

BOX SHIPS INC.

FORM 20-F

(Annual and Transition Report (foreign private issuer))

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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, 2016

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 001-35132

BOX SHIPS INC.

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Republic of the Marshall Islands

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

Title of each class

Common share, \$0.01 par value

Preferred Stock Purchase Rights

9.00% Series C Cumulative Redeemable Perpetual
Preferred Shares, \$0.01 par value

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, 2016, there were 2,912,257 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

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

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

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

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

U.S. GAAP ☒

International Financial Reporting Standards as issued
by the International Accounting Standards ☐

Other ☐

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

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

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ABOUT THIS ANNUAL REPORT

Please note in this annual report, "we," "us," "our," and "the Company," all refer to Box Ships Inc. and its subsidiaries, unless otherwise stated or the context otherwise requires. References to our "Managers" refer to Allseas Marine S.A., or Allseas, and Seacommercial Shipping Services S.A., or Seacommercial, companies controlled by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, which are responsible for the commercial and technical management functions for our operations.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with such safe harbor legislation.

This annual report and any other written or oral statements made by us or on our behalf may include forward-looking statements which reflect our current views and assumptions with respect to future events and financial performance and are subject to risks and uncertainties. Forward-looking statements include statements concerning plans, objectives, goals, expectations, projections, strategies, beliefs about future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. In some cases, words such as "believe," "except," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

Forward-looking statements include, but are not limited to, such matters as:

- our future financial condition or results of operations and future revenues and expenses;
- our ability to identify and acquire new containerships;
- general market conditions and shipping market trends, including charter rates and factors affecting supply and demand;
- our ability to repay any debt we may incur and obtain additional financing;
- expected compliance with any financing agreements that we may enter into and the expected effect of any restrictive covenants in such agreements;
- any planned capital expenditures and the ability to fund capital expenditures from external financing sources;
- our expectations of our ability to pay dividends on our preferred stock in the future;
- future supply of, and demand for, products suitable for shipping in containers;
- prospective charterers' performance of their obligations pursuant to any future time charters we may contract;
- changes in the supply and demand of containerships, including newbuilding vessels or lower than anticipated scrapping of older vessels;
- changes in rules and regulations applicable to the container shipping industry, including, without limitation, legislation adopted by international organizations or by individual countries and actions taken by regulatory authorities;
- incurring costs and expenses including but not limited to: crew wages, insurance, provisions, lube oil, bunkers, repairs, maintenance and general and administrative expenses;
- the adequacy of our insurance arrangements;
- changes in general domestic and international political conditions;
- changes in the condition of vessels we may acquire or applicable maintenance or regulatory standards (which may affect, among other things, any anticipated dry-docking or maintenance and repair costs) and unanticipated dry-dock expenditures;
- the ability to leverage the relationships and reputations of Allseas Marine S.A., Seacommercial Shipping Services S.A., Mone Shipping Co. and Venet Shipping Co. in the shipping industry;
- the ability to maximize the use of vessels we may acquire;
- operating expenses, availability of crew, number of off-hire days, dry-docking requirements and insurance costs;
- the ability to compete successfully for future chartering and newbuilding opportunities upon acquisition of vessels;
- the expenses under service agreements with affiliates;
- the anticipated taxation of our company and distributions to our shareholders;
- the expected life span of any vessels we may acquire;
- customers' increasing emphasis on environmental and safety concerns;
- anticipated funds for liquidity needs and the sufficiency of cash flows; and
- our business strategy and other plans and objectives for future operations.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections described in the forward-looking statements contained in this annual report. We undertake no obligation, except as required by law, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include: the strength of world economies; fluctuations in currencies and interest rates; general market conditions, including fluctuations in charter hire rates and vessel values; changes in supply and demand in the containership shipping industry; changes in our operating expenses; changes in governmental rules and regulations or actions taken by regulatory authorities; potential liability from pending or future litigation; general domestic and international political conditions; potential disruption of shipping routes due to accidents or political events; and other important factors described from time to time in the reports filed by us with the U.S. Securities and Exchange Commission, or the SEC.

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 selected data presented below reflects the operations of Box Ships Inc. and its subsidiaries. The following historical information was derived from the audited consolidated financial statements of the Company as of December 31, 2012, 2013 and 2014 and for the years ended December 31, 2012 and 2013, not included in this annual report, and the audited consolidated financial statements of the Company as of December 31, 2015 and 2016 and for the three years ended December 31, 2016, included elsewhere in this annual report. We refer you to the notes to the audited consolidated financial statements of the Company for a discussion of the basis on which these financial statements are presented. The information provided below should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and the financial statements, related notes and other financial information included herein.

