which such further security shall be constituted and when added to the Security Value, shall not be less than the Security Requirement as at such date.

The provisions of clause 4.4 and any relevant provisions of clause 4.5 shall apply to any prepayments made under clause 8.2.1.

8.2.2 Valuation of Mortgaged Ships

(a) Each of the Mortgaged Ships shall, for the purposes of this Agreement, be valued in Dollars as and when the Agent shall require (but at least twice every calendar year) (whether for the purpose of testing compliance with clause 8.2.1 or at any other time acting on the instructions of the Majority Banks) by two (2) of the Approved Shipbrokers, one selected by the Agent and the other selected by the Borrowers or, failing such selection by the Borrowers, selected by the Agent (acting on the instructions of the Majority Banks in their sole discretion). Each such valuation shall not be older than 30 days, shall be addressed to the Agent and made without, unless required by the Agent, physical inspection and without taking into account the benefit of any charterparty or other engagement concerning such Mortgaged Ship and it shall be made on the basis of a sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing buyer and a willing seller. The arithmetic mean of such two (2) valuations shall constitute the value of such Mortgaged Ship for the purposes of this clause 8.2 and the other provisions of this Agreement and the other Security Documents.

(b) The value of each Mortgaged Ship determined in accordance with the provisions of this clause 8.2 and/or clause 8.1.6 shall be binding upon the parties hereto until such time as any further such valuations shall be obtained in respect of such Mortgaged Ship.

8.2.3 Information

The Borrowers jointly and severally undertake with each Creditor to supply to the Agent and to any such Approved Shipbrokers such information concerning each Mortgaged Ship and its condition as such Approved Shipbrokers may require for the purpose of making any such valuation.

8.2.4 Costs

All costs in connection with the Agent obtaining any valuations of the Mortgaged Ships referred to in clause 8.2.2 and any valuation of the Mortgaged Ships referred to in clause 8.1.6 or schedule 2, shall be borne by the Borrowers.

8.2.5 Documents and evidence

In connection with any additional security provided in accordance with this clause 8.2, the Agent shall be entitled to receive such evidence and documents of the kind referred to in schedule 3 as may in the Agent's opinion, be appropriate and such favourable legal opinions as the Agent shall in its absolute discretion require.

8.3 Negative undertakings

The Borrowers jointly and severally undertake with each Creditor that, from the date of this Agreement and so long as any moneys are owing under the Security Documents and while all or any part of the Total Commitment remains outstanding, the Borrowers will not, without the prior written consent of the Agent (acting on the instructions of the Majority Banks):

8.3.1 Negative pledge

permit any Encumbrance (other than a Permitted Encumbrance) to subsist, arise or be created or extended over all or any part of their present or future undertaking, assets, rights or revenues to secure or prefer any present or future Indebtedness or other liability or obligation of any Security Party or any other person;

8.3.2 No merger

merge or consolidate with any other person or enter into any amalgamation, demerger, corporate reconstruction or redomiciliation of any type;

8.3.3 Disposals

sell, transfer, abandon, lend or otherwise dispose of or cease to exercise direct control over any part (being, either alone or when aggregated with all other disposals falling to be taken into account pursuant to this clause 8.3.3, material in the opinion of the Agent in relation to their respective undertaking, assets, rights and revenues taken as a whole) of their present or future undertaking, assets, rights or revenues (otherwise than by transfers, sales or disposals for full consideration in the ordinary course of trading but in any event excluding the assets which are subject to security created by the Security Documents) whether by one or a series of transactions related or not;

8.3.4 Other business

undertake any business other than the ownership and operation of the Ships and the chartering of the Ships to third parties;

8.3.5 Acquisitions

acquire any further assets other than the Ships and rights arising under contracts entered into by or on behalf of the Borrowers in the ordinary course of their business of owning, operating and chartering the Ships;

8.3.6 Other obligations

incur any obligations except for obligations arising under the Underlying Documents or the Security Documents or contracts entered into in the ordinary course of their business of owning, operating and chartering the Ships;

8.3.7 No borrowing

incur any Borrowed Money except for Borrowed Money pursuant to the Security Documents;

8.3.8 Repayment of borrowings

repay the principal of, or pay interest on or any other sum in connection with, any of their Borrowed Money except for Borrowed Money pursuant to the Security Documents;

8.3.9 Guarantees

issue any guarantees or indemnities or otherwise become directly or contingently liable for the obligations of any person, firm, or corporation, except pursuant to the Security Documents and except for guarantees or indemnities from time to time required in the ordinary course by any protection and indemnity or war risks association with which a Ship is entered, guarantees required to procure the release of a Ship from any arrest, detention, attachment or levy or guarantees or undertakings required for the salvage of a Ship;

8.3.10 Loans

make any loans or grant any credit to any person or agree to do so save for normal trade credit in the ordinary course of business;

8.3.11 Sureties

permit any Indebtedness of either Borrower to any person (other than the Creditors pursuant to the Security Documents) to be guaranteed by any person (save for guarantees or indemnities from time to time required in the ordinary course by any protection and indemnity or war risks association with which a Ship is entered, guarantees required to procure the release of a Ship from any arrest, detention, attachment or levy or guarantees or undertakings required for the salvage of a Ship);

8.3.12 Share capital and distribution

purchase or otherwise acquire for value any shares of their capital or declare or pay any dividends or distribute any of their present or future assets, undertaking, rights or revenues to any of their shareholders **provided however that** each Borrower shall be entitled to declare or pay cash dividends to its shareholder if no Event of Default has occurred and is continuing at the time of declaration or payment of such dividends nor would result from the declaration or payment of such dividends;

8.3.13 Subsidiaries

form or acquire any Subsidiaries or make an equity investment in any person;

8.3.14 Constitutional documents

change, amend or vary, or agree to permit any change, amendment or variation of, its constitutional documents or any change of its corporate name;

8.3.15 Intra-Group transactions

enter into any transactions or agreements with any other member of the Group other than on an arm's length basis and for full consideration;

8.3.16 Designated Transactions

enter into any derivative transactions other than Designated Transactions;

8.3.17 Financial Year

change, permit or agree to any change in, the way of computation of their financial year; and

8.3.18 Shareholdings

change, cause or permit any change in, the legal and/or ultimate beneficial ownership (direct or indirect) of any of the shares in the Manager from that existing on the date of this Agreement as specified in clause 7.2.13.

9 Conditions

9.1 Documents and evidence

The obligation of each Bank to make its Commitment available shall be subject to the condition that the Agent, or its duly authorised representative, shall have received:

9.1.1 on or prior to the day on which the first Drawdown Notice is given under this Agreement, the documents and evidence specified in Part 1 of schedule 3 in form and substance satisfactory to the Agent; and

9.1.2 on or prior to the drawdown of each Advance, the documents and evidence specified in Part 2 of schedule 3 in respect of such Advance and the Ship relevant to it, in form and substance satisfactory to the Agent.

9.2 General conditions precedent

The obligation of each Bank to contribute to an Advance shall be subject to the further conditions that, at the time of the giving of the Drawdown Notice for such Advance, and at the time of the making of such Advance:

9.2.1 the representations and warranties contained in (i) clauses 7.1, 7.2 and 7.3(b) and (ii) clause 4 of each of the Corporate Guarantees, are true and correct on and as of each such time as if each was made with respect to the facts and circumstances existing at such time;

9.2.2 no Default shall have occurred and be continuing or would result from the making of such Advance; and

9.2.3 no events, facts, conditions or circumstances shall exist or have arisen or occurred (and neither the Agent nor any Bank shall have become aware of other events, facts, conditions or circumstances not previously known to it), which the Agent (acting on the instructions of the Majority Banks) shall determine, has had or could reasonably be expected to have, a Material Adverse Effect.

9.3 Waiver of conditions precedent

The conditions specified in this clause 9 are inserted solely for the benefit of the Banks and may be waived by the Agent (acting on the instructions of the Majority Banks) in whole or in part and with or without conditions.

9.4 Further conditions precedent

Not later than five (5) Banking Days prior to each Drawdown Date and not later than five (5) Banking Days prior to each Interest Payment Date, the Agent (acting on the instructions of the Majority Banks) may request and the Borrowers shall, not later than two (2) Banking Days prior to such date, deliver to the Agent on such request further favourable certificates and/or favourable opinions as to any or all of the matters which are the subject of clauses 7, 8, 9 and 10.

10 Events of Default

10.1 Events

There shall be an Event of Default if:

10.1.1 **Non-payment**: any Security Party fails to pay any sum payable by it under any of the Security Documents at the time, in the currency and in the manner stipulated in the Security Documents (and so that, for this purpose, sums payable on demand shall be treated as having been paid at the stipulated time if paid within three (3) Banking Days of demand); or

10.1.2 **Master Swap Agreement**: (a) an Event of Default or Potential Event of Default (in each case as defined in the Master Swap Agreement) has occurred and is continuing with the Borrowers or either of them as the Defaulting Party (as defined in the Master Swap Agreement) under the Master Swap Agreement or (b) an Early Termination Event (as defined in the Master Swap Agreement) has occurred with the Borrowers as the sole Affected Party (as defined in the Master Swap Agreement) or has been or will become capable of being effectively designated under the Master Swap Agreement by the Swap Provider; or

10.1.3 **Breach of Insurances and certain other obligations**: either of the Borrowers or the Manager or any other person fails to obtain and/or maintain the Insurances (in accordance with the requirements of, the relevant Ship Security Documents) for either of the Mortgaged Ships or if any insurer in respect of such Insurances cancels such Insurances or disclaims liability by reason, in either case, of mis-statement in any proposal for such Insurances or for any other failure or default on the part of either of the Borrowers or any other person, or the Borrowers or either of them commit any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by them under clauses 8.1.5, 8.1.6, 8.2 or 8.3, or the Asclepius Guarantor commits any breach of, or fails to observe, any of the obligations or undertakings expressed to be assumed by it under clauses 5.1.4, 5.1.5, 5.2 or 5.3 of the Asclepius Guarantee or the DryShips Guarantor commits any breach of, or fails to observe, any of the obligations or undertakings expressed to be assumed by it under clause 5.2 of the DryShips Guarantee; or

10.1.4 **Breach of other obligations**: any Security Party commits any breach of or omits to observe any of its obligations or undertakings expressed to be assumed by it under any of the Security Documents (other than those referred to in clauses 10.1.1, 10.1.2 and 10.1.3 above) and, in respect of any such breach or omission which in the opinion of the Agent (following consultation with the Banks) is capable of remedy, such action as the Agent (acting on the instructions of the Majority Banks) may require shall not have been taken within thirty (30) days of the Agent notifying the relevant Security Party of such default and of such required action; or

10.1.5 **Misrepresentation**: any representation or warranty made or deemed to be made or repeated by or in respect of any Security Party in or pursuant to any of the Security Documents or in any notice, certificate or statement referred to in or delivered under any of the Security Documents or any of the Underlying Documents is or proves to have been incorrect or misleading in any material respect; or

10.1.6 **Cross-default**: any Indebtedness of any Security Party or any other Relevant Party is not paid when due or any Indebtedness of any Security Party or any other Relevant Party becomes (whether by declaration or (except in the case of the DryShips Guarantor) automatically, in accordance with the relevant agreement or instrument constituting the same) due and payable prior to the date when it would otherwise have become due (unless as a result of the exercise by the relevant Security Party or any other Relevant Party of a voluntary right of prepayment), or any creditor of any Security Party or any other Relevant Party declares or (except in the case of the DryShips Guarantor) becomes entitled to declare any such Indebtedness due and payable or any facility or commitment available to any Security Party or any other Relevant Party relating to Indebtedness is withdrawn, suspended or cancelled by reason of any default (however described) of the person concerned unless the relevant Security Party or any other Relevant Party shall have satisfied the Agent that

such withdrawal, suspension or cancellation will not affect or prejudice in any way the ability of the relevant Security Party or other Relevant Party to pay its debts as they fall due and fund its commitments, or any guarantee given by any Security Party or any other Relevant Party in respect of Indebtedness is not honoured when due and called upon **Provided that** the amount of any Indebtedness of the DryShips Guarantor, at any one time, in relation to which any of the foregoing events shall have occurred and be continuing, is equal or greater than One million Dollars ($1,000,000) or its equivalent in the currency in which the same is denominated or payable; or

10.1.7 **Legal process**: any judgment or order made against any Security Party or other Relevant Party is not stayed or complied with within ten (10) days or a creditor attaches or takes possession of, or a distress, execution, sequestration or other process is levied or enforced upon or sued out against, any of the undertakings, assets, rights or revenues of any Security Party or other Relevant Party and is not discharged within ten (10) days; or

10.1.8 **Insolvency**: any Security Party or any other member of the Group is unable or admits inability to pay its debts as they fall due; or suspends making payments on any of its debts or announces an intention to do so; or becomes insolvent; or has assets the value of which is less than the value of its liabilities (taking into account contingent and prospective liabilities); or suffers the declaration of a moratorium in respect of any of its Indebtedness or any corporate action, legal proceedings or other procedure or step is taken in relation to any of the above; or

10.1.9 **Reduction or loss of capital**: a meeting is convened by any Security Party or other Relevant Party for the purpose of passing any resolution to purchase, reduce or redeem any of its share capital; or

10.1.10 **Winding up**: any corporate action, legal proceedings or other procedure or step is taken for the purpose of winding-up any Security Party or any other member of the Group or an order is made or resolution passed for the winding up of any Security Party or any other member of the Group or a notice is issued convening a meeting for the purpose of passing any such resolution; or

10.1.11 **Administration**: any petition is presented, notice given or other step is taken for the purpose of the appointment of an administrator of any Security Party or any other member of the Group or the Agent believes that any such petition or other step is imminent or an administration order is made in relation to any Security Party or any other member of the Group; or

10.1.12 **Appointment of receivers and managers**: any administrative or other receiver, liquidator, compulsory manager or other similar officer is appointed of any Security Party or any other member of the Group or any part of its assets and/or undertaking or any other steps are taken to enforce any Encumbrance over all or any part of the assets of any Security Party or any other member of the Group; or

10.1.13 **Compositions**: any corporate action, legal proceedings or other procedures or steps are taken, or negotiations commenced, by any Security Party or any other member of the Group or by any of its creditors with a view to the general readjustment or rescheduling of all or part of its indebtedness (provided however that, for the avoidance of any doubt, the mere granting by any creditor to a Security Party or other member of the Group of any deferral option in relation to the payment of individual repayment instalments of any loan or any increase of margin or any prepayment of any loan shall not in itself constitute an Event of Default under this clause 10.1.13) or to proposing any kind of composition, compromise or arrangement involving such person and any of its creditors; or

10.1.14 **Analogous proceedings**: there occurs, in relation to any Security Party or other Relevant Party, in any country or territory in which any of them carries on business or to the jurisdiction of whose courts any part of their assets is subject, any event which, in the reasonable opinion of the Agent, appears in that country or territory to correspond with, or have an effect equivalent or similar to, any of those mentioned in clauses 10.1.7 to 10.1.13 (inclusive) or any Security Party or other Relevant Party otherwise becomes subject, in any such country or territory, to the operation of any law relating to insolvency, bankruptcy or liquidation; or

10.1.15 **Cessation of business**: any Security Party or any other member of the Group suspends or ceases or threatens to suspend or cease to carry on its business; or

10.1.16 **Seizure**: all or a material part of the undertaking, assets, rights or revenues of, or shares or other ownership interests in, any Security Party or any other Relevant Party are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government; or