Following the one-for-fifty (50) share reverse stock split that was effective on January 31, 2017, all share and per share amounts disclosed in this annual report, including the table below and in our consolidated financial statements included at the end of this annual report, have been retroactively restated to reflect this change in capital structure. Please refer to "Item 4. Information on the Company – A. History and development of the Company."

STATEMENTS OF COMPREHENSIVE INCOME / (LOSS) DATA

(Expressed in United States Dollars, except for share data)	2012	2013	2014	2015	2016
Net Revenues	\$ 65,888,142	\$ 69,836,201	\$ 49,864,674	\$ 44,044,538	\$ 17,497,689
Operating income / (loss)	21,697,724	23,631,192	1,966,947	(21,900,290)	(264,739,346)
Net income / (loss)	13,176,164	15,307,658	2,623,515	(26,968,751)	(226,628,862)
Net income / (loss) available to common shareholders	\$ 10,175,137	\$ 11,432,499	\$ 561,766	\$ (29,030,500)	\$ (228,058,018)
Earnings / (Loss) per common share, basic	\$ 27.77	\$ 23.66	\$ 0.96	\$ (46.55)	\$ (154.98)
Earnings / (Loss) per common share, diluted	\$ 27.06	\$ 22.90	\$ 0.96	\$ (46.55)	\$ (154.98)
Weighted average number of common shares outstanding, basic	359,620	471,751	572,738	611,746	1,461,786
Weighted average number of common shares outstanding, diluted	407,933	534,414	572,738	611,746	1,461,786
Dividends declared per common share	\$ 54.00	\$ 26.00	\$ -	\$ -	\$ -
Dividends declared per Series B and B-1 preferred share	\$ 2.93	\$ 2.93	\$ -	\$ -	\$ -
Dividends declared per Series C preferred share	\$ -	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25

SELECTED BALANCE SHEET DATA

(Expressed in United States Dollars)	December 31,				
	2012	2013	2014	2015	2016
Total current assets	\$ 19,578,166	\$ 31,691,262	\$ 22,011,255	\$ 21,024,921	\$ 2,861,700
Fixed assets, net	401,328,434	386,192,537	371,056,640	334,278,654	-
Other non-current assets ⁽¹⁾	22,141,596	10,121,986	3,867,073	460,406	14,005
Total Assets ⁽¹⁾	443,048,196	428,005,785	396,934,968	355,763,981	2,875,705
Current liabilities ⁽¹⁾	42,050,306	182,833,168	139,972,707	127,570,452	2,630,400
Long-term liabilities ⁽¹⁾	180,218,607	453,248	282,375	3,388	960
Total Liabilities ⁽¹⁾	222,268,913	183,286,416	140,255,082	127,573,840	2,631,360
Total stockholders' equity	220,779,283	244,719,369	256,679,886	228,190,141	244,345
Total Liabilities and Equity ⁽¹⁾	\$ 443,048,196	\$ 428,005,785	\$ 396,934,968	\$ 355,763,981	\$ 2,875,705

⁽¹⁾ Includes a reclassification of deferred finance costs, net, from other non-current assets to current and long-term liabilities, in line with the adoption of FASB ASU on debt issuance costs presentation issued in April 2015, which we adopted in January 2016. Refer to Note 2 to our Consolidated Financial Statements included in Part III of this annual report.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Industry Specific Risk Factors

The container shipping industry is cyclical and volatile in terms of charter rates and profitability, which may further affect our earnings and cash flow.

Our growth, when we acquire vessels, will generally depend on continued growth in world and regional demand for container shipping services.

The ocean-going container shipping industry is both cyclical and volatile in terms of charter hire rates and profitability. Containership charter rates peaked in 2005 and generally stayed strong until the middle of 2008, when the effects of the economic crisis began to affect global container trade.

Fluctuations in charter rates result from changes in the supply of and demand for containership capacity and changes in the supply of and demand for the major products internationally transported by containerships. The factors affecting the supply of and demand for containerships and supply of and demand for products shipped in containers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for containership capacity include:

- supply of and demand for products suitable for shipping in containers;
- changes in global production of products transported by containerships;
- the distance container cargo products are to be moved by sea;
- the globalization of manufacturing;
- global and regional economic and political conditions;
- developments in international trade;
- changes in seaborne and other transportation patterns, including changes in the distances over which container cargoes are transported;
- environmental and other regulatory developments;
- currency exchange rates; and
- port and canal congestion.