10.1.17 **Invalidity**: any of the Security Documents shall at any time and for any reason become invalid or unenforceable or otherwise cease to remain in full force and effect, or if the validity or enforceability of any of the Security Documents shall at any time and for any reason be contested by any Security Party which is a party thereto, or if any such Security Party shall deny that it has any, or any further, liability thereunder; or

10.1.18 **Unlawfulness**: it becomes impossible or unlawful at any time for any Security Party, to fulfil any of the covenants and obligations expressed to be assumed by it in any of the Security Documents or for a Creditor to exercise the rights or any of them vested in it under any of the Security Documents or otherwise; or

10.1.19 **Repudiation**: any Security Party repudiates any of the Security Documents or does or causes or permits to be done any act or thing evidencing an intention to repudiate any of the Security Documents; or

10.1.20 **Encumbrances enforceable**: any Encumbrance (other than Permitted Liens) in respect of any of the property (or part thereof) which is the subject of any of the Security Documents becomes enforceable; or

10.1.21 **Material Adverse Effect**: any event, condition, fact or circumstance occurs, arises or exists which, in the opinion of the Agent (acting on the instructions of the Majority Banks), has had or is reasonably expected to have a Material Adverse Effect; or

10.1.22 **Arrest**: either Ship is arrested, confiscated, seized, taken in execution, impounded, forfeited, detained in exercise or purported exercise of any possessory lien or other claim or otherwise taken from the possession of the relevant Borrower and such Borrower shall fail to procure the release of such Ship within a period of ten (10) days thereafter; or

10.1.23 **Registration**: the registration of a Ship under the laws and flag of the relevant Flag State is cancelled or terminated without the prior written consent of the Agent (acting on the instructions of the Majority Banks) or if such registration of a Ship is not renewed at least forty five (45) days prior to the expiry of such registration; or

10.1.24 **Unrest**: the Flag State of a Ship becomes involved in hostilities or civil war or there is a seizure of power in the Flag State of a Ship by unconstitutional means; or

10.1.25 **Environment**: either Borrower and/or any other Relevant Party and/or any Security Party fails to comply with any Environmental Law or any Environmental Approval or either of the Ships or any other Relevant Ship is involved in any incident which gives rise or may give rise to an Environmental Claim; or

10.1.26 **P&I**: either Borrower or the Manager or any other person fails or omits to comply with any requirements of the protection and indemnity association or other insurer with which such Borrower's Ship is entered for insurance or insured against protection and indemnity risks (including oil pollution risks) to the effect that any cover (including, without limitation, any cover in respect of liability for Environmental Claims arising in jurisdictions where such Ship operates or trades) is or may be liable to cancellation, qualification or exclusion at any time; or

10.1.27 **Shareholdings**:

(a) either of the Borrowers ceases at any time to be a wholly-owned indirect Subsidiary of the Asclepius Guarantor; or

(b) there is any change in the legal and/or ultimate beneficial ownership (direct or indirect) of any of the shares in the Manager, from that existing on the date of this Agreement, as set out in clause 7.2.13; or

(c) without prejudice to the generality of paragraphs (a) to (b) above, a Change of Control occurs; or

10.1.28 **Accounts**: moneys are withdrawn from either of the Operating Accounts other than in accordance with clause 14 or the provisions of the Operating Account Assignments; or

10.1.29 **Manager**: either Ship ceases to be managed by the Manager without the prior written consent of the Agent (acting on the instructions of the Majority Banks) provided however that such consent shall not to be unreasonably withheld if (a) the Borrowers propose to the Agent a replacement manager for that Ship and (b) the persons who are the legal and ultimate beneficial owners of the shares of the proposed replacement manager are the persons disclosed by the Borrowers to the Agent in the negotiation of this Agreement to be the legal and ultimate beneficial owners of the shares of the Manager as at the date of this Agreement; or

10.1.30 **Termination of the Initial Charters**: either Initial Charter is cancelled or terminated or becomes frustrated for any reason whatsoever other than expiry by effluxion of time or the relevant Ship becoming a Total Loss unless, forthwith upon such event occurring, such Initial Charter has been replaced by another Charter in respect of the relevant Ship with such Charterer, for such duration, with such charterhire and otherwise on such other terms and conditions as are in all respects acceptable to the Agent (acting on the instructions of the Majority Banks); or

10.1.31 **De-listing**: at any time the shares of the DryShips Guarantor are de-listed or cease to trade on the New York Stock Exchange, unless at that time the Creditors have released the DryShips Guarantor from its obligations under the DryShips Guarantee; or

10.1.32 **Licenses, etc**: any license, authorisation, consent or approval at any time necessary to enable any Security Party to comply with its obligations under the Security Documents or the Underlying Documents is revoked or withheld or modified or is otherwise not granted or fails to remain in full force and effect or if any exchange control or other law or regulation shall exist which would make any transaction under the Security Documents or the Underlying Documents or the continuation thereof, unlawful or would prevent the performance by any Security Party of any term of any of the Security Documents or the Underlying Documents; or

10.1.33 **Material events**: any other event occurs or circumstance arises which, in the opinion of the Agent (acting on the instructions of the Majority Banks), is likely materially and adversely to affect either (a) the ability of any Security Party to perform all or any of its obligations under or otherwise to comply with the terms of any of the Security Documents or the Underlying Documents or (b) the security created by any of the Security Documents.

10.2 Acceleration

The Agent may, and if so requested by the Majority Banks shall, without prejudice to any other rights of the Creditors, at any time after the happening of an Event of Default by notice to the Borrowers declare that:

10.2.1 the obligation of each Bank to make its Commitment available shall be terminated, whereupon the Total Commitment shall be reduced to zero forthwith; and/or

10.2.2 the Loan and all interest and commitment commission accrued and all other sums payable under the Security Documents have become due and payable, whereupon the same shall, immediately or in accordance with the terms of such notice, become due and payable.

10.3 Demand basis

If, pursuant to clause 10.2.2, the Agent declares the Loan to be due and payable on demand, the Agent may (and, if so instructed by the Majority Banks, shall) by written notice to the Borrowers (a) call for repayment of the Loan on such date as may be specified whereupon the Loan shall become due and payable on the date so specified together with all interest and commitment commission accrued and all other sums payable under this Agreement or (b) withdraw such declaration with effect from the date specified in such notice.

10.4 Position of Swap Provider

Neither the Agent nor the Security Agent shall be obliged, in connection with any action taken or proposed to be taken under or pursuant to the foregoing provisions of this clause 10, to have any regard to the requirements of the Swap Provider except to the extent that the Swap Provider is also a Bank.

11 Indemnities

11.1 Miscellaneous indemnities

The Borrowers shall on demand indemnify each Creditor, without prejudice to any of such Creditor's other rights under any of the Security Documents, against any loss (including loss of Margin) or expense which such Creditor shall certify as sustained or incurred by it as a consequence of:

11.1.1 any default in payment by any Security Party of any sum under any of the Security Documents when due;

11.1.2 the occurrence of any other Event of Default;

11.1.3 any prepayment of the Loan (or any part thereof) being made under clauses 4.2, 4.3, 8.2.1 or 12.1, or any other repayment or prepayment of the Loan or part thereof being made otherwise than on an Interest Payment Date relating to the part of the Loan prepaid or repaid; or

11.1.4 any Advance not being made for any reason (excluding any default by any Creditor) after the Drawdown Notice for such Advance has been given,

including, in any such case, but not limited to, any loss or expense sustained or incurred by a Bank in maintaining or funding its Contribution or, as the case may be, Commitment or any part thereof or in liquidating or re-employing deposits from third parties acquired to effect or maintain its Contribution or, as the case may be, Commitment or any part thereof or any other amount owing to such Bank, or in terminating, reversing or otherwise in connection with, any open position of a Bank in relation to this Agreement.

11.2 Currency indemnity

If any sum due from the Borrowers or either of them under any of the Security Documents or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under the relevant Security Document or under such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Borrowers or either of them, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to any of the Security Documents, the Borrowers shall indemnify and hold harmless each Creditor from and against any loss suffered as a result of any difference between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency

into the second currency and (ii) the rate or rates of exchange at which the relevant Creditor may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

Any amount due from the Borrowers under this clause 11.2 shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of any of the Security Documents and the term "**rate of exchange**" includes any premium and costs of exchange payable in connection with the purchase of the first currency with the second currency.

11.3 Environmental indemnity

The Borrowers shall indemnify each Creditor on demand and hold it harmless from and against all costs, expenses, payments, charges, losses, demands, liabilities, actions, proceedings (whether civil or criminal), penalties, fines, damages, judgements, orders, sanctions or other outgoings of whatever nature which may be suffered, incurred or paid by, or made or asserted against such Creditor at any time, whether before or after the repayment in full of principal and interest under this Agreement, relating to, or arising directly or indirectly in any manner or for any cause or reason whatsoever out of an Environmental Claim made or asserted against such Creditor if such Environmental Claim would not have been, or been capable of being, made or asserted against such Creditor if it had not entered into any of the Security Documents and/or exercised any of its rights, powers and discretions thereby conferred and/or performed any of its obligations thereunder and/or been involved in any of the transactions contemplated by the Security Documents.

11.4 Central Bank or European Central Bank reserve requirements indemnity

The Borrowers shall on demand promptly indemnify each Bank against any cost incurred or loss suffered by such Bank as a result of its complying with the minimum reserve requirements of the European Central Bank and/or with respect to maintaining required reserves with the relevant national Central Bank to the extent that such compliance relates to such Bank's Commitment and/or Contribution or deposits obtained by it to fund the whole or part of that Contribution and to the extent such cost or loss is not recoverable by such Bank under clause 12.2.

11.5 Waiver

In no event shall a Creditor or any of its Related Companies or any of their respective officers or directors be liable on any theory of liability for any special, indirect, consequential or punitive damages and each of the Borrowers hereby waives, releases and agrees not to sue upon any such claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favour.

11.6 General indemnity

Each of the Borrowers hereby indemnifies and agrees to hold harmless the Creditors and each of their respective Related Companies and each of their respective officers, directors, employees, agents, advisors and representatives (each, an "**Indemnified Party**") from and against any and all claims, damages, losses, liabilities, costs, legal and other expenses (altogether the "**Losses**"), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to any claim, investigation, litigation or proceeding (or the preparation of any defence with respect thereto) commenced or threatened in relation to the Security Documents or any of them (or the transactions contemplated hereby or thereby) or any use made or proposed to be made with the proceeds of the Loan. This indemnity shall apply whether or not such claims, investigation, litigation or proceeding is brought by the Borrowers, any other Security Party, any Relevant Party, any of their respective shareholders or creditors, an Indemnified Party or any other person, or an Indemnified Party is otherwise a party thereto, except to the extent that such Losses are found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or wilful misconduct.

12 Unlawfulness and increased costs

12.1 Unlawfulness

If it is or becomes contrary to any law or regulation for any Bank to contribute to an Advance or to maintain its Commitment or fund its Contribution, such Bank shall promptly, through the Agent, give notice to the Borrowers whereupon (a) the Total Commitment shall be reduced to zero and (b) the Borrowers shall be obliged to prepay the Loan either (i) forthwith or (ii) on a future specified date not being earlier than the latest date permitted by the relevant law or regulation together with interest accrued to the date of prepayment and all other sums payable by the Borrowers under this Agreement and/or the Master Swap Agreement.

12.2 Increased costs

If the result of any change in, or in the interpretation or application of, or the introduction of, any Capital Adequacy Law or the compliance by a Bank with any Capital Adequacy Law, is to:

12.2.1 subject any Bank to Taxes or change the basis of Taxation of any Bank with respect to any payment under any of the Security Documents (other than Taxes or Taxation on the overall net income, profits or gains of such Bank imposed in the jurisdiction in which its principal or lending office under this Agreement is located); and/or

12.2.2 increase the cost to, or impose an additional cost on, any Bank or its holding company in making or keeping such Bank's Commitment available or maintaining or funding all or part of such Bank's Contribution; and/or

12.2.3 reduce the amount payable or the effective return to any Bank under any of the Security Documents; and/or

12.2.4 reduce any Bank's or its holding company's rate of return on its overall capital by reason of a change in the manner in which it is required to allocate capital resources to such Bank's obligations under any of the Security Documents; and/or

12.2.5 require any Bank or its holding company to make a payment or forego a return on or calculated by reference to any amount received or receivable by such Bank under any of the Security Documents; and/or

12.2.6 require any Bank or its holding company to incur or sustain a loss (including a loss of future potential profits) by reason of being obliged to deduct all or part of its Commitment or its Contribution from its capital for regulatory purposes.

then and in each such case (subject to clause 12.3):

(a) such Bank shall (through the Agent) notify the Borrowers in writing of such event promptly upon its becoming aware of the same; and

(b) the Borrowers shall on demand made at any time, whether or not such Bank's Contribution has been repaid, pay to the Agent for the account of such Bank the amount which such Bank specifies (in a certificate setting forth the basis of the computation of such amount but not including any matters which such Bank or its holding company regards as confidential) is required to compensate such Bank and/or (as the case may be) its holding company for such liability to Taxes, cost, reduction, payment, foregone return or loss.

For the purposes of this clause 12.2 "**holding company**" means, in relation to a Bank, the company or entity (if any) within the consolidated supervision of which such Bank is included.

12.3 Exception

Nothing in clause 12 shall entitle any Bank to receive any amount in respect of compensation for any such liability to Taxes, increased or additional cost, reduction, payment, foregone return or loss to the extent that the same (a) is taken into account in calculating the Mandatory Cost or (b) is the subject of an additional payment under clause 6.6.

13 Security, set-off and pro-rata payments

13.1 Application of moneys

All moneys received by a Creditor under or pursuant to any of the Security Documents and expressed to be applicable in accordance with the provisions of this clause 13.1 shall, if received by a Creditor other than the Agent and the Security Agent, be paid to the Agent for application, and if received by the Agent or the Security Agent, shall be applied by the Agent and/or the Security Agent (as the case may be) in the following manner:

13.1.1 first, in or towards payment of all unpaid costs, expenses and fees which may be owing to the Arranger, the Agent or the Security Agent under any of the Security Documents;

13.1.2 secondly, in or towards payment of any unpaid costs, expenses and fees payable to the Banks or the Account Bank or any of them;

13.1.3 thirdly, in or towards payment of any arrears of interest owing in respect of the Loan or any part thereof;

13.1.4 fourthly, in or towards payment to any Bank for any loss suffered by reason of any such payment in respect of principal not being effected on an Interest Payment Date relating to the part of the Loan repaid or prepaid and which amounts are so payable under this Agreement;

13.1.5 fifthly, in or towards repayment of the Loan (whether the same is due and payable or not);

13.1.6 sixthly, in or towards payment to the Swap Provider of any sums owing to it under the Master Swap Agreement;

13.1.7 seventhly, in or towards payment to any Creditor (other than the Swap Provider) of any other sums owing to it under any of the Security Documents (and if any such sums are owing to more than one Creditor, as between such Creditors on a pro rata basis); and

13.1.8 eighthly, the surplus (if any) shall be paid to the Borrowers or to whomsoever else may be entitled to receive such surplus.