The factors that influence the supply of containership capacity include:

- the number of newbuilding deliveries;
- the scrapping rate of older containerships;
- containership owner access to capital to finance the construction of newbuildings;
- the price of steel and other raw materials;
- changes in environmental and other regulations that may limit the useful life of containerships;
- the number of containerships that are slow-steaming to conserve fuel;

- the number of containerships that are out of service;
- the availability of shipyard capacity; and
- port congestion and canal closures.

Our ability to charter vessels we may acquire in the future will depend upon, among other things, the prevailing state of the containership charter market, which can be affected by consumer demand for products shipped in containers. If the charter market remains at current levels when we acquire vessels in the future, we may be forced to charter our vessels at unprofitable rates or not be able to charter our vessels at all, which may reduce or eliminate our earnings. The rates in the containership market also affect the value of any vessels we may acquire in the future, which follow the trends of freight rates and containership rates.

Liner companies, which are the most significant charterers of containerships, have been placed under significant financial pressure, thereby increasing our future potential charter counterparty risk.

The decline in global trade as a result of the lingering effects of the economic slowdown has resulted in a significant decline in demand for the seaborne transportation of products in containers, including for exports from China to Europe and the United States. Consequently, the cargo volumes and freight rates achieved by liner companies, which charter containerships from ship owners, declined sharply in the second half of 2011, and continued to be weak hitting historic lows in 2016. The financial challenges faced by liner companies and efforts to obtain third party aid to restructure their obligations have reduced demand for containership charters compared to historical averages and may increase the likelihood of our customers being unable or unwilling to pay us any potential future contracted charter rates.

If we identify and acquire vessels, we may depend on a limited number of customers in a consolidating, competitive industry for a large part of our revenues. The loss of one or more of these customers could adversely affect our financial performance.

If we identify and acquire vessels, we may face difficulty in obtaining contracts due to the consolidating, competitive nature of the industry. If we are unable to charter vessels we may acquire due to the limited number of customers, we may be unable to derive revenues sufficient to fund our operations which could adversely affect our financial performance and condition. In the past, we derived a significant part of our revenues from a limited number of charterers. Payments from our former charterers under their charters were our sole source of revenue. Some of those charterers were privately-owned companies for which limited credit and financial information was available to us in making our assessment of counterparty risk when we entered into our charter. If one or more of these charterers terminated its charter or chose not to re-charter any vessels that we may acquire in the future, or was unable to perform under its charter with us and we were not able to find a replacement charter, we could suffer a loss of revenues that could adversely affect our financial condition and results of operations. In addition, we may be required to change the flagging or registration of any such related vessel and may incur additional costs, including maintenance and crew costs if a prospective charterer were to default on its obligations. Our shareholders did not and will not have any recourse against any of our former or prospective charterers.

We will seek to employ any vessels we may acquire in the future, pursuant to medium- and long-term fixed-rate time charters with leading liner companies, and we may remain dependent upon a limited number of liner operators. In recent years, some liner companies, including charterers we have contracted with in the past, have publicly acknowledged the financial difficulties they face, announced efforts to obtain third-party aid to restructure their obligations and reported substantial losses. Financial difficulties in the industry may accelerate the trend towards consolidation. The cessation of business with these prospective liner companies or their failure to fulfill their obligations under the charters for the containerships we may acquire in the future could have a material adverse effect on our financial condition and results of operations as well as our cash flows.

If economic conditions throughout the world remain volatile, it will impede our operations and our ability to implement our growth successfully.

The world economy continues to face a number of challenges, including economic slowdown in China and the turmoil and hostilities in the Middle East, North Africa and other geographic areas and countries. A deterioration in the global economy may cause a decrease in worldwide demand for certain goods and, thus, shipping. Continuing economic instability could have a material adverse effect on our ability to implement our business strategy.

The European Union and other parts of the world continue to exhibit weak economic trends. Over the past six years, the credit markets in the United States and Europe have experienced significant contraction, deleveraging and reduced liquidity, and the U.S. federal government and state governments and European authorities have implemented 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 SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may affect changes in law or interpretations of existing laws. Global financial markets and economic conditions have been, and continue to be, severely disrupted and volatile.

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. Economic and governmental factors, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our ability to implement our growth successfully.

Continued economic slowdown in the Asia Pacific region, especially in Japan and China, may exacerbate the effect on us of the recent slowdown in the rest of the world. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. China and other countries in the Asia Pacific region may continue to experience slowed or even negative economic growth in the future. Our ability to implement our growth strategy successfully would be impeded by a continuing or worsening economic downturn in any of these countries.