13.2 Pro rata payments

13.2.1 If at any time any Bank (the "**Recovering Bank**") receives or recovers any amount owing to it by the Borrowers under this Agreement by direct payment, set-off or in any manner other than by payment through the Agent pursuant to clauses 6.1 or 6.9 (not being a payment received from a Transferee Bank or a sub-participant in such Bank's Contribution or any other payment of an amount due to the Recovering Bank for its sole account pursuant to clauses 3.6, 5, 6.6, 11.1, 11.2, 12.1 or 12.2) the Recovering Bank shall, within two (2) Banking Days of such receipt or recovery (a "**Relevant Receipt**") notify the Agent of the amount of the Relevant Receipt. If the Relevant Receipt exceeds the amount which the Recovering Bank would have received if the Relevant Receipt had been received by the Agent and distributed pursuant to clauses 6.1 or 6.9 (as the case may be) then:

(a) within two (2) Banking Days of demand by the Agent, the Recovering Bank shall pay to the Agent an amount equal (or equivalent) to the excess;

(b) the Agent shall treat the excess amount so paid by the Recovering Bank as if it were a payment made by the Borrowers and shall distribute the same to the Banks (other than the Recovering Bank) in accordance with clause 6.9; and

(c) as between the Borrowers and the Recovering Bank the excess amount so re-distributed shall be treated as not having been paid but the obligations of the Borrowers to the other Banks shall, to the extent of the amount so re-distributed to them, be treated as discharged.

13.2.2 If any part of the Relevant Receipt subsequently has to be wholly or partly refunded by the Recovering Bank (whether to a liquidator or otherwise) each Bank to which any part of such Relevant Receipt was so re-distributed shall on request from the Recovering Bank repay to the Recovering Bank such Bank's pro-rata share of the amount which has to be refunded by the Recovering Bank.

13.2.3 Each Bank shall on request supply to the Agent such information as the Agent may from time to time request for the purpose of this clause 13.2.

13.2.4 Notwithstanding the foregoing provisions of this clause 13.2, no Recovering Bank shall be obliged to share any Relevant Receipt which it receives or recovers pursuant to legal proceedings taken by it to recover any sums owing to it under this Agreement with any other party which has a legal right to, but does not, either join in such proceedings or commence and diligently pursue separate proceedings to enforce its rights in the same or another court (unless the proceedings instituted by the Recovering Bank are instituted by it without prior notice having been given to such party through the Agent).

13.3 Set-off

13.3.1 Each Borrower authorises the Agent and each Bank (without prejudice to any of the Agent's and such Bank's rights at law, in equity or otherwise), at any time and without notice to the Borrowers, to apply any credit balance to which such Borrower is then entitled standing upon any account of such Borrower with any branch of such Creditor in or towards satisfaction of any sum due and payable from the Borrowers or either of them to the Agent or such Bank, as the case may be, under any of the Security Documents. For this purpose, the Agent and each Bank is authorised to purchase with the moneys standing to the credit of such account such other currencies as may be necessary to effect such application.

13.3.2 No Creditor shall be obliged to exercise any right given to it by this clause 13.2. Each Bank shall notify the Agent and the Agent shall notify the Borrowers forthwith upon the exercise or purported exercise of any right of set-off giving full details in relation thereto and the Agent shall inform the other Banks.

13.3.3 Nothing in this clause 13.3 shall be effective to create a charge or other Encumbrance.

13.4 No release

For the avoidance of doubt it is hereby declared that failure by any Recovering Bank to comply with the provisions of clause 13.2 shall not release any other Recovering Bank from any of its obligations or liabilities under clause 13.2.

13.5 No charge

The provisions of this clause 13 shall not, and shall not be construed so as to, constitute a charge or other security interest by a Creditor over all or any part of a sum received or recovered by it in the circumstances mentioned in clause 13.2.

13.6 Further assurance

The Borrowers jointly and severally undertake that the Security Documents shall both at the date of execution and delivery thereof and so long as any moneys are owing under any of the

Security Documents be valid and binding obligations of the respective parties thereto and rights of each Creditor enforceable in accordance with their respective terms and that they will, at their expense, execute, sign, perfect and do, and will procure the execution, signing, perfecting and doing by each of the other Security Parties of, any and every such further assurance, document, act or thing as in the reasonable opinion of the Majority Banks may be necessary or desirable for perfecting the security contemplated or constituted by the Security Documents.

13.7 Conflicts

In the event of any conflict between this Agreement and any of the other Borrowers' Security Documents (other than the Master Swap Agreement), the provisions of this Agreement shall prevail.

14 Operating Accounts

14.1 General

The Borrowers jointly and severally undertake with each Creditor that they will:

14.1.1 on or before the first Drawdown Date under this Agreement, open each of the Operating Accounts (and provide the Agent and the Account Bank with any information or documents requested by them under clause 8.1.15 to enable the Account Bank to do so); and

14.1.2 procure that all moneys payable to a Borrower in respect of the Earnings of such Borrower's Ship and 50% of any moneys payable to the Borrowers under the Master Swap Agreement shall, unless and until the Agent (acting on the instructions of the Majority Banks) directs to the contrary pursuant to clause 2.1 of the Deed of Covenant relevant to such Ship, be paid to such Borrower's Operating Account Provided however that if any of the moneys paid to either of the Operating Accounts are payable in a currency other than Dollars, the Account Bank shall (and the Borrowers hereby irrevocably and unconditionally instruct the Account Bank to) convert such moneys into Dollars at the Account Bank's spot rate of exchange at the relevant time for the purchase of Dollars with such currency and the term "**spot rate of exchange**" shall include any premium and costs of exchange payable in connection with the purchase of Dollars with such currency.

14.2 Operating Accounts: withdrawals

Unless and until a Default shall occur and be continuing and the Agent (acting on the instructions of the Majority Banks) shall direct to the contrary, each Borrower shall be entitled to withdraw moneys from its Operating Account only for the following purposes:

14.2.1 to pay any amount to the Agent in or towards payments of any instalments of interest or any repayments, reductions or other payments of principal, or any other amounts then payable pursuant to the Security Documents;

14.2.2 to pay the proper and reasonable expenses of its Ship (including management fees under the Management Agreement);

14.2.3 to pay the proper and reasonable expenses of administering its affairs; and

14.2.4 to the extent not prohibited by the other provisions of this Agreement to pay cash dividends and distributions to its shareholder.

14.3 Account terms

Amounts standing to the credit of the Operating Accounts shall (unless otherwise agreed between the Account Bank and the Borrowers) bear interest at the rates from time to time offered by the Account Bank to its customers for Dollar deposits in comparable amounts for comparable periods. Interest shall accrue on the Operating Accounts from day to day and be calculated on the basis of actual days elapsed and a three hundred and sixty (360) day year and shall be credited to the Operating Accounts at such times as the Account Bank and the Borrowers shall agree.

14.4 Application of moneys of the Operating Accounts

At any time after the occurrence of an Event of Default, the Agent may (and on the instructions of the Majority Banks shall), without notice to the Borrowers, instruct the Account Bank to apply all moneys then standing to the credit of the Operating Accounts or either of them (together with interest from time to time accruing or accrued thereon) in or towards satisfaction of any sums due to the Creditors or any of them under the Security Documents in the manner specified in clause 13.1.

14.5 Charging of Operating Accounts

The Operating Accounts and all amounts from time to time standing to the credit thereof shall be subject to the security constituted and the rights conferred by the Operating Account Assignments.

14.6 Electronic Banking

The Borrowers hereby jointly and severally undertake with the Creditors that they will on or before the Termination Date enter into any service level agreement with the Account Bank in respect of cash management services and electronic banking system for the Operating Accounts as requested by the Agent.

15 Assignment, transfer and lending office

15.1 Benefit and burden

This Agreement shall be binding upon, and enure for the benefit of, the Creditors and the Borrowers and their respective successors in title.

15.2 No assignment by Borrowers

Neither Borrower may assign or transfer any of its rights or obligations under this Agreement.

15.3 Transfers by Banks

Subject to the prior written consent of (a) the Borrowers (such consent not to be unreasonably withheld or delayed) and (b) the Agent, any Bank (the "**Transferor Bank**") may at any time cause all or any part of its rights, benefits and/or obligations under this Agreement and the Security Documents to be transferred to any other bank or financial institution (a "**Transferee Bank**") by delivering to the Agent a Transfer Certificate duly completed and duly executed by the Transferor Bank and the Transferee Bank **Provided however** that (a) the Transferor Bank shall pay to the Agent a transfer fee of Three thousand Dollars ($3,000) in respect of any such transfer and (b) the rights, benefits and/or obligations to be transferred under any such transfer shall be in respect of a minimum amount of Ten million Dollars ($10,000,000) of the Transferor Bank's Commitment and/or (as the case may be) Contribution. The consent of the Borrower referred to above shall not be required in relation to any transfer if (1) a Default has occurred and is continuing or (2) the relevant Transferee Bank is (A) another Bank or (B) a Related Company of the relevant Transferor Bank or of another Bank. No such transfer is binding on, or effective in relation to, the Borrowers, the Agent or the other Creditors unless (i) it is effected or evidenced by a Transfer Certificate which complies with the provisions of this clause 15.3 and is signed by or on behalf of the Transferor Bank, the Transferee Bank and the Agent (on behalf of itself, the Borrowers and the other Creditors) and (ii) such transfer of rights under the other Security Documents as the Agent or the Transferee Bank may deem necessary has been effected and registered to the satisfaction of the Agent. Upon signature of any such Transfer Certificate by the Agent, which signature shall be effected as promptly as is practicable after such Transfer Certificate has been delivered to the Agent, and subject to the terms of such Transfer Certificate, such Transfer Certificate shall have effect as set out below

The following further provisions shall have effect in relation to any Transfer Certificate:

15.3.1 a Transfer Certificate may be in respect of a Bank's rights in respect of all, or part of, its Commitment and shall be in respect of the same proportion of its Contribution;

15.3.2 a Transfer Certificate shall only be in respect of rights and obligations of the Transferor Bank in its capacity as a Bank and shall not transfer its rights and obligations as Agent, Security Agent or in any other capacity, as the case may be and such other rights and obligations may only be transferred in accordance with any applicable provisions of this Agreement;

15.3.3 a Transfer Certificate shall take effect in accordance with English law as follows:

(a) to the extent specified in the Transfer Certificate, the Transferor Bank's payment rights and all its other rights (other than those referred to in clause 15.3.2 above) under this Agreement are assigned to the Transferee Bank absolutely, free of any defects in the Transferor Bank's title and of any rights or equities which the Borrowers or either of them had against the Transferor Bank;

(b) the Transferor Bank's Commitment is discharged to the extent specified in the Transfer Certificate;

(c) the Transferee Bank becomes a Bank with a Contribution and a Commitment of the amounts specified in the Transfer Certificate;

(d) the Transferee Bank becomes bound by all the provisions of this Agreement and the Security Documents which are applicable to the Banks generally, including those about pro-rata sharing and the exclusion of liability on the part of, and the indemnification of, the Agent, the Security Agent, the Swap Provider and the Arranger in accordance with the provisions of clause 16 and to the extent that the Transferee Bank becomes bound by those provisions, the Transferor Bank ceases to be bound by them;

(e) an Advance or part of an Advance which the Transferee Bank makes after the Transfer Certificate comes into effect ranks in point of priority and security in the same way as it would have ranked had it been made by the Transferor Bank, assuming that any defects in the Transferor Bank's title and any rights or equities of any Security Party against the Transferor Bank had not existed; and

(f) the Transferee Bank becomes entitled to all the rights under this Agreement which are applicable to the Banks generally, including but not limited to those relating to the Majority Banks and those under clauses 3.6, 5 and 12 and to the extent that the Transferee Bank becomes entitled to such rights, the Transferor Bank ceases to be entitled to them;

15.3.4 the rights and equities of the Borrowers or of any other Security Party referred to above include, but are not limited to, any right of set-off and any other kind of cross-claim; and

15.3.5 the Borrowers, the Account Bank, the Security Agent, the Swap Provider and the other Creditors hereby irrevocably authorise and instruct the Agent to sign any such Transfer Certificate on their behalf and undertake not to withdraw, revoke or qualify such authority or instruction at any time. Promptly upon its signature of any Transfer Certificate, the Agent shall notify the Borrowers, the Security Agent, the Swap Provider, the Account Bank, the Arranger, the Transferor Bank, the Transferee Bank and the other Banks.

15.4 Reliance on Transfer Certificate

15.4.1 The Agent shall be entitled to rely on any Transfer Certificate believed by it to be genuine and correct and to have been presented or signed by the persons by whom it purports to have been presented or signed, and shall not be liable to any of the parties to this Agreement and the Security Documents for the consequences of such reliance.

15.4.2 The Agent shall at all times during the continuation of this Agreement maintain a register in which it shall record the name, Commitments, Contributions and administrative details (including the lending office) from time to time of the Banks holding a Transfer Certificate and the date at which the transfer referred to in such Transfer Certificate held by each Bank was transferred to such Bank, and the Agent shall make the said register available for inspection by any Bank, the Security Agent or either Borrower during normal banking hours upon receipt by the Agent of reasonable prior notice requesting the Agent to do so.

15.4.3 The entries on the said register shall, in the absence of manifest error, be conclusive in determining the identities of the Commitments, the Contributions and the Transfer Certificates held by the Banks from time to time and the principal amounts of such Transfer Certificates and may be relied upon by the Agent, the other Creditors and the Security Parties for all purposes in connection with this Agreement and the Security Documents.

15.5 Transfer fees and expenses

If any Bank causes the transfer of all or any part of its rights, benefits and/or obligations under the Security Documents, it shall (or it shall ensure that the relevant Transferee Bank shall) pay to the Agent and/or the Security Agent on demand a transfer fee of $3,500 per transfer for the account of the Agent and all costs, fees and expenses (including, but not limited to, legal fees and expenses), and all value added tax thereon, verified by the Agent or, as the case may be, the Security Agent as having been incurred by it in connection with such transfer.

15.6 Documenting transfers

If any Bank assigns all or any part of its rights or transfers all or any part of its rights, benefits and/or obligations as provided in clause 15.3, the Borrowers jointly and severally undertake with each Creditor, immediately on being requested to do so by the Agent and at the cost of the Transferor Bank, to enter into, and procure that the other Security Parties shall (at the cost of the Transferor Bank) enter into, such documents as may be necessary or desirable to transfer to the Transferee Bank all or the relevant part of such Bank's interest in the Security Documents and all relevant references in this Agreement to such Bank shall thereafter be construed as a reference to the Transferor Bank and/or its Transferee Bank (as the case may be) to the extent of their respective interests.

15.7 Sub-participation

A Bank may sub-participate to all or any part of its rights and/or obligations under the Security Documents without the consent of, or notice to, the Borrowers but with the prior written consent of the Agent (such consent not to be unreasonably withheld) **Provided however that** the terms of any relevant sub-participation agreement shall provide that the sub-participant shall not exercise (or be entitled to exercise) any direct or indirect control over the voting rights of such Bank under this Agreement and the other Security Documents (such that such Bank shall be entitled to exercise its rights and discharge its obligations under this Agreement and the other Security Documents, without any prior approval or consent of, or any other reference to, the relevant sub-participant).

15.8 Lending offices

Each Bank shall lend through its office at the address specified in schedule 1 or, as the case may be, in any relevant Transfer Certificate or through any other office of such Bank selected from time to time by such Bank through which such Bank wishes to lend for the purposes of this Agreement. If the office through which a Bank is lending is changed pursuant to this clause 15.8, such Bank shall notify the Agent promptly of such change and the Agent shall notify the Borrowers, the Security Agent, the Swap Provider, the Account Bank and the other Banks.

15.9 Disclosure of information

A Bank may, with the prior written consent of the Agent (such consent not to be unreasonably withheld), disclose to a prospective Transferee Bank (provided that the Borrowers have in the

meantime given their consent in relation to that transfer, if and where the same is required under clause 15.3) or to any other person who may propose entering into contractual relations with such Bank in relation to this Agreement such information about the Borrowers and the other Security Parties, the Group and any members thereof or any of them as such Bank shall consider appropriate provided that such Bank shall ensure that such information shall be disclosed on a confidential basis to any such person.

15.10 Replacement of a Bank

15.10.1 If at any time:

(a) any Bank becomes an Increased Cost Bank; or

(b) any Bank becomes a Non-Consenting Bank,

then the Borrowers may: (i) on ten (10) Business Days' prior notice to the Agent and that Bank; and (ii) following consultation with the Agent, replace that Bank by causing it to (and that Bank shall) transfer pursuant to this clause 15 all of its rights and obligations under this Agreement and the other Security Documents to another Bank or other person selected by the Borrowers and acceptable to the Agent (acting reasonably) for a purchase price equal to the outstanding principal amount of that Bank's Contribution and all accrued interest and fees and other amounts payable under this Agreement. If the effective date for that transfer is not an Interest Payment Date, then the Borrowers shall, on the transfer date, indemnify the Increased Cost Bank or the Non-Consenting Bank against any loss which it incurs as a result.

15.10.2 The Borrowers shall have no right to replace the Arranger, the Agent, the Account Bank or the Security Agent and none of the foregoing shall create on any Creditor, nor any Creditor shall have, any obligation towards the Borrowers to find a replacement Bank or such other entity. No member of the Group may make any payment or assume any obligation (whether by way of fees, expenses or otherwise) to or on behalf of the replacement Bank as an inducement for the replacement Bank to become a Bank.

15.10.3 The Borrowers may only replace a Non-Consenting Bank or an Increased Cost Bank if that replacement takes place no later than 60 days after:

(a) the date on which the Non-Consenting Bank becomes a Non-Consenting Bank; or

(b) the date on which the Increased Cost Bank demands payment of the relevant additional amounts.

15.10.4 No Bank replaced under this clause 15.10 may be required to pay or surrender to that replacement Bank or other entity any of the fees received by it.

15.10.5 In the case of a replacement of an Increased Cost Bank, the Borrowers shall pay the relevant additional amounts to that Increased Cost Bank prior to it being replaced and the payment of those additional amounts shall be a condition to replacement.

15.10.6 For the purposes of this clause 15.10:

(a) an "**Increased Cost Bank**" is a Bank to whom the Borrowers become obliged to pay any additional amount under clause 6.6 or clause 12.2 in circumstances where (i) the Borrowers are also obliged to pay such additional amount to other Banks under the same clause and (ii) the additional amounts which such Bank is seeking to recover from the Borrowers under such clause are materially higher than the equivalent amounts sought by the other such Banks under the same clause; and

(b) a "**Non-Consenting Bank**" is a Bank who does not agree to a waiver, consent or amendment where:

(i) the Borrowers or the Agent has requested the Banks to consent to a departure from, or waiver of, any provision of the Security Documents or to agree to any amendment thereto;

(ii) the waiver, consent or amendment in question requires the agreement of the Majority Banks or all the Banks;

(iii) a period of not less than 30 days has elapsed from the date the waiver, consent or amendment was requested;

(iv) the Majority Banks have agreed to such waiver, consent or amendment; and

(v) the Borrowers have notified such Bank that they will treat it as a Non-Consenting Bank.

16 Arranger, Agent and Security Agent

16.1 Appointment of the Agent

Each Bank and the Swap Provider irrevocably appoints the Agent as its agent for the purposes of this Agreement and such of the Security Documents to which it may be appropriate for the Agent to be party. By virtue of such appointment, each of the Banks and the Swap Provider hereby authorises the Agent:

16.1.1 to execute such documents as may be approved by the Majority Banks for execution by the Agent; and

16.1.2 (whether or not by or through employees or agents) to take such action on such Bank's or, as the case may be, the Swap Provider's behalf and to exercise such rights, remedies, powers and discretions as are specifically delegated to the Agent by this Agreement and/or any other Security Document, together with such powers and discretions as are reasonably incidental thereto.

16.2 Agent's actions

Any action taken by the Agent under or in relation to this Agreement or any of the other Security Documents whether with requisite authority, or on the basis of appropriate instructions, received from the Banks (or as otherwise duly authorised) shall be binding on all the Banks, the Swap Provider and the other Creditors.

16.3 Agent's duties

The Agent shall:

16.3.1 promptly notify each Bank and the Swap Provider of the contents of each notice, certificate or other document received by it from the Borrowers under or pursuant to clauses 8.1.1, 8.1.5, 8.1.6, 8.1.7 and 8.1.8; and

16.3.2 (subject to the other provisions of this clause 16) take (or instruct the Security Agent to take) such action or, as the case may be, refrain from taking (or authorise the Security Agent to refrain from taking) such action with respect to the exercise of any of its rights, remedies, powers and discretions as agent, as the Majority Banks may direct.

16.4 Agent's rights

The Agent may:

16.4.1 in the exercise of any right, remedy, power or discretion in relation to any matter, or in any context, not expressly provided for by this Agreement or any of the other Security Documents, act or, as the case may be, refrain from acting (or authorise the Security Agent to act or refrain from acting) in accordance with the instructions of the Banks, and shall be fully protected in so doing;

16.4.2 unless and until it shall have received directions from the Majority Banks, take such action or, as the case may be, refrain from taking such action (or authorise the Security Agent to take or refrain from taking such action) in respect of a Default of which the Agent has actual knowledge as it shall deem advisable in the best interests of the Banks and the Swap Provider (but shall not be obliged to do so);

16.4.3 refrain from acting (or authorise the Security Agent to refrain from acting) in accordance with any instructions of the Banks to institute any legal proceedings arising out of or in connection with this Agreement or any of the other Security Documents until it and/or the Security Agent has been indemnified and/or secured to its satisfaction against any and all costs, expenses or liabilities (including legal fees) which it would or might incur as a result;

16.4.4 deem and treat (i) each Bank as the person entitled to the benefit of the Contribution of such Bank for all purposes of this Agreement unless and until a Transfer Certificate shall have been filed with the Agent pursuant to clause 15.3 and shall have become effective, and (ii) the office set opposite the name of each of the Banks in schedule 1 or, as the case may be, in any relevant Transfer Certificate as such Bank's lending office unless and until a written notice of change of lending office shall have been received by the Agent and the Agent may act upon any such notice unless and until the same is superseded by a further such notice;

16.4.5 rely as to matters of fact which might reasonably be expected to be within the knowledge of any Security Party upon a certificate signed by any director or member of the board of directors or officer of the relevant Security Party on behalf of the relevant Security Party; and

16.4.6 do anything which is in its opinion necessary or desirable to comply with any law or regulation in any jurisdiction.

16.5 No liability of Arranger or Agent

Neither the Arranger nor the Agent nor any of their respective employees and agents shall:

16.5.1 be obliged to make any enquiry as to the use of any of the proceeds of any Advance unless (in the case of the Agent) so required in writing by a Bank, in which case the Agent shall promptly make the appropriate request to the Borrowers; or

16.5.2 be obliged to make any enquiry as to any breach or default by either of the Borrowers or any other Security Party in the performance or observance of any of the provisions of this Agreement or any of the other Security Documents or as to the existence of a Default unless (in the case of the Agent) the Agent has actual knowledge thereof or has been notified in writing thereof by a Bank or the Swap Provider, in which case the Agent shall promptly notify the Banks of the relevant event or circumstance; or

16.5.3 be obliged to enquire whether or not any representation or warranty made by either of the Borrowers or any other Security Party pursuant to this Agreement or any of the other Security Documents is true; or

16.5.4 be obliged to do anything (including, without limitation, disclosing any document or information) which would, or might in its opinion, be contrary to any law or regulation or be a breach of any duty of confidentiality or otherwise be actionable or render it liable to any person; or

16.5.5 be obliged to account to any Bank or the Swap Provider for any sum or the profit element of any sum received by it for its own account; or

16.5.6 be obliged to institute any legal proceedings arising out of or in connection with this Agreement or any of the other Security Documents other than on the instructions of the Majority Banks; or

16.5.7 be liable to any Bank or the Swap Provider for any action taken or omitted under or in connection with this Agreement or any of the other Security Documents unless caused by its gross negligence or wilful misconduct.

For the purposes of this clause 16, neither the Arranger nor the Agent shall be treated as having actual knowledge of any matter of which the corporate finance or any other division outside the agency or loan administration department of the Arranger or the person for the time being acting as the Agent may become aware in the context of corporate finance, advisory or lending activities from time to time undertaken by the Arranger or, as the case may be, the Agent for any Security Party or any other person which may be a trade competitor of any Security Party or may otherwise have commercial interests similar to those of any Security Party.

16.6 Non-reliance on Arranger or Agent

Each Bank and the Swap Provider acknowledges that it has not relied on any statement, opinion, forecast or other representation made by the Arranger or the Agent to induce it to enter into this Agreement or any of the other Security Documents and that it has made and will continue to make, without reliance on the Arranger or the Agent and based on such documents as it considers appropriate, its own appraisal of the creditworthiness of the Security Parties and its own independent investigation of the financial condition, prospects and affairs of the Security Parties in connection with the making and continuation of such Bank's Commitment or Contribution under this Agreement. Neither the Arranger nor the Agent shall have any duty or responsibility, either initially or on a continuing basis, to provide any other Creditor with any credit or other information with respect to any Security Party whether coming into its possession before the making of any Advance or at any time or times thereafter other than as provided in clause 16.3.1.

16.7 No responsibility on Arranger or Agent for Borrowers' performance

Neither the Arranger nor the Agent shall have any responsibility or liability to any Bank or the Swap Provider:

16.7.1 on account of the failure of any Security Party to perform its obligations under any of the Security Documents; or

16.7.2 for the financial condition of any Security Party; or

16.7.3 for the completeness or accuracy of any statements, representations or warranties in any of the Security Documents or any document delivered under any of the Security Documents; or

16.7.4 for the execution, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of any of the Security Documents or of any certificate, report or other document executed or delivered under any of the Security Documents; or

16.7.5 to investigate or make any enquiry into the title of either of the Borrowers or any other Security Party to the Ships or any other security or any part thereof; or

16.7.6 for the failure to register any of the Security Documents with any official or regulatory body or office or elsewhere; or

16.7.7 for taking or omitting to take any other action under or in relation to any of the Security Documents or any aspect of any of the Security Documents; or

16.7.8 on account of the failure of the Security Agent to perform or discharge any of its duties or obligations under the Security Documents; or

16.7.9 otherwise in connection with this Agreement or its negotiation or for acting (or, as the case may be, refraining from acting) in accordance with the instructions of the Banks or the Swap Provider.

16.8 Reliance on documents and professional advice

The Arranger and the Agent shall be entitled to rely on any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper person and shall be entitled to rely as to legal or other professional matters on opinions and statements of any legal or other professional advisers selected or approved by it (including those in the Arranger's or, as the case may be, the Agent's employment).

16.9 Other dealings

The Arranger and the Agent may, without any liability to account to the Banks or the Swap Provider, accept deposits from, lend money to, and generally engage in any kind of banking or other business with, and provide advisory or other services to, any Security Party or any of its Related Companies or any of the Banks or the Swap Provider as if it were not the Arranger or, as the case may be, the Agent.

16.10 Rights of Agent as Bank; no partnership

With respect to its own Commitment and Contribution (if any) the Agent shall have the same rights and powers under the Security Documents as any other Bank and may exercise the same as though it were not performing the duties and functions delegated to it under this Agreement and the term "**Banks**" shall, unless the context clearly otherwise indicates, include the Agent in its individual capacity as a Bank. This Agreement shall not and shall not be construed so as to constitute a partnership between the parties or any of them.

16.11 Amendments and waivers

16.11.1 Subject to clause 16.11.2, the Agent may, with the written consent of the Majority Banks (or if and to the extent expressly authorised by the other provisions of any of the Security Documents) and, if so instructed by the Majority Banks, the Agent shall:

(a) agree (or authorise the Security Agent to agree) amendments or modifications to any of the Security Documents with any Security Party; and/or

(b) vary or waive breaches of, or defaults under, or otherwise excuse performance of, any provision of any of the other Security Documents by any Security Party (or authorise the Security Agent to do so).

Any such action so authorised and effected by the Agent shall be documented in such manner as the Agent shall (with the approval of the Majority Banks) determine, shall be promptly notified to the Banks by the Agent and (without prejudice to the generality of clause 16.2) shall be binding on all the Creditors.

16.11.2 Except with the prior written consent of all the Banks, the Agent shall have no authority on behalf of the Banks or the Swap Provider to agree (or authorise the Security Agent to agree) with any Security Party any amendment or modification to any of the Security Documents or to grant (or authorise the Security Agent to grant) waivers in respect of breaches or defaults or to vary or excuse (or authorise the Security Agent to vary or excuse) performance of or under any of the Security Documents by any Security Party, if the effect of such amendment, modification, waiver or excuse would be to:

(a) reduce the Margin;

(b) postpone the due date of, or reduce the amount of any payment of principal, interest or other amount payable by any Security Party under any of the Security Documents;

(c) change the currency in which any amount is payable by any Security Party under any of the Security Documents;

(d) increase any Bank's Commitment;

(e) extend the Termination Date;

(f) change any provision of any of the Security Documents which expressly or implied requires the approval or consent of all the Banks such that the relevant approval or consent may be given otherwise than with the sanction of all the Banks;

(g) change the order of distribution under clause 6.9 or clause 13.1 or change clause 13.2;

(h) change this clause 16.11;

(i) change the definition of "**Majority Banks**" in clause 1.2; or

(j) release any Security Party from the security constituted by any Security Document (except as required by the terms thereof or by law) or change the terms and conditions upon which such security or guarantee may be, or is required to be, released.

16.12 Reimbursement and indemnity by Banks

Each Bank shall reimburse the Agent (rateably in accordance with such Bank's Commitment or, following the first drawdown, Contribution), to the extent that the Agent is not reimbursed by the Borrowers, for the costs, charges and expenses incurred by the Agent which are expressed to be payable by the Borrowers under clause 5.2 including (in each case) the fees and expenses of legal or other professional advisers. Each Bank shall on demand indemnify the Agent (rateably in accordance with such Bank's Commitment or, following the first drawdown, Contribution) against all liabilities, damages, costs and claims whatsoever incurred by the Agent in connection with any of the Security Documents or the performance of its duties under any of the Security Documents or any action taken or omitted by the Agent under any of the Security Documents, unless such liabilities, damages, costs or claims arise from the Agent's own gross negligence or wilful misconduct.

16.13 Retirement of Agent

16.13.1 The Agent may, (having given to the Borrowers, the Swap Provider and each of the Banks not less than thirty (30) days' notice of its intention to do so), retire from its appointment as Agent under this Agreement, provided that no such retirement shall take effect unless there has been appointed by the Banks and the Swap Provider as a successor agent:

(a) a Related Company of the Agent nominated by the Agent which the Banks and the Swap Provider hereby irrevocably and unconditionally agree to appoint or, failing such nomination,

(b) a Bank nominated by the Majority Banks or, failing such a nomination,

(c) any reputable and experienced bank or financial institution nominated by the retiring Agent and such successor agent shall have accepted such appointment.

Any corporation into which the retiring Agent may be merged or converted or any corporation with which the Agent may be consolidated or any corporation resulting from any merger, conversion, amalgamation, consolidation or other reorganisation to which the Agent shall be a party shall, to the extent permitted by applicable law, be the successor Agent under this Agreement and the other Security Documents without the execution or filing of any document or any further act on the part of any of the parties to this Agreement and the other Security Documents save that notice of any such merger, conversion, amalgamation, consolidation or other reorganisation shall forthwith be given to each Security Party, the Banks and the Swap Provider. Prior to any such successor being appointed, the Agent agrees to consult with the Borrowers as to the identity of the proposed successor and to take account of any reasonable objections which the Borrowers may raise to such successor being appointed.