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

As a result of the credit crisis in Europe, the European Commission created the European Financial Stability Facility, or the EFSF, and the European Financial Stability Mechanism, or the EFSM, to provide funding to Eurozone countries in financial difficulties that seek such support. In September 2012, the European Council established a permanent stability mechanism, the European Stability Mechanism, or the ESM, to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations. An extended period of adverse development in the outlook for European countries could reduce the overall demand for consumer products and consequently for our services. In addition, as a result of the ongoing economic crisis in Greece resulting from the sovereign debt crisis and the related austerity measures implemented by the Greek government, our operations in Greece may be subjected to new regulations that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Greek government new taxes or other fees, which may adversely affect our operations and those of our Managers located in Greece.

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

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

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

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

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

Global financial markets and economic conditions continue to be volatile. The current state of global financial markets and current economic conditions might adversely impact our ability to issue additional equity at prices that will not be dilutive to our existing shareholders or preclude us from issuing equity at all.

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

Vessel values may fluctuate substantially, which may adversely affect our financial condition, result in the incurrence of a loss upon disposal of vessels we may acquire or increase the cost of acquiring vessels at attractive prices for use in future operations.

Vessel values may fluctuate due to a number of different factors, including: general economic and market conditions affecting the shipping industry; competition from other shipping companies; the types and sizes of available vessels; the availability of other modes of transportation; increases in the supply of vessel capacity; the cost of newbuildings; governmental or other regulations; prevailing freight rates, which are the rates paid to the vessel owner by the charterer under a voyage charter, usually calculated either per ton loaded or as a lump sum amount; and the need to upgrade secondhand and previously owned vessels as a result of charterer requirements, technological advances in vessel design or equipment, or otherwise. In addition, as vessels grow older, they generally decline in value. Due to the cyclical nature of the container market, if for any reason we sell any vessels we may acquire at a time when prices are depressed, we could incur a loss and our business, results of operations, cash flow and financial condition could be adversely affected.

During 2016, we were unable to obtain additional amendments and waivers of certain covenants and restrictions contained in our loan agreements and we were unable to continue servicing our debt. These loan agreements were secured by mortgages on vessels previously owned and included various financial covenants, including requirements related to our net worth, operating performance and liquidity. For example, there was a maximum leverage ratio that was based, in part, upon the market value of the vessels securing the loans, as well as requirements to maintain a minimum ratio of the market value of those vessels mortgaged thereunder to our outstanding balance under each respective loan. The market value of containerships is sensitive to, among other things, changes in the containership charter markets, with vessel values deteriorating in times when charter rates are falling and improving when charter rates are anticipated to rise. The current low charter rates in the containership market coupled with the prevailing difficulty in obtaining financing for vessel purchases have adversely affected containership values. The continuation of these conditions resulted in a significant decline in the fair market value of our vessels, which resulted in our failure to maintain compliance with our loan covenants and to continue servicing our debt. As a result, we entered into settlement agreements with certain of our secured lenders for the full and final satisfaction of all amounts outstanding under the relevant loan agreements in exchange for the net sale proceeds of the mortgaged vessels. With regards to our \$100 million senior secured loan agreement with ABN AMRO Bank, we entered into an agreement pursuant to which we transferred ownership of the subsidiaries owning the vessels securing the loan to entities affiliated to Mr. Michael Bodourogrou, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, and we were released from our obligations under the loan agreement in connection therewith. Pursuant to the terms of these settlement agreements, we were forced to sell all of our vessels at a time when vessel prices were low, resulting in our recognition of losses and a reduction in our earnings, further affecting our ability to raise additional capital necessary for us to enter into new loan agreements or to identify any new vessels suitable for acquisition in the future at attractive prices or at all.

Conversely, if vessel values are elevated at a time when we wish to acquire new vessels, the cost of acquisition may increase and this could adversely affect our business, results of operations, cash flow and financial condition.

The containership industry is highly competitive and, if we are able to identify and acquire vessels, we may be unable to compete successfully for charters with established companies or new entrants that may have greater resources and access to capital, which may have a material adverse effect on us.

The containership industry is a highly competitive industry that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, most of whom may have greater resources and access to capital than we have. Competition among vessel owners for the seaborne transportation of semi-finished and finished consumer and industrial products can be intense and depends on the charter rate, location, size, age, condition and the acceptability of the vessel and its operators to charterers. Due in part to the highly fragmented market, many of our competitors with greater resources and access to capital than we have could operate larger fleets than we may operate in the future and thus be able to offer lower charter rates or higher quality vessels than we may be able to offer. If this were to occur, we may be unable to attract new or former charterers on attractive terms or at all, which may have a material adverse effect on our business, prospects, financial condition, liquidity and results of operations.

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

Vessel operating expenses include the costs of crew, provisions, deck and engine stores, lubricating oil, insurance and maintenance and repairs, which depend on a variety of factors, many of which are beyond our control. Some of these costs, primarily relating to insurance and enhanced security measures implemented after September 11, 2001 and as a result of acts of piracy, have been increasing. If vessels we may acquire in the future 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. Increases in any of these costs could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Change to the price of fuel, or bunkers, may adversely affect profits.

The cost of fuel is a significant factor in negotiating charter rates and will be borne by us when our prospective containerships are employed on voyage charters or contracts of affreightment. We currently have no voyage charters or contracts of affreightment, but we may enter into such arrangements in the future when we acquire new vessels, and to the extent we do so, an increase in the price of fuel beyond our expectations may adversely affect our future profitability. Even where the cost of fuel is borne by the charterer, which was the case with all of our former time charters, this cost will affect the level of charter rates that charterers will be prepared to pay. Rising costs of fuel will make older and less fuel efficient vessels less competitive compared to the more fuel efficient newer vessels and may limit their employment opportunities, and may force us to employ vessels we may acquire at a discount compared to the charter rates commanded by more fuel efficient vessels or not at all. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geo-political developments, supply of and demand for oil, actions by members of the Organization of the 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 and regulations.

Further, despite the recent low fuel prices, fuel may become much more expensive in the future, which may reduce the potential profitability and competitiveness of our business when we acquire vessels versus other forms of transportation, such as truck or rail.

Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and cause disruption to our container shipping business when we acquire new vessels.

International container shipping is subject to additional security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. These security procedures can result in cargo seizure, delays in the loading, offloading, trans-shipment, or delivery of containers and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, carriers.

Since the events of September 11, 2001, U.S. authorities have significantly increased the levels of inspection for all imported containers. Government investment in non-intrusive container scanning technology has grown, and there is interest in electronic monitoring technology, including so-called "e-seals" and "smart" containers that would enable remote, centralized monitoring of containers during shipment to identify tampering with or opening of the containers, along with potentially measuring other characteristics such as temperature, air pressure, motion, chemicals, biological agents and radiation.

It is unclear what changes, if any, to the existing security procedures will ultimately be proposed or implemented, or how any such changes will affect the container shipping industry. These changes have the potential to impose additional financial and legal obligations on carriers and, in certain cases, to render the shipment of certain types of goods by container uneconomical or impractical. These additional costs could reduce the volume of goods shipped in containers, resulting in a decreased demand for containerships. In addition, it is unclear what financial costs any new security procedures might create for containership owners and operators. Any additional costs or a decrease in container volumes could have an adverse impact on our ability to attract customers and therefore have an adverse impact on our ability to operate vessels we may acquire in the future profitably.

Compliance with safety and other vessel requirements imposed by classification societies may be very costly and may adversely affect our business in the future if we are able to identify and acquire vessels.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle under which the machinery would be surveyed periodically over a five-year period. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey or special survey, the vessel will be unable to trade between ports and will be unemployable. This could negatively impact our results of operations and financial condition once we acquire new vessels.

If we acquire vessels, we will be subject to regulation and liability under environmental laws that could require significant expenditures and affect our cash flows and net income.

If we identify and acquire containerships, our business and the operations of those containerships will be materially affected by environmental regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which our containerships operate, as well as in the country or countries of their registration, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, water discharges and ballast water management. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with such requirements or the impact thereof on the resale price or useful life of any containership that we may acquire in the future. Additional conventions, laws and regulations may be adopted that could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our future operations. For example, the cost of compliance with any new regulation that may be adopted by the United Nations Framework Convention on Climate Change may be substantial or we may face substantial taxes on bunkers.

In addition, we will be required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and financial assurances with respect to vessels we may acquire in the future for our operations. Many environmental requirements are designed to reduce the risk of pollution, such as oil spills, and our compliance with these requirements could be costly.

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

The operation of containerships we may acquire in the future will also be affected by the requirements set forth in the International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. Failure to comply with the ISM Code may subject us to increased liability, may decrease available insurance coverage for the affected ships we may acquire and may result in denial of access to, or detention in, certain ports.

In the future, we may be unable to attract and retain qualified, skilled employees or crew necessary to operate vessels we may acquire, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Our success depends in large part on the ability of our Managers, who will be responsible for the commercial and technical management functions for vessels we may acquire and our ability to attract and retain highly skilled and qualified personnel. We require technically skilled employees with specialized training who can perform physically demanding work in crewing the vessels we may acquire. Competition to attract and retain qualified crew members is intense. If, upon acquisition of any vessels in the future, we are not able to increase our rates to compensate for any crew cost increases, it could have a material adverse effect on our business, results of operations, cash flows and financial condition. Any inability we or our Managers, experience in the future to hire, train and retain a sufficient number of qualified employees could impair our ability to manage, maintain and grow our business, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Vessels we may acquire may suffer damage due to the inherent operational risks of the seaborne transportation industry and thus we may experience unexpected dry-docking costs, which may adversely affect our business and financial condition.