16.13.2 Upon any such successor as aforesaid being appointed, the retiring Agent shall be discharged from any further obligation under the Security Documents (but shall continue to

have the benefit of this clause 16 in respect of any action it has taken or refrained from taking prior to such discharge) and its successor and each of the other parties to this Agreement shall have the same rights and obligations among themselves as they would have had if such successor had been a party to this Agreement in place of the retiring Agent. The retiring Agent shall (at the expense of the Borrowers) provide its successor with copies of such of its records as its successor reasonably requires to carry out its functions under the Security Documents.

16.14 Appointment and retirement of Security Agent

16.14.1 Appointment

Each of the Agent, the Swap Provider and the Banks irrevocably appoints the Security Agent as its security agent and trustee for the purposes of this Agreement and the other Security Documents to which the Security Agent is or is to be a party, in each case on the terms set out in this Agreement. By virtue of such appointment, the Agent, the Swap Provider and each of the Banks hereby authorises the Security Agent (whether or not by or through employees or agents) to take such action on its behalf and to exercise such rights, remedies, powers and discretions as are specifically delegated to the Security Agent by this Agreement and/or any of the other Security Documents together with such powers and discretions as are reasonably incidental thereto.

16.14.2 Retirement

(a) Without prejudice to clause 16.13, the Security Agent may, having given to the Borrowers and each of the Banks and the Swap Provider not less than fifteen (15) days' notice of its intention to do so, retire from its appointment as Security Agent under this Agreement and any Trust Deed, provided that no such retirement shall take effect unless there has been appointed by the Banks, the Agent and the Swap Provider as a successor security agent and trustee:

(i) a Related Company of the Security Agent nominated by the Security Agent which the Banks hereby irrevocably and unconditionally agree to appoint or, failing such nomination.

(ii) a bank or trust corporation nominated by the Majority Banks or, failing such a nomination,

(iii) any bank or trust corporation nominated by the retiring Security Agent,

and, in any case (A) such successor security agent and trustee shall have duly accepted such appointment by delivering to the Agent (1) written confirmation (in a form acceptable to the Agent) of such acceptance agreeing to be bound by this Agreement in the capacity of Security Agent as if it had been an original party to this Agreement and (2) a duly executed Trust Deed and (B) such successor security agent and trustee shall have duly entered into, whether with the retiring Security Agent and/or with the Borrowers and the other Security Parties and/or with the Creditors or with any of them, such documents in connection with the Security Documents as the Agent shall require in its absolute discretion.

(b) Any corporation into which the retiring Security Agent may be merged or converted or any corporation with which the Security Agent may be consolidated or any corporation resulting from any merger, conversion, amalgamation, consolidation or other reorganisation to which the Security Agent shall be a party shall, to the extent permitted by applicable law, be the successor Security Agent under this Agreement, any Trust Deed and the other Security Documents referred to in clause 16.14.1 without the execution or filing of any document or any further act on the part of any of the parties to this Agreement, any Trust Deed and the other Security Documents save that notice of any such merger, conversion, amalgamation, consolidation or other reorganisation shall forthwith be given to each Security Party, the Banks, the Agent and the Swap Provider.

(c) Upon any such successor as aforesaid being appointed, the retiring Security Agent shall be discharged from any further obligation under the Security Documents (but shall continue to have the benefit of this clause 16 in respect of any action it has taken or refrained from taking prior to such discharge) and its successor and each of the other parties to this Agreement shall have the same rights and obligations among themselves as they would have had if such successor had been a party to this Agreement in place of the retiring Security Agent. The retiring Security Agent shall (at the expense of the Borrowers) provide its successor with copies of such of its records as its successor reasonably requires to carry out its functions under the Security Documents.

16.15 Powers and duties of the Security Agent

16.15.1 The Security Agent shall have no duties, obligations or liabilities to the Agent, the Swap Provider or any of the Banks beyond those expressly stated in any of the Security Documents. The Agent, the Swap Provider and each of the Banks hereby authorises the Security Agent to enter into and execute:

(a) each of the Security Documents to which the Security Agent is or is intended to be a party; and

(b) any and all such other Security Documents as may be approved by the Agent in writing (acting on the instructions of the Majority Banks) for entry into by the Security Agent,

and, in each and every case, to hold any and all security thereby created upon trust for the Banks, the Swap Provider and the Agent in the manner contemplated by this Agreement.

16.15.2 Subject to clause 16.15.3 the Security Agent may, with the prior consent of the Majority Banks communicated in writing by the Agent, concur with any of the Security Parties to:

(a) amend, modify or otherwise vary any provision of the Security Documents to which the Security Agent is or is intended to be a party; or

(b) waive breaches of, or defaults under, or otherwise excuse performance of, any provision of the Security Documents to which the Security Agent is or is intended to be a party.

Any such action so authorised and effected by the Security Agent shall be promptly notified to the Banks, the Swap Provider and the Agent by the Security Agent and shall be binding on the other Creditors.

16.15.3 The Security Agent shall not concur with any Security Party with respect to any of the matters described in clause 16.11.2 without the consent of all the Banks communicated in writing by the Agent.

16.15.4 The Security Agent shall (subject to the other provisions of this clause 16) take such action or, as the case may be, refrain from taking such action, with respect to any of its rights, powers and discretions as security agent and trustee, as the Agent may direct. Subject as provided in the foregoing provisions of this clause, unless and until the Security Agent shall have received such instructions from the Agent, the Security Agent may, but shall not be obliged to, take (or refrain from taking) such action under or pursuant to the Security Documents referred to in clause 16.15.1 as the Security Agent shall deem advisable in the best interests of the Creditors provided that (for the avoidance of doubt), to the extent that this clause might otherwise be construed as authorising the Security Agent to take, or refrain from taking, any action of the nature referred to in clause 16.15.2- and for which the prior consent of the Banks is expressly required under clause 16.15.3 - clauses 16.15.2 and16.15.3 shall apply to the exclusion of this clause.

16.15.5 None of the Banks nor the Swap Provider nor the Agent shall have any independent power to enforce any of the Security Documents referred to in clause 16.15.1 or to exercise any rights, discretions or powers or to grant any consents or releases under or pursuant to such Security Documents or any of them or otherwise have direct recourse to the security and/or guarantees constituted by such Security Documents or any of them except through the Security Agent.

16.15.6 For the purpose of this clause 16, the Security Agent may, rely and act in reliance upon any information from time to time furnished to the Security Agent by the Agent (whether pursuant to clause 16.15.7 or otherwise) unless and until the same is superseded by further such information, so that the Security Agent shall have no liability or responsibility to any party as a consequence of placing reliance on and acting in reliance upon any such information unless the Security Agent has actual knowledge that such information is inaccurate or incorrect.

16.15.7 Without prejudice to the foregoing, each of the Agent, the Swap Provider and the Banks (whether directly or through the Agent) shall provide the Security Agent with such written information as it may reasonably require for the purpose of carrying out its duties and obligations under the Security Documents referred to in clause 16.15.1.

16.15.8 Each Bank shall reimburse the Security Agent (rateably in accordance with such Bank's Commitment or, following the first drawdown, Contribution), to the extent that the Security Agent is not reimbursed by the Borrowers, for the costs, charges and expenses incurred by the Agent which are expressed to be payable by the Borrowers under clause 5.2 including (in each case) the fees and expenses of legal or other professional advisers. Each Bank shall on demand indemnify the Security Agent (rateably in accordance with such Bank's Commitment or, following the first drawdown, Contribution) against all liabilities, damages, costs and claims whatsoever incurred by the Security Agent in connection with any of the Security Documents or the performance of its duties under any of the Security Documents or any action taken or omitted by the Security Agent under any of the Security Documents, unless such liabilities, damages, costs or claims arise from the Security Agent's own gross negligence or wilful misconduct.

16.16 Trust provisions

16.16.1 In its capacity as trustee in relation to the Security Documents specified in clause 16.15.1 the Security Agent shall, without prejudice to any of the powers, discretions and immunities conferred upon trustees by law (and to the extent not inconsistent with the provisions of any of those Security Documents), have all the same powers and discretions as a natural person acting as the beneficial owner of such property and/or as are conferred upon the Security Agent by any of those Security Documents.

16.16.2 It is expressly declared that, in its capacity as trustee in relation to the Security Documents specified in clause 16.15.1, the Security Agent shall be entitled to invest moneys forming part of the security and which, in the opinion of the Security Agent, may not be paid out promptly following receipt in the name or under the control of the Security Agent in any of the investments for the time being authorised by law for the investment by trustees of trust moneys or in any other property or investments whether similar to the aforesaid or not or by placing the same on deposit in the name or under the control of the Security Agent as the Security Agent may think fit without being under any duty to diversify its investments and the Security Agent may at any time vary or transpose any such property or investments for or into any others of a like nature and shall not be responsible for any loss due to depreciation in value or otherwise of such property or investments. Any investment of any part of all of the security may, at the discretion of the Security Agent, be made or retained in the names of nominees.

16.17 Independent action by Creditors

None of the Creditors shall enforce, exercise any rights, remedies or powers or grant any consents or releases under or pursuant to, or otherwise have a direct recourse to the security and/or guarantees constituted by any of the Security Documents without the prior written consent of the Majority Banks but, Provided such consent has been obtained, it shall not be necessary for any other Creditor to be joined as an additional party in any proceedings for this purpose.

16.18 Common Agent and Security Agent

The Agent and the Security Agent have entered into the Security Documents in their separate capacities (a) as agent for the Banks and the Swap Provider under and pursuant to this Agreement (in the case of the Agent) and (b) as security agent and trustee for the Banks, the Agent and the Swap Provider, under and pursuant to this Agreement, to hold the guarantees and/or security created by the other Security Documents specified in clause 16.15.1 on the terms set out in such Security Documents (in the case of the Security Agent). However, from time to time the Agent and the Security Agent may be the same entity. When the Agent and the Security Agent are the same entity and any Security Document provides for the Agent to communicate with or provide instructions to the Security Agent (and vice versa), it will not be necessary for there to be any such formal communications or instructions on those occasions.

16.19 Co-operation to achieve agreed priorities of application

The Banks, the Swap Provider, the Agent and the Account Bank shall co-operate with each other and with the Security Agent and any receiver under the Security Documents in realising the property and assets subject to the Security Documents and in ensuring that the net proceeds realised under the Security Documents after deduction of the expenses of realisation are applied in accordance with clause 13.1.

16.20 Prompt distribution of proceeds

Moneys received by any of the Creditors (whether from a receiver or otherwise) pursuant to the exercise of (or otherwise by virtue of the existence of) any rights and powers under or pursuant to any of the Security Documents shall (after providing for all costs, charges, expenses and liabilities and other payments ranking in priority) be paid to the Agent for distribution in accordance with clause 13.1 if such moneys are so received by any of the Creditors other than the Agent or the Security Agent), and if so received by the Agent or the Security Agent, they shall be distributed by the Agent or, as the case may be, the Security Agent in accordance with clause 13.1. The Agent or, as the case may be, the Security Agent shall make each such application and/or distribution as soon as is practicable after the relevant moneys are received by, or otherwise become available to, the Agent or, as the case may be, the Security Agent save that (without prejudice to any other provision contained in any of the Security Documents) the Agent or, as the case may be, the Security Agent (acting on the instructions of the Majority Banks) or any receiver may credit any moneys received by it to a suspense account for so long and in such manner as the Agent or such receiver may from time to time determine with a view to preserving the rights of the Agent and/or the Security Agent and/or the Account Bank and/or the Swap Provider and/or the Arranger and/or the Banks or any of them to provide for the whole of their respective claims against the Borrowers or any other person liable.

16.21 Change of Reference Bank

If the Reference Bank ceases to provide quotations to the Agent for the purposes of determining LIBOR or the Mandatory Cost, the Agent may terminate the appointment of such Reference Bank and appoint another bank or financial institution to replace it as the Reference Bank.

17 Notices and other matters

17.1 Notices

Every notice, request, demand or other communication under this Agreement or (unless otherwise provided therein) under any of the other Security Documents shall:

17.1.1 be in writing delivered personally or by first-class prepaid letter (airmail if available) or facsimile transmission or other means of telecommunication in permanent written form;

17.1.2 be deemed to have been received, subject as otherwise provided in the relevant Security Document, in the case of a letter, when delivered personally or three (3) days after it has been put in to the post and, in the case of a facsimile transmission or other means of

telecommunication in permanent written form, at the time of despatch (provided that if the date of despatch is not a business day in the country of the addressee or if the time of despatch is after the close of business in the country of the addressee it shall be deemed to have been received at the opening of business on the next such business day); and

17.1.3 be sent:

(a) if to the Borrowers or either of them at:

c/o TMS Tankers Ltd.
Athens Shipmanagement Office
80 Kifissias Avenue
GR 151 25 Maroussi
Greece

Fax no: +30 210 809 0405
Attention: Mr G. Kourelis

(b) if to the Arranger, the Agent, the Security Agent or the Account Bank at:

Nordea Bank Finland plc, London Branch
8th Floor, City Place House
55 Basinghall Street
London EC2V 5NB
England

Fax no: +44 207 726 9102
Att: Loan Administration

with a copy to:

Fax no: +44 207 726 9188
Att: Shipping Department

(c) if to a Bank, to its address or fax number specified in schedule 1 or , in the case of a Transferee Bank, in any relevant Transfer Certificate; or

(d) if to the Swap Provider, to its address or fax number specified in paragraph (a) of Part 4 of the Schedule to the Master Swap Agreement,

or, in each case, to such other address and/or numbers as is notified by one party to the other parties under this Agreement.

17.2 Notices through the Agent

Every notice, request, demand or other communication under this Agreement to be given by the Borrowers to any other party (other than the Swap Provider) shall be given to the Agent for onward transmission as appropriate and if such notice, request, demand or other communication is to be given to the Borrowers, it shall (except if otherwise provided in the Security Documents) be given through the Agent.

17.3 No implied waivers, remedies cumulative

No failure or delay on the part of any Creditor to exercise any power, right or remedy under any of the Security Documents shall operate as a waiver thereof, nor shall any single or partial exercise by any Creditor of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy. The remedies provided in the Security Documents are cumulative and are not exclusive of any remedies provided by law.

17.4 English language

All certificates, instruments and other documents to be delivered under or supplied in connection with any of the Security Documents shall be in the English language or shall be accompanied by a certified English translation upon which the Creditors or any of them shall be entitled to rely.

17.5 Borrowers' obligations

17.5.1 Joint and several

Notwithstanding anything to the contrary contained in any of the Security Documents, the agreements, obligations and liabilities of the Borrowers herein contained are joint and several and shall be construed accordingly. Each of the Borrowers agrees and consents to be bound by the Security Documents to which it is, or is to be, a party notwithstanding that the other Borrower which is intended to sign or to be bound may not do so or be effectually bound and notwithstanding that any of the Security Documents may be invalid or unenforceable against the other Borrower, whether or not the deficiency is known to any of the Creditors.

17.5.2 Borrowers as principal debtors

Each Borrower acknowledges and confirms that it is a principal and original debtor in respect of all amounts which may become payable by the Borrowers in accordance with the terms of this Agreement or any of the other Security Documents and agrees that the Creditors may also continue to treat it as such, whether or not any Creditor is or becomes aware that such Borrower is or has become a surety for the other Borrower.