Vessels we may acquire and their cargoes are at risk of being damaged or lost because of events such as:

- marine disasters;
- bad weather and other acts of God;
- business interruptions caused by mechanical failures;
- grounding, fire, explosions or collisions;
- human error;
- war;
- terrorism; and
- piracy and other circumstances or events.

These hazards may result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates, damage to our prospective customer relationships, delay or rerouting. If vessels we may acquire in the future suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay dry-docking costs that our insurance may not cover in full. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our potential earnings. In addition, space at dry-docking facilities is sometimes limited and not all dry-docking facilities are conveniently located. We may be unable to find space at a suitable dry-docking facility or vessels we may acquire may be forced to travel to a dry-docking facility that may not be conveniently located to such vessels' positions. The loss of earnings while these vessels are forced to wait for space or to steam to more distant dry-docking facilities would decrease our potential earnings. Once we acquire new vessels, the involvement of such vessels in an environmental disaster may also harm our reputation as a safe and reliable vessel owner and operator.

We have operated, and intend to continue to operate, substantially outside the United States, which has and will expose us to political and governmental instability, which could harm our operations in the future.

Our operations are primarily conducted outside the United States and may be adversely affected by changing or adverse political and governmental conditions in the countries where vessels we may acquire may be flagged or may be registered and in the regions where we otherwise may engage in business. Any disruption caused by these factors may interfere with the future operation of vessels we may acquire, which could harm our business, financial condition and results of operations. Past political efforts to disrupt shipping in these regions, particularly in the Arabian Gulf, have included attacks on ships and mining of waterways. In addition, terrorist attacks outside this region, such as the attacks that occurred against targets in the United States on September 11, 2001, Spain on March 11, 2004, London on July 7, 2005, Mumbai on November 26, 2008 and, more recently, in Paris in 2015, Brussels, Orlando, Istanbul and Nice in 2016, and continuing hostilities in Iraq and Afghanistan and elsewhere in the Middle East and the world may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the United States and elsewhere, which may contribute to further economic instability in the global financial markets. Any such attacks, conflict or disturbances may disrupt our business, increase vessel operating costs, including insurance costs, and adversely affect our financial condition, results of operations and ability to obtain additional financing on terms acceptable to us or at all. In the future, our operations may also be adversely affected by expropriation of vessels, taxes, regulation, tariffs, trade embargoes, economic sanctions or a disruption of or limit to trading activities or other adverse events or circumstances in or affecting the countries and regions where we have operated or where we may operate in the future.

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean, West Africa and in the Gulf of Aden off the coast of Somalia. Although the frequency of sea piracy worldwide continues to decline, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea, with drybulk vessels and tankers particularly vulnerable to such attacks. If these piracy attacks result in regions in which vessels we may acquire in the future are deployed being characterized as "war risk" zones by insurers, or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, due to employing onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention hijacking as a result of an act of piracy against vessels we may acquire in the future, or an increase in cost, or unavailability, of insurance for such vessels, could have a material adverse impact on our business, financial condition and results of operations.

If we enter into charter agreements or engage in certain other activities with countries or government-controlled entities or customers associated with countries that are subject to restrictions imposed by the U.S. government in the future, or engage in certain other activities, our ability to conduct business and access U.S. capital markets and our reputation and the market for our securities could be adversely affected in the future.

Although no vessels previously owned and operated by us have called on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and other authorities or countries identified by the U.S. government or other authorities as state sponsors of terrorism, including Iran, Sudan and Syria, in the future any vessels we may acquire may call on ports in these countries from time to time on prospective charterers' instructions. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which amended the Iran Sanctions Act. Among other things, CISADA introduced limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the "Joint Plan of Action," or the JPOA. Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the U.S. and E.U. would voluntarily suspend certain sanctions for a period of six months. On January 20, 2014, the U.S. and E.U. indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures included, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries from January 20, 2014 until July 20, 2014. The JPOA was subsequently extended twice.

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

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

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

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

Maritime claimants could arrest vessels we may acquire, which would interrupt our business.

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

In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel 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 try to assert "sister ship" liability against any vessel in our fleet we may acquire in the future for claims relating to another of our ships.

If we acquire vessels, we will become subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business.