17.5.3 Indemnity

The Borrowers hereby agree jointly and severally to keep the Creditors fully indemnified on demand against all damages, losses, costs and expenses arising from any failure of a Borrower to perform or discharge any purported obligation or liability of a Borrower which would have been the subject of this Agreement or any other Security Document had it been valid and enforceable and which is not or ceases to be valid and enforceable against a Borrower on any ground whatsoever, whether or not known to a Creditor (including, without limitation, any irregular exercise or absence of any corporate power or lack of authority of, or breach of duty by, any person purporting to act on behalf of a Borrower (or any legal or other limitation, whether under the Limitation Acts or otherwise or any disability or death, bankruptcy, unsoundness of mind, insolvency, liquidation, dissolution, winding up, administration, receivership, amalgamation, reconstruction or any other incapacity of any person whatsoever (including, In the case of a partnership, a termination or change in the composition of the partnership) or any change of name or style or constitution of any Security Party)).

17.5.4 Liability unconditional

None of the obligations or liabilities of the Borrowers under this Agreement or any other Security Document shall be discharged or reduced by reason of:

(a) the death, bankruptcy, unsoundness of mind, insolvency, liquidation, dissolution, winding-up, administration, receivership, amalgamation, reconstruction or other incapacity of any person whatsoever (including, in the case of a partnership, a termination or change in the composition of the partnership) or any change of name or style or constitution of a Borrower or any other person liable;

(b) the Agent (acting on the instructions of the Majority Banks) or the Security Agent granting any time, indulgence or concession to, or compounding with, discharging, releasing or varying the liability of, a Borrower or any other person liable or renewing, determining, varying or increasing any accommodation, facility or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting, varying any compromise, arrangement or settlement or omitting to claim or enforce payment from a Borrower or any other person liable; or

(c) anything done or omitted which but for this provision might operate to exonerate the Borrowers or either of them.

17.5.5 Recourse to other security

The Creditors shall not be obliged to make any claim or demand or to resort to any Security Document or other means of payment now or hereafter held by or available to it for enforcing this Agreement or any of the Security Documents against a Borrower or any other person liable and no action taken or omitted by any Creditor in connection with any such Security Document or other means of payment will discharge, reduce, prejudice or affect the liability of the Borrowers under this Agreement and the Security Documents to which either of them is, or is to be, a party.

17.5.6 Waiver of Borrowers' rights

Each Borrower agrees with each Creditor that, from the date of this Agreement and so long as any moneys are owing under any of the Security Documents and while all or any part of the Total Commitment remains outstanding, it will not, without the prior written consent of the Agent (acting on the instructions of the Majority Banks):

(a) exercise any right of subrogation, reimbursement and indemnity against the other Borrower or any other person liable under the Security Documents;

(b) demand or accept repayment in whole or in part of any Indebtedness now or hereafter due to such Borrower from the other Borrower or from any other person liable or demand or accept any guarantee, indemnity or other assurance against financial loss or any document or instrument created or evidencing an Encumbrance in respect of the same or dispose of the same;

(c) take any steps to enforce any right against the other Borrower or any other person liable in respect of any such moneys; or

(d) claim any set-off or counterclaim against the other Borrower or any other person liable or claiming or proving in competition with any Creditor in the liquidation of the other Borrower or any other person liable or have the benefit of, or share in, any payment from or composition with, the other Borrower or any other person liable or any other Security Document now or hereafter held by any Creditor for any moneys owing under this Agreement or for the obligations or liabilities of any other person liable but so that, if so directed by the Agent, it will prove for the whole or any part of its claim in the liquidation of the other Borrower or other person liable on terms that the benefit of such proof and all money received by it in respect thereof shall be held on trust for the Banks and applied in or towards discharge of any moneys owing under this Agreement in such manner as the Agent (acting on the Instructions of the Majority Banks) shall deem appropriate.

18 Governing law and jurisdiction

18.1 Law

This Agreement and any non-contractual obligations connected with it are governed by, and shall be construed in accordance with, English law.

18.2 Submission to jurisdiction

The Borrowers jointly and severally agree, for the benefit of each Creditor, that any legal action or proceedings arising out of or in connection with this Agreement (including any non-contractual obligations connected with this Agreement) against the Borrowers or either of them or any of

their assets may be brought in the English courts. Each of the Borrowers irrevocably and unconditionally submits to the jurisdiction of such courts and irrevocably designates, appoints and empowers Ince Process Agents Ltd, at present of 5th Floor, International House, 1 St. Katharine's Way, London E1W 1AY, England to receive for it and on its behalf, service of process issued out of the English courts in any such legal action or proceedings. The submission to such jurisdiction shall not (and shall not be construed so as to) limit the right of any Creditor to take proceedings against either of the Borrowers in the courts of any other competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not.

The parties further agree that only the Courts of England and not those of any other State shall have jurisdiction to determine any claim which either of the Borrowers may have against any Creditor arising out of or in connection with this Agreement (including any non-contractual obligations connected with this Agreement).

18.3 Contracts (Rights of Third Parties) Act 1999

No term of this Agreement is enforceable under the provisions of the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

IN WITNESS whereof the parties to this Agreement have caused this Agreement to be duly executed on the date first above written.

Schedule 1

The Banks and their Commitments

Name	Lending office and contact details	Commitment $
Nordea Bank Finland plc, London Branch	**Lending office** 8th Floor, City Place House 55 Basinghall Street London EC2V 5NB England **Contact details for notices** 8th Floor, City Place House 55 Basinghall Street London EC2V 5NB England Fax: +44 207 726 9102 Attn: Loan Administration With a copy to: Fax: +44 207 726 9188 Attn: Shipping Department	70,000,000
TOTAL COMMITMENT		**70,000,000**

Schedule 2

Form of Drawdown Notice

(referred to in clause 2.4)

To: Nordea Bank Finland plc, London Branch
8th Floor, City Place House
55 Basinghall Street
London EC2V 5NB
England
(as Agent)

[•] 2011

U.S.$70,000,000 Loan
Loan Agreement dated [•] 2011 (the "Loan Agreement")

We refer to the above Loan Agreement and hereby give you notice that we wish to draw down the [Zeus] [Apollo] Advance, namely $[•] on [ ] 20[•] and select the first Interest Period in respect thereof to expire on [•]. The funds should be credited to **[name and number of account]** with **[details of bank in New York City]**.

We confirm that:

(a) no event or circumstance has occurred and is continuing which constitutes a Default;

(b) the representations and warranties contained in (i) clauses 7.1, 7.2 and 7.3(b) of the Loan Agreement and (ii) clause 4 of each of the Corporate Guarantees, are true and correct at the date hereof as if made with respect to the facts and circumstances existing at such date;

(c) the borrowing to be effected by the drawdown of the [Zeus] [Apollo] Advance is in accordance with clauses 1.1 and 2.5 of the Loan Agreement and will be within our corporate powers, has been validly authorised by appropriate corporate action and will not cause any limit on our borrowings (whether imposed by statute, regulation, agreement or otherwise) to be exceeded;

(d) no events, conditions, facts or circumstances exist, have arisen or occurred since the date of the Loan Agreement which have had or could be reasonably expected to have a Material Adverse Effect; and

(e) we will use the proceeds of the [Zeus] [Apollo] Advance for our benefit and under our full responsibility and exclusively for the purpose specified in the Loan Agreement.

Words and expressions defined in the Loan Agreement shall have the same meanings where used.

_____
For and on behalf of
OLYMPIAN ZEUS OWNERS INC.

_____
For and on behalf of
OLYMPIAN APOLLO OWNERS INC.

Schedule 3

Documents and evidence required as conditions precedent to the Loan being made

(referred to in clause 9.1)

Part 1
Documents and conditions required as conditions precedent to the Total Commitment being made available

1 Constitutional documents

Copies, certified by the legal adviser of each Security Party as true, complete and up to date copies of all documents which contain or establish or relate to the constitution of that Security Party;

2 Corporate authorisations

copies of resolutions of the directors of each Security Party and, if required, the shareholders (as the case may be) of each Security Party (except for the DryShips Guarantor) approving such of the Underlying Documents and the Security Documents to which such Security Party or such other party is, or is to be, party and authorising the signature, delivery and performance of such Security Party's or such other party's obligations thereunder, certified (in a certificate dated no earlier than five (5) Banking Days prior to the date of this Agreement) by an officer of such Security Party or such other party, as:

(a) being true and correct;

(b) being duly passed at meetings of the board of directors of such Security Party or such other party and, if required, of the shareholders of such Security Party (except for the Dry Ships Guarantor) each duly convened and held;

(c) not having been amended, modified or revoked; and

(d) being in full force and effect,

together with originals or certified copies of any powers of attorney issued by any such Security Party or such other party pursuant to such resolutions;

3 Specimen signatures

copies of the signatures of the persons who have been authorised on behalf of each Security Party to sign such of the Underlying Documents and the Security Documents to which such Security Party is, or is to be, party and to give notices and communications, including notices of drawing, under or in connection with the Security Documents, certified (in a certificate dated no earlier than five (5) Banking Days prior to the date of this Agreement) by an officer of such Security Party as being the true signatures of such persons;

4 Certificates of incumbency

a list of directors and officers of each Security Party specifying the names and positions of such persons, certified (in a certificate dated no earlier than five (5) Banking Days prior to the date of this Agreement) by an officer of such Security Party to be true, complete and up to date;

5 Borrowers' consents and approvals

a certificate (dated no earlier than five (5) Banking Days prior to the date of this Agreement) from an officer of each of the Borrowers that no consents, authorisations, licences or approvals are necessary for that Borrower to authorise or are required by that Borrower in connection with the borrowing by that Borrower of the Loan pursuant to this Agreement or the execution, delivery and performance of the Security Documents by that Borrower;

6 Other consents and approvals

a certificate (dated no earlier than five (5) Banking Days prior to the date of this Agreement) from an officer of each Security Party (other than the Borrowers) that no consents, authorisations, licences or approvals are necessary for such Security Party to guarantee and/or grant security for the borrowing by the Borrowers of the Total Commitment pursuant to this Agreement and execute, deliver and perform the Security Documents insofar as such Security Party is a party thereto;

7 Certified copies of the Underlying Documents

a copy, certified (in a certificate dated no earlier than (5) five Banking Days prior to the date of this Agreement) as a true and complete copy by the legal adviser of each of the Borrowers of each of the Management Agreements, the Contracts and the Initial Charters;

8 Marshall Islands opinion

an opinion of Messrs Cozen O'Connor, special legal advisers on matters of Marshall Islands law to the Agent;

9 Maltese opinion

an opinion of Messrs Ganado and Associates, special legal advisers on matters of Maltese law to the Agent;

10 Further opinions

any such further opinion as may be required by the Agent;

11 Security Documents

the Fees Letter, the Master Swap Agreement, the Corporate Guarantees, the Operating Account Assignments and the Swap Assignment (together with any other documents to be executed and delivered to the Agent pursuant thereto), each duly executed;

12 Fees and commitment commission

evidence that any fees and commission due under clause 5.1 or any other provision of the Security Documents have been paid in full;

13 Borrowers' process agent

a letter from each Borrower's agent for receipt of service of proceedings referred to in clause 18.2 accepting its appointment under the said clause and under each of the other Security Documents in which it is or is to be appointed as such Borrower's agent;

14 Corporate Guarantors' process agent

a letter from the agent of each of the Corporate Guarantor's agent for receipt of service of proceedings referred to in clause 9.2 of each of the Corporate Guarantees accepting its appointment under each such clause;

15 Registration forms

such statutory forms duly signed by the Borrowers and the other Security Parties as may be required by the Agent to perfect the security contemplated by the Security Documents;

16 Operating Accounts

evidence that each Operating Account has been opened together with mandate forms in respect thereof duly executed and that an amount of at least $10 is standing to the credit thereof; and

17 "KYC"

such documentation and other evidence as is requested by the Agent in order for the Agent or any Bank or the Account Bank to carry out and be satisfied with the results of all necessary "know your client" or other checks which each such Bank or the Account Bank is required to carry out under any applicable law or legislation or by any regulatory or financial services authority (including in the European Union or the U.S.A.), in relation to the transactions contemplated by this Agreement and to the identity of any parties to this Agreement (other than the Creditors) and their directors, members of the board of directors, officers, shareholders and ultimate beneficial owners.

Part 2

Documents and conditions required as conditions precedent to the Loan being made

1 Past conditions precedent

Evidence that the conditions precedent referred to in Part 1 of this schedule 3, remain fully satisfied;

2 Ship conditions

evidence that the Ship (for the purposes of this Part 2, the "**Relevant Ship**") to which the Advance to be drawn down relates (for the purposes of this Part 2, the "**Relevant Advance**"):

2.1 Registration and Encumbrances

is permanently or provisionally registered in the name of the relevant Borrower under the laws and flag of the relevant Flag State through the relevant Registry and that the Relevant Ship and its Earnings, Insurances and Requisition Compensation are free of Encumbrances;

2.2 Classification

maintains the relevant Classification free of all requirements and recommendations from the relevant Classification Society; and

2.3 Insurances

is insured in accordance with the provisions of the relevant Ship Security Documents and all requirements of such Ship Security Documents in respect of such insurance have been complied with (including without limitation, confirmation from the protection and indemnity association or other insurer with which the Relevant Ship is, or is to be, entered for insurance or insured against protection and indemnity risks (including oil pollution risks) that any necessary declarations required by the association or insurer for the removal of any oil pollution exclusion have been made and that any such exclusion does not apply to the Relevant Ship);

3 Ship Security Documents

the Ship Security Documents for the Relevant Ship, together with the other documents to be delivered to the Security Agent pursuant thereto, duly executed and delivered;

4 Title and no Encumbrances

evidence that the transfer of title to the Relevant Ship from the Builder to the relevant Borrower has been duly registered in the relevant Registry free of any Encumbrance (other than Permitted Encumbrances);

5 Mortgage registration

evidence that the relevant Mortgage has been permanently registered against the Relevant Ship under the laws and flag of the relevant Flag State through the relevant Registry;

6 Initial Charter

the Charter Assignment in respect of the Initial Charter for the Relevant Ship, duly executed by the relevant Borrower;

7 Registration forms

such statutory forms duly signed by the Borrowers and the other Security Parties as may be required by the Agent to perfect the security contemplated by the Security Documents;

8 Notices of assignment and acknowledgements

copies of duly executed notices of assignment and acknowledgements thereof in the forms prescribed by the relevant Ship Security Documents in respect of the Relevant Ship;

9 Marshall Islands opinion

an opinion of Messrs. Cozen O'Connor, special legal advisers on matters of Marshall Islands law to the Agent;

10 Maltese opinion

an opinion of Messrs Ganado & Associates, special legal advisers on matters of Maltese law to the Agent;

11 Further opinions

any such further opinion as may be required by the Agent;

12 Delivery documents

a copy, certified as a true and complete copy by an officer or a legal advisor of the Borrowers, of (a) a duly executed and notarised/legalised bill of sale in respect of the Relevant Ship evidencing the full Contract Price for the Relevant Ship, (b) the protocol of delivery and acceptance in respect of the Relevant Ship and (c) any other delivery documents, each duly executed and exchanged pursuant to the relevant Contract (including any evidence of payment in full of the relevant Contract Price, the commercial invoice constituting adequate such evidence);

13 Insurance opinion

an opinion from insurance consultants to the Agent, at the cost of the Borrowers, on the Insurances effected or to be effected in respect of the Relevant Ship upon and following the Drawdown Date of the Relevant Advance in form and substance satisfactory to the Agent;

14 Readiness

(in relation to the Apollo Advance only) evidence that the Relevant Ship is in all respects ready for delivery pursuant to the relevant Contract;

15 ISPS Code compliance

15.1 evidence satisfactory to the Agent that the Relevant Ship is subject to a ship security plan which complies with the ISPS Code; and

15.2 a copy certified as a true and complete copy by an officer or a legal advisor of the Borrowers of the ISSC for the Relevant Ship and the continuous synopsis record required by the ISPS Code in respect of the Relevant Ship;

16 SMC/DOC

a copy, certified as a true and complete copy by an officer or legal advisor of the Borrowers of the DOC issued to the Operator of the Relevant Ship and the SMC for the Relevant Ship;

17 Valuation

a valuation of the Relevant Ship (each being not older than 30 days (In respect of the Zeus Ship) and 15 days (in respect of the Apollo Ship) from the Drawdown Date of the Relevant Advance) made (at the cost of the Borrowers) by two (2) Approved Shipbrokers selected by the Agent and made on the basis of, and in accordance with, the provisions of clause 8.2.2, expressed in Dollars;

18 Certificates of financial responsibility

if the Relevant Ship will trade in the United States of America, a copy of a certificate of financial responsibility in relation to the Relevant Ship complying with the requirements of the United States Pollution Act 1990 or the United States Comprehensive Environmental Response Compensation Liability Act 1980;

19 Security Parties' process agent

a letter from each Security Party's agent for receipt of service of proceedings accepting its appointment under each Ship Security Document in which it is or is to be appointed as agent for service of process;

20 Fees and commitment commission

payment of any fees and commitment commission due from the Borrowers to the Agent pursuant to the terms of clause 5.1 or any other provisions of the Security Documents;

21 Updated corporate authorisations/certificates of incumbency

(in relation to the Apollo Advance only) a list of directors, officers and authorised attorneys-in-fact of each Security Party specifying the names and positions of such persons and copies of the signatures of the persons who have been authorised on behalf of each such Security Party to sign such of the Security Documents to which such Security Party is, or is to be, party and to give notices and communications, including notices of drawing, under or in connection with the Security Documents, certified (in a certificate dated no earlier than five (5) Banking Days prior to the Drawdown Date of the Apollo Advance) by a legal adviser of such Security Party to be, in the case of the list of directors, officers and authorised attorneys-in-fact, true, complete and up to date and, in the case of the specimen signatures, true signatures of such persons, or a certificate by an officer of such Security Party that the list provided in respect of such Security Party pursuant to paragraph 4 of Part 1 of this schedule, and that the specimen signatures provided in respect of such Security Party pursuant to paragraph 3 of Part 1 of this schedule, remain true, complete and up to date; and

22 Further matters/conditions precedent

such other conditions, documents and evidence as the Agent may be required.

Schedule 4

Form of Transfer Certificate

(referred to in clause 15.3)

TRANSFER CERTIFICATE

Banks are advised not to employ Transfer Certificates or otherwise to assign or transfer interests in the Loan Agreement without further ensuring that the transaction complies with all applicable laws and regulations, including the Financial Services and Markets Act 2000 and regulations made thereunder and similar statutes which may be in force in other jurisdictions

To: NORDEA BANK FINLAND PLC, LONDON BRANCH as agent on its own behalf and on behalf of the Borrowers, the Account Bank, the Security Agent, the Arranger, the Swap Provider and the Banks defined in the Loan Agreement referred to below.

[Date]

Attention: [•]

This certificate ("**Transfer Certificate**") relates to a loan agreement dated [•] (the "**Loan Agreement**") and made between (1) Olympian Zeus Owners Inc. and Olympian Apollo Owners Inc. as joint and several borrowers (the "**Borrowers**"), (2) the banks and financial institutions defined therein as banks (the "**Banks**") and (3) Nordea Bank Finland plc, London Branch as Agent, Arranger, Security Agent, Swap Provider and Account Bank, in relation to a term loan of up to Seventy million Dollars ($70,000,000). Terms defined in the Loan Agreement shall, unless otherwise defined herein, have the same meanings herein as therein.

In this Certificate:

the "**Transferor Bank**" means [**full name**] of [**lending office**]; and

the "**Transferee Bank**" means [**full name**] of [**lending office**].

1 The Transferor Bank with full title guarantee assigns to the Transferee Bank absolutely all rights and interests (present, future or contingent) which the Transferor Bank has as a Bank under or by virtue of the Loan Agreement and all the Security Documents in relation to that part of the [Contribution] [Commitment] of the Transferor Bank (or its predecessors in title) details of which are set out below:

Date of Advance	Amount of Advance	Transferor Bank's [Contribution] [Commitment] to Advance	Maturity Date

2 By virtue of this Transfer Certificate and clause 15 of the Loan Agreement, the Transferor Bank is discharged [entirely from its [Contribution] [Commitment] which amounts to $[ ]] [from [ ] per cent ([ ]%) of its [Contribution] [Commitment] in respect of both Advances], which percentage represents $[ ]].

3 The Transferee Bank hereby requests the Borrowers, the Agent (on behalf of itself, the Borrowers, the Account Bank, the Arranger, the Security Agent, the Swap Provider and the Banks) to accept the executed copies of this Transfer Certificate as being delivered pursuant to and for the purposes of clause 15.3 of the Loan Agreement so as to lake effect in accordance with the terms thereof on [**date of transfer**].

4 The Transferee Bank:

4.1 confirms that it has received a copy of the Loan Agreement and the other Security Documents together with such other documents and information as it has required in connection with the transaction contemplated thereby;

4.2 confirms that it has not relied and will not hereafter rely on the Transferor Bank, the Agent, the Arranger, the Security Agent, the Swap Provider, the Account Bank or the other Banks to check or enquire on its behalf into the legality, validity, effectiveness, adequacy, accuracy or completeness of the Loan Agreement, any of the Security Documents or any such documents or information;

4.3 agrees that it has not relied and will not rely on the Transferor Bank, the Agent, the Arranger, the Security Agent, the Account Bank, the Swap Provider or the Banks to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of the Borrowers or either of them or any other Security Party (save as otherwise expressly provided therein);

4.4 warrants that it has power and authority to become a party to the Loan Agreement and has taken all necessary action to authorise execution of this Transfer Certificate and to obtain all necessary approvals and consents to the assumption of its obligations under the Loan Agreement and the Security Documents; and

4.5 if not already a Bank, appoints (i) the Agent to act as its agent and (ii) the Security Agent to act as its security agent and trustee, in each case as provided in the Loan Agreement and the Security Documents and agrees to be bound by the terms of the Loan Agreement and the other Security Documents.

5 The Transferor Bank:

5.1 warrants to the Transferee Bank that it has full power to enter into this Transfer Certificate and has taken all corporate action necessary to authorise it to do so;

5.2 warrants to the Transferee Bank that this Transfer Certificate is binding on the Transferor Bank under the laws of England, the country in which the Transferor Bank is incorporated and the country in which its lending office is located; and

5.3 agrees that it will, at its own expense, execute any documents which the Transferee Bank reasonably requests for perfecting in any relevant jurisdiction the Transferee Bank's title under this Transfer Certificate or for a similar purpose.

6 The Transferee Bank hereby undertakes with the Transferor Bank and each of the other parties to the Loan Agreement and the other Security Documents that it will perform in accordance with its terms all those obligations which by the terms of the Loan Agreement and the other Security Documents will be assumed by it after delivery of the executed copies of this Transfer Certificate to the Agent and satisfaction of the conditions (if any) subject to which this Transfer Certificate is expressed to take effect.

7 By execution of this Transfer Certificate on their behalf by the Agent and in reliance upon the representations and warranties of the Transferee Bank, the Borrowers, the Account Bank, the Arranger, the Security Agent, the Agent, the Swap Provider and the Banks accept the Transferee Bank as a party to the Loan Agreement and the Security Documents with respect to all those rights and/or obligations which by the terms of the Loan Agreement and the Security Documents will be assumed by the Transferee Bank (including those about pro-rata sharing and the exclusion

of liability on the part of, and the indemnification of, the Agent, the Arranger, the Account Bank, the Swap Provider and the Security Agent as provided by the Loan Agreement) after delivery of the executed copies of this Transfer Certificate to the Agent and satisfaction of the conditions (if any) subject to which this Transfer Certificate is expressed to take effect.

8 None of the Transferor Bank, the Agent, the Arranger, the Security Agent, the Account Bank, the Swap Provider or the Banks.

8.1 makes any representation or warranty nor assumes any responsibility with respect to the legality, validity, effectiveness, adequacy or enforceability of the Loan Agreement or any of the Security Documents or any document relating thereto; or

8.2 assumes any responsibility for the financial condition of the Borrowers or either of them or any other Security Party or any party to any such other document or for the performance and observance by the Borrowers or either of them or any other Security Party or any party to any such other document (save as otherwise expressly provided therein) and any and all such conditions and warranties, whether express or implied by law or otherwise, are hereby excluded (except as aforesaid).

9 The Transferor Bank and the Transferee Bank each undertake that they will on demand fully indemnify the Agent in respect of any claim, proceeding, liability or expense which relates to or results from this Transfer Certificate or any matter concerned with or arising out of it unless caused by the Agent's gross negligence or wilful misconduct, as the case may be.

10 The agreements and undertakings of the Transferee Bank in this Transfer Certificate are given to and for the benefit of and made with each of the other parties to the Loan Agreement and the Security Documents.

11 This Transfer Certificate and any non-contractual obligations connected with this Transfer Certificate shall be governed by, and shall be construed in accordance with, English law.

Transferor Bank	**Transferee Bank**
By: _____	By: _____
Dated: _____	Dated: _____

Agent

Agreed for and on behalf of itself as Agent, the Arranger, the Borrowers, the Security Agent, the Account Bank, the Swap Provider and the Banks.

NORDEA BANK FINLAND PLC, LONDON BRANCH

By: _____

Dated: _____

Note: The execution of this Transfer Certificate alone may not transfer a proportionate share of the Transferor Bank's interest in the security constituted by the Security Documents in the Transferor Bank's or Transferee Bank's jurisdiction. It is the responsibility of the Transferee Bank to ascertain whether any other documents are required to perfect a transfer of such a share in the Transferor Bank's interest in such security in any such jurisdiction and, if so, to seek appropriate advice and arrange for execution of the same.

The Schedule

Outstanding Contribution: $•
Commitment: $•
Portion Transferred: •%

Administrative Details of Transferee Bank

Name of Transferee Bank:
Lending Office:
Contact Person
(Loan Administration Department):

Telephone:
Telefax No:

Contact Person:

(Credit Administration Department):
Telephone:
Telefax No:

Account for payments:

Schedule 5

Form of Trust Deed

THIS DECLARATION OF TRUST by **NORDEA BANK FINLAND PLC, LONDON BRANCH** (the "**Security Agent**") is made on [•] 2011 and is supplemental to (and made pursuant to the terms of) a Loan Agreement dated [•] 2011 (the "**Agreement**") and made between (1) Olympian Zeus Owners Inc. and Olympian Apollo Owners Inc. as joint and several Borrowers, (2) the banks and financial institutions mentioned in schedule 1 to the Agreement as the Banks and (3) Nordea Bank Finland plc, London Branch as Arranger, Agent, Security Agent, Swap Provider and Account Bank. Words and expressions defined in the Agreement shall have the same meaning when used in this Deed.

NOW THIS DEED WITNESSETH as follows:

1 The Security Agent hereby acknowledges and declares that, from the date of this Deed, it holds and shall hold the Trust Property on trust for certain of the other Creditors on the terms and basis set out in the Agreement.

2 The declaration and acknowledgement contained in paragraph 1 above shall be irrevocable.

IN WITNESS whereof the Security Agent has executed this Deed the day and year first above written.

SIGNED, SEALED and DELIVERED	)	
As a **DEED**	)	
by	)	
for and on behalf of	)	Attorney-In-fact
NORDEA BANK FINLAND PLC, LONDON BRANCH	)	
(as Security Agent)	)	
in the presence of:		

Schedule 6

Form of Mortgage

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Schedule 7

Form of Deed of Covenant

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Schedule 8

Form of Asclepius Guarantee

Schedule 9

Form of DryShips Guarantee

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Schedule 10

Form of Manager's Undertaking

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Schedule 11

Form of Master Swap Agreement

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Schedule 12

Form of Swap Assignment

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Schedule 13

Form of Operating Account Assignment

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Schedule 14

Mandatory Cost formula

1 The Mandatory Cost is an addition to the interest rate to compensate Banks for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.

2 On the first day of each Interest Period (or as soon as possible thereafter) the Agent shall calculate, as a percentage rate, a rate (the "**Additional Cost Rate**") for each Bank, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Agent as a weighted average of the Banks' Additional Cost Rates (weighted in proportion to the percentage participation of each Bank in the Loan or any relevant unpaid sum) and will be expressed as a percentage rate per annum.

3 The Additional Cost Rate for any Bank lending from a lending office in a Participating Member State will be the percentage notified by that Bank to the Agent. This percentage will be certified by that Bank in its notice to the Agent to be its reasonable determination of the cost (expressed as a percentage of that Bank's participation in the Loan or the relevant unpaid sum made from that lending office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that lending office.

4 The Additional Cost Rate for any Bank lending from a lending office in the United Kingdom will be calculated by the Agent as follows:

$$\frac{E \times 0.01}{300} \text{ per cent per annum.}$$

Where *E* is designed to compensate Banks for amounts payable under the Fees Rules and is calculated by the Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Agent pursuant to paragraph 6 below and expressed in pounds per £1,000,000.

5 For the purposes of this Schedule:

(a) "**Fees Rules**" means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;

(b) "**Fee Tariffs**" means the fee tariffs specified in the Fees Rules under Column 1 of the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate);

(c) "**Participating Member State**" means any member of the European Union that adopts or has adopted the euro as its lawful currency in accordance with the legislation of the European Community relating to the Economic and Monetary Union;

(d) "**Special Deposits**" has the meaning given to it from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England; and

(e) "**Tariff Base**" has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

6 If requested by the Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Agent, the rate of charge payable by that

Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by the Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.

7 Each Bank shall supply any information required by the Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Bank shall supply the following information on or prior to the date on which it becomes a Bank:

(a) the jurisdiction of its lending office; and

(b) any other information that the Agent may reasonably require for such purpose.

Each Bank shall promptly notify the Agent of any change to the information provided by it pursuant to this paragraph.

8 The rates of charge of each Reference Bank for the purpose of *E* above shall be determined by the Agent based upon the Information supplied to it pursuant to paragraphs 6 and 7 above and on the assumption that, unless a Bank notifies the Agent to the contrary, each Bank's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a lending office in the same jurisdiction as its lending office.

9 The Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Bank and shall be entitled to assume that the information provided by any Bank or Reference Bank pursuant to paragraphs 3. 6 and 7 above is true and correct in all respects.

10 The Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Banks on the basis of the Additional Cost Rate for each Bank based on the information provided by each Bank and each Reference Bank pursuant to paragraphs 3.6 and 7 above.

11 Any determination by the Agent pursuant to this schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Bank shall, in the absence of manifest error, be conclusive and binding on all parties to this Agreement.

The Agent may from time to time, after consultation with the Borrowers and the Banks, determine and notify to all parties to this Agreement any amendments which are required to be made to this schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties to this Agreement.