Our operations relating to vessels we may acquire in the future could subject us 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 vessels we may acquire in the future will operate or will be registered, which may significantly affect the ownership and operation of such vessels. These regulations include, but are not limited to European Union regulations, the U.S. Oil Pollution Act of 1990, or OPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1990, or CERCLA, the U.S. Clean Air Act, U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002, and regulations of the International Maritime Organization, or the IMO, including the International Convention 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 IMO International Convention for the Safety of Life at Sea of 1974, the International Convention on Load Lines of 1966 and the U.S. Maritime Transportation Security Act of 2002 (the MTSA). 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 any vessels we may acquire in the future. 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 future 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. We may be required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although insurance covers certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that will not have a material adverse effect on our business, results of operations, cash flows and financial condition.

In the future, we may conduct part of our business in China. The legal system in China is not fully developed and has inherent uncertainties that could limit the legal protections available to us.

If we acquire vessels in the future, we may continue to conduct business in China. Any charters that we may enter into with Chinese customers may be subject to new regulations in China that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Chinese government new taxes or other fees. Changes in laws and regulations, including with regards to tax matters, or their implementation by local authorities could affect vessels we may acquire in the future chartered to Chinese customers as well as any such vessels calling to Chinese ports and could have a material adverse effect on our financial condition and results of operations, as well as our cash flows.

Company Specific Risk Factors

In the future, we may not be able to comply with certain financial covenants that may be contained in any new loan agreements we may be a party to, which may have an adverse effect on our financial condition, results of operations and cash flows.

If we obtain additional financing and enter into new loan agreements, we may have difficulty complying with any such financial covenants included therein, including those requiring us to maintain a minimum market value of our assets or liquidity levels, for example.

Our past loan agreements, which were secured by mortgages on our vessels, have required us to comply with specified collateral coverage ratios and satisfy certain financial and other covenants. In general, these financial covenants required us, among other things, to maintain (i) a maximum market adjusted leverage ratio; (ii) minimum liquidity; (iii) a minimum market value adjusted net worth; and (iv) a minimum ratio of EBITDA to net interest expenses.

A violation of any of these covenants constitutes an event of default under our loan agreements, which, unless waived or modified by our lenders, provide our lenders with the right to require us to post additional collateral, 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, accelerate our indebtedness and foreclose their liens on our vessels, which would impair our ability to continue to conduct our business.

During 2014 and 2015, we entered into new or supplemental agreements with our lenders and agreed to certain amendments, waivers of certain financial covenants and permanent removal of certain other financial covenants, as described under "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Loan Agreements." As of December 31, 2015, we were in compliance with all of our debt covenants, as amended, with the exception of the market value adjusted net worth. At that time, the market value of the vessels we owned indicated that if we were unable to obtain additional amendments or waivers, we may have not been able to maintain or regain compliance with the relevant financial covenants upon expiration of the existing waivers during 2016. Due to our failure to comply with certain financial covenants and restrictions contained in our secured loan agreements at such time and due to our failure to continue servicing our debt, we entered into settlement agreements with certain of our lenders for the full and final satisfaction of all amounts outstanding under the relevant loan agreements in exchange for the net sale proceeds of the mortgaged vessels and in relation to the \$100 million senior secured loan agreement with ABN AMRO Bank, we entered into an agreement with the lender, pursuant to which we sold the subsidiaries owning the vessels securing the loan and transferred all assets and liabilities to entities affiliated to Mr. Michael Bodouroglou, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, and we were released from our obligations under the loan agreement in connection therewith. Pursuant to the terms of these settlement agreements, we were forced to sell our vessels at a time when vessel prices were low, resulting in our recognition of losses and a reduction in our earnings, further affecting our ability to raise additional capital necessary for us, to enter into new loan agreements or to identify any new vessels suitable for acquisition in the future at attractive prices or at all.

If we enter into new secured loan agreements, those lenders may impose additional operating and financial restrictions on us, or may subsequently modify the terms of our existing loan agreements in connection with any additional waivers or amendments to our loan agreements that we may obtain in the future as a result of additional breaches of the financial and other covenants contained in those secured loan agreements. Such restrictions may restrict our ability to, among other things, pay dividends, make capital expenditures or incur additional indebtedness. In addition, our future 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 may charge us on any outstanding indebtedness.

The report of our independent registered public accounting firm contains an emphasis of matter paragraph indicating that there is a substantial doubt concerning our ability to continue as a going concern.

Our audited consolidated financial statements for the fiscal year ended December 31, 2016 were prepared on a going concern basis in accordance with GAAP. The emphasis of matter paragraph included in our auditor's report was a result of our lack of foreseeable revenues and cash inflows from vessel operations and the uncertainty regarding our ability to reorganize our capital, secure new vessel acquisitions and obtain new equity and debt. In addition, we have not paid dividends to holders of our Series C Preferred Shares, commencing on April 1, 2016, and were not in compliance with the net worth covenant, which under certain circumstances, might result in an increased dividend rate, thereby further increasing our short-term obligations.

The going concern basis of presentation assumes that we will continue in operation and be able to realize our assets and discharge our liabilities and commitments in the normal course of business. In order for us to continue operations beyond the next twelve months from the date of this annual report, we must be able to discharge our liabilities and commitments in the normal course of business; generate operating income; produce cash from our operating activities, and raise additional funds to finance potential vessel acquisitions. We cannot guarantee that we will be able to secure new vessel acquisitions, generate operating income, produce cash from our operating activities, or obtain additional funds through either debt or equity financing transactions.

If we are unable to acquire new vessels, produce cash from our operating activities, and obtain additional funds through either debt or equity financing transactions, we may be unable to provide shipping transportation services, generate operating cash flows and discharge our liabilities in the normal course of business. These uncertainties raise substantial doubt about our ability to continue as a going concern. If we become unable to continue as a going concern, stockholders may lose all or part of their investment in our common stock. The accompanying financial statements do not contain any adjustments as a result of this uncertainty.

The current low containership charter rates and values and any future decline in these rates may affect our ability to secure loan agreements and comply with any financial covenants contained therein, which may cause us to incur impairment charges or to incur a loss if vessel values are low at a time when we are attempting to dispose of a vessel.

If we acquire vessels, current low containership charter rates and values may affect our ability to obtain financing. In the event we do obtain such financing, the containership market in its current state and any further decline in charter rates and values, may impact our ability to comply with various covenants, particularly those relating to our financial performance, which may cause us further deterioration to our financial condition.

As discussed above, our past loan agreements were secured by mortgages on our vessels and contained various financial covenants. Among those covenants were requirements that related to our net worth, operating performance and liquidity. For example, there was a maximum leverage ratio that was based, in part, upon the market value of the vessels securing the loans, as well as requirements to maintain a minimum ratio of the market value of our vessels mortgaged thereunder to our aggregate outstanding balance under each respective loan agreement. The market value of containerships is sensitive, among other things, to changes in the containership charter markets, with vessel values deteriorating in times when charter rates are falling and improving when charter rates are anticipated to rise. The current low charter rates in the containership market coupled with the prevailing difficulty in obtaining financing for vessel purchases have adversely affected containership values. The continuation of these conditions resulted in a significant decline in the fair market values of our vessels, which resulted in our failure to comply with our loan covenants, as was the case with the breach of market value adjusted net worth covenant, as of December 31, 2015, discussed above.

During 2014 and 2015, we entered into new or supplemental agreements with our lenders and agreed to certain amendments, waivers of certain financial covenants and permanent removal of certain other financial covenants, as described under “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Loan Agreements.” As of December 31, 2015, we were in compliance with all of our debt covenants, as amended, with the exception of the market value adjusted net worth. At that time, the values of the vessels we owned indicated that if we were unable to obtain additional amendments or waivers, we may have not been able to maintain or regain compliance with the relevant financial covenants upon expiration of the existing waivers during 2016. Due to our failure to comply with certain financial covenants and restrictions contained in our secured loan agreements at such time and due to our failure to continue servicing our debt, we entered into settlement agreements with certain of our lenders for the full and final satisfaction of all amounts outstanding under the relevant loan agreements in exchange for the net sale proceeds of the mortgaged vessels and in relation to the \$100 million senior secured loan agreement with ABN AMRO Bank, we entered into an agreement with the lender, pursuant to which we sold the subsidiaries owning the vessels securing the loan and transferred all assets and liabilities to entities affiliated to Mr. Michael Bodourogrou, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, and we were released from our obligations under the loan agreement in connection therewith. Pursuant to the terms of these settlement agreements, we were forced to sell our vessels at a time when vessel prices were low, resulting in our recognition of losses and a reduction in our earnings, further affecting our ability to raise additional capital necessary for us, to enter into new loan agreements or to identify any new vessels suitable for acquisition in the future at attractive prices or at all.

We may have difficulty securing profitable employment for vessels we may acquire given the current depressed state of the containership market.

If we acquire vessels for use in our operations, we may face difficulty in securing profitable employment for such vessels. Given the current depressed state of the containership charter market, especially for medium to smaller sized vessels, we may be unable to charter vessels we may acquire at attractive rates, or at all. We will not receive any revenues in the event we are unable to charter vessels we may acquire; however, we will be required to pay expenses necessary to maintain these vessels in proper operating