SIGNED by Dimitrios Glynos for and on behalf of **OLYMPIAN ZEUS OWNERS INC.** as Borrower	)	/s/ Dimitrios Glynos Attorney-in-fact
SIGNED by Dimitrios Glynos for and on behalf of **OLYMPIAN APOLLO OWNERS INC.** as Borrower	)	/s/ Dimitrios Glynos Attorney-in-fact
SIGNED by Kyviallos Spoullos for and on behalf of **NORDEA BANK FINLAND PLC, LONDON BRANCH** as Arranger, Agent, Security Agent and Account Bank	)	/s/ Kyviallos Spoullos Attorney-in-fact
SIGNED by Kyviallos Spoullos for and on behalf of **NORDEA BANK FINLAND PLC, LONDON BRANCH** as Bank	)	/s/ Kyviallos Spoullos Attorney-in-fact
SIGNED by Kyviallos Spoullos for and on behalf of **NORDEA BANK FINLAND PLC** as Swap Provider	)	/s/ Kyviallos Spoullos Attorney-in-fact

Exhibit 8.1

The Company's consolidated subsidiaries as of December 31, 2010, are listed below:

	Ship-owning Companies with vessels in operation at December 31, 2010	Country of Incorporation	Vessel
1.	Malvina Shipping Company Limited	Malta	*Coronado*
2.	Selma Shipping Company Limited	Malta	*La Jolla*
3.	Samsara Shipping Company Limited	Malta	*Ocean Crystal*
4.	Farat Shipping Company Limited	Malta	*Toro*
5.	Borsari Shipping Company Limited	Malta	*Catalina*
6.	Onil Shipping Company Limited	Malta	*Padre*
7.	Fabiana Navigation Company Limited	Malta	*Alameda*
8.	Karmen Shipping Company Limited	Malta	*Sonoma*
9.	Thelma Shipping Company Limited	Malta	*Manasota*
10.	Celine Shipping Company Limited	Malta	*Mendocino*
11.	Tempo Marine Co.	Marshall Islands	*Maganari*
12.	Star Record Owning Company Limited	Marshall Islands	*Ligari*
13.	Argo Owning Company Limited	Marshall Islands	*Redondo*
14.	Rea Owning Company Limited	Marshall Islands	*Ecola*
15.	Gaia Owning Company Limited	Marshall Islands	*Samsara*
16.	Kronos Owning Company Limited	Marshall Islands	*Primera*
17.	Trojan Maritime Co.	Marshall Islands	*Brisbane*
18.	Dione Owning Company Limited	Marshall Islands	*Marbella*
19.	Phoebe Owning Company Limited	Marshall Islands	*Majorca*
20.	Uranus Owning Company Limited	Marshall Islands	*Levanto*
21.	Selene Owning Company Limited	Marshall Islands	*Bargara*
22.	Tethys Owning Company Limited	Marshall Islands	*Capitola*
23.	Ioli Owning Company Limited	Marshall Islands	*Paros I (ex ClipperGemini)*
24.	Iason Owning Company Limited	Marshall Islands	*Oregon*
25.	Orpheus Owning Company Limited	Marshall Islands	*Avoca*
26.	Team up Owning Company Limited	Marshall Islands	*Saldanha*
27.	Iokasti Owning Company Limited	Marshall Islands	*Galveston*
28.	Boone Star Owners Inc.	Marshall Islands	*Samatan*
29.	Norwalk Star Owners Inc.	Marshall Islands	*Capri*
30.	Ionian Traders Inc.	Marshall Islands	*Positano*
31.	NT LLC Investors Ltd.	Marshall Islands	*Conquistador*
32.	Dalian Star Owners Inc.	Marshall Islands	*Mystic*
33.	Aegean Traders Inc.	Marshall Islands	*Sorrento*
34.	Cretan Traders Inc.	Marshall Islands	*Flecha*
35.	Monteagle Shipping S.A.	Marshall Islands	*Oliva*
36.	Roscoe Marine Ltd.	Marshall Islands	*Rapallo*
37.	Ialysos Owning Company Limited	Marshall Islands	*Amalfi*

	Ship-buying Companies of vessels under construction	Country of Incorporation	Vessel
38.	Pergamos Owning Company Limited	Marshall Islands	Hull 1637A
39.	Amathus Owning Company Limited	Marshall Islands	Hull 1638A
40.	Olympian Zeus Owners Inc.	Marshall Islands	Hull 1833
41.	Olympian Apollo Owners Inc.	Marshall Islands	Hull 1887
42.	Olympian Poseidon Owners Inc.	Marshall Islands	Hull 1873
43.	Olympian Demeter Owners Inc.	Marshall Islands	Hull 1874
44.	Olympian Hera Owners Inc.	Marshall Islands	Hull 1834
45.	Olympian Athena Owners Inc.	Marshall Islands	Hull 1885

46.	Olympian Dionysus Owners Inc.	Marshall Islands	Hull 1886
47.	Olympian Artemis Owners Inc.	Marshall Islands	Hull 1888
48.	Olympian Ares Owners Inc.	Marshall Islands	Hull 1889
49.	Olympian Aphrodite Owners Inc.	Marshall Islands	Hull 1890
50.	Olympian Hephaestus Owners Inc.	Marshall Islands	Hull 1848
51.	Olympian Hermes Owners Inc.	Marshall Islands	Hull 1949

Ship-owning Companies with vessels sold or canceled		**Country of Incorporation**	**Vessel**
52.	Iktinos Owning Company Limited	Marshall Islands	Hull SS058 (Cancelled – Oct. 2009)
53.	Kallikrates Owning Company Limited	Marshall Islands	Hull SS059 (Cancelled – Oct. 2009)
54.	Faedon Shareholders Limited	Marshall Islands	Hull 2089 (Sold – May 2009)
55.	Lansat Shipping Company Limited	Malta	*Paragon* (Sold – March 09)
56.	Thassos Traders Inc	Marshall Islands	*Sidari* (Cancelled – Dec 08)
57.	Milos Traders Inc.	Marshall Islands	*Petani* (Cancelled – Dec 08)
58.	Sifnos Traders Inc.	Marshall Islands	Hull 1568A (Cancelled – Dec 08)
59.	Tinos Traders Inc.	Marshall Islands	Hull 1569A (Cancelled – Dec 08)
60.	Annapolis Shipping Company	Malta	*Lacerta* (Sold – Dec 08)
61.	Tolan Shipping Company Limited	Malta	*Tonga* (Sold – Nov 2008)
62.	Felicia Navigation Company Limited	Malta	*Solana* (Sold – August 2008)
63.	Zatac Shipping Company Limited	Malta	*Waikiki* (Sold – July 2008)
64.	Atlas Owning Company Limited	Marshall Islands	*Menorca* (Sold – June 2008)
65.	Maternal Owning Company Limited	Marshall Islands	*Lanzarote* (Sold – June 2008)
66.	Royerton Shipping Company Limited	Malta	*Netadola* (Sold – April 2008)
67.	Lancat Shipping Company Limited	Malta	*Matira* (Sold – February 2008)
68.	Paternal Owning Company Limited	Marshall Islands	*Formentera* (Sold – December 2007)
69.	Fago Shipping Company Limited	Malta	*Lanikai* (Sold – July 2007)
70.	Hydrogen Shipping Company Limited	Malta	Mostoles (Sold – July 2007)
71.	Madras Shipping Company Limited	Malta	*Alona* (Sold – June 2007)
72.	Seaventure Shipping Limited	Marshall Islands	*Hille Oldendorff* (Sold June 2007)
73.	Classical Owning Company Limited	Marshall Islands	*Delray* (Sold – May 2007)
74.	Oxygen Shipping Company Limited	Malta	*Shibumi* (Sold – April 2007)
75.	Human Owning Company Limited	Marshall Islands	*Estepona* (Sold – April 2007)
76.	Helium Shipping Company Limited	Malta	*Striggla* (Sold – January 2007)
77.	Blueberry Shipping Company Limited	Malta	*Panormos* (Sold – January 2007)
78.	Platan Shipping Company Limited	Malta	*Daytona* (Sold – January 2007)
79.	Silicon Shipping Company Limited	Malta	*Flecha* (Sold – December 2006)

80.	Callicles Challenge Inc.	Marshall Islands	Hull 1154 (Cancelled – April 2009)
81.	Antiphon Challenge Inc.	Marshall Islands	Hull 1155 (Cancelled – April 2009)
82.	Cratylus Challenge Inc.	Marshall Islands	Hull 1129 (Cancelled – April 2009)
83.	Protagoras Challenge Inc.	Marshall Islands	Hull 1119 (Cancelled – April 2009)
84.	Lycophron Challenge Inc.	Marshall Islands	Hull 1106 (Cancelled – April 2009)
85.	Thrasymachus Challenge Inc.	Marshall Islands	*Morgiana* (Cancelled – April 2009)
86.	Hippias Challenge Inc.	Marshall Islands	*Fernandina* (Cancelled – April 2009)
87.	Prodicus Challenge Inc.	Marshall Islands	*Pompano* (Cancelled – April 2009)
88.	Gorgias Challenge Inc.	Marshall Islands	*Ventura* (Cancelled – April 2009)
89.	Kerkyra Traders Inc.	Marshall Islands	*MapleValley* (Cancelled – Jan. 2009)
90.	Arleta Navigation Company Limited	Malta	*Xanadu* (Sold – Sept. 2010)
91.	Iguana Shipping Company Limited	Malta	*Iguana* (Sold – Jan. 2010)
92.	Lotis Traders Inc.	Marshall Islands	*Delray* (Sold – Feb. 2010)
93.	Mandarin Shareholdings Limited	Marshall Islands	Geden Hull 003 (Cancelled – Jan. 2009)
94.	Mensa Shareholdings Limited	Marshall Islands	Geden Hull 002 (Cancelled – Jan. 2009)
95.	Belulu Shareholders Limited	Marshall Islands	Hull No. 1128 (Cancelled – Jan. 2009)

Ocean Rig subsidiaries		**Country of Incorporation**	**Activity/Vessels**
96.	Ocean Rig UDW Inc (formerly Primelead Shareholders Inc)	Marshall Islands	Holding Company
97.	Ocean Rig AS	Norway	Management Company
98.	Ocean Rig UK Ltd	UK	Management/Employment Company
99.	Ocean Rig Ltd	UK	Holding Limited
100.	Ocean Rig Ghana Ltd	Ghana	Operating Company
101.	Ocean Rig Canada Inc.	Canada	Employment Company
102.	Ocean Rig North Sea AS	Norway	Employment Company
103.	Ocean Rig 1 Shareholders Inc.	Marshall Islands	Holding Company
104.	Ocean Rig 2 Shareholders Inc.	Marshall Islands	Holding Company
105.	Drill Rigs Holdings Inc.	Marshall Islands	Holding Company
106.	Drillships Investment Inc.	Marshall Islands	Holding Company
107.	Drillships Holdings Inc.	Marshall Islands	Holding Company
108.	Kithira Shareholders Inc.	Marshall Islands	Holding Company
109.	Skopelos Shareholders Inc.	Marshall Islands	Holding Company
110.	Drillship Hydra Shareholders Inc.	Marshall Islands	Holding Company
111.	Drillship Paros Shareholders Inc.	Marshall Islands	Holding Company
112.	Ocean Rig Operations Inc.	Marshall Islands	Holding Company
113.	Primelead Limited	Cyprus	Holding Company
114.	Ocean Rig Black Sea Operations BV	The Netherlands	Operating Company
115.	Ocean Rig Drilling Services Cooperatief U.A	The Netherlands	Holding Company

116.	Ocean Rig Black Sea Cooperatief U.A	The Netherlands	Holding Company
117.	Ocean Rig Deep Water Drilling Ltd.	Nigeria	
118.	Ocean Rig Drilling Operations B.V.	The Netherlands	Operating Company
119.	Ocean Rig UDW LLC	Delaware	Marketing Company
120.	Ocean Rig UK Ltd. Turkey Branch	Turkey	Branch Office
121.	Ocean Rig 1 Inc.	Marshall Islands	*Leiv Eiriksson*
122.	Ocean Rig 2 Inc.	Marshall Islands	*Eirik Raude*
123.	Drillship Hydra Owners Inc	Marshall Islands	*Corcovado*
124.	Drillship Paros Owners Inc.	Marshall Islands	*Olympia*
125.	Drillship Kithira Owners Inc.	Marshall Islands	*Poseidon*
126.	Drillship Skopelos Owners Inc.	Marshall Islands	*Mykonos*

Other companies	**Country of Incorporation**	**Activity**
127. Wealth Management Inc.	Marshall Islands	Cash Manager
128. Pounta Traders Inc.	Marshall Islands	Investment Company
129. Sunlight Shipholding One Inc	Marshall Islands	Cash Manager

Companies under liquidation	**Country of Incorporation**
130. Ocean Rig 1 AS	Norway
131. Ocean Rig 2 AS	Norway
132. Ocean Rig USA AS	Norway

Exhibit 12.1

CERTIFICATION

I, George Economou, certify that:

1. I have reviewed this annual report on Form 20-F of DryShips Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 15, 2011

/s/ George Economou
George Economou
Chief Executive Officer

Exhibit 12.2

CERTIFICATION

I, Ziad Nakhleh, certify that:

1. I have reviewed this annual report on Form 20-F of DryShips Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 15, 2011

/s/ Ziad Nakhleh
Ziad Nakhleh
Chief Financial Officer

Exhibit 13.1

CHIEF EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of DryShips Inc. (the "Company") on Form 20-F for the year ended December 31, 2010 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, George Economou, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: April 15, 2011

/s/ George Economou
George Economou
Chief Executive Officer

Exhibit 13.2

CHIEF EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of DryShips Inc. (the "Company") on Form 20-F for the year ended December 31, 2010 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Ziad Nakhleh, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: April 15, 2011

/s/ Ziad Nakhleh
Ziad Nakhleh
Chief Financial Officer

EXHIBIT 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form F-3 /A No. 333-146540 and Form F-3 No. 333-139204) of DryShips Inc. and in the related Prospectuses of our reports dated April 15, 2011, with respect to the consolidated financial statements and financial statement schedule of DryShips Inc., and the effectiveness of internal control over financial reporting of DryShips Inc. included in this Annual Report (Form 20-F) for the year ended December 31, 2010.

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

Athens, Greece
April 15, 2011

Exhibit 15.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form F-3 /A No. 333-146540 and Form F-3 No. 333-139204) and in the related Prospectuses of DryShips Inc. of our report dated April 15, 2011, with respect to the consolidated financial statements of Ocean Rig UDW Inc. as of and for the year ended December 31, 2009, included in this Annual Report (Form 20-F) of DryShips Inc. for the year ended December 31, 2010.

We also consent to the incorporation by reference therein of our report dated March 27, 2009, with respect to the consolidated financial statements of Ocean Rig ASA for the period May 15, 2008 to December 31, 2008, included in this Annual Report (Form 20-F) of DryShips Inc. for the year ended December 31, 2010.

/s/ Ernst & Young AS

Stavanger, Norway
April 15, 2011

Exhibit 15.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements No. 333-146540 on Form F-3 ASR and No. 333-139204 on Form F-3 of our report relating to the consolidated financial statements and financial statement schedule of DryShips Inc. and subsidiaries (the "Company") dated April 7, 2010, April 15, 2011, as to the effects of the restatement discussed in Note 1b to the consolidated financial statements and in the financial statement schedule listed in the Index at Item 18 (which report expresses an unqualified opinion on those financial statements and financial statement schedule and includes explanatory paragraphs relating to: (i) the restatement discussed in Note 1b to the consolidated financial statements and in the financial statement schedule listed in the Index at Item 18 and (ii) substantial doubt about the Company's ability to continue as a going concern), appearing in the Annual Report on Form 20-F of the Company for the year ended December 31, 2010.

/s/ Deloitte.
Hadjipavlou Sofianos & Cambanis S.A.
Athens, Greece
April 15, 2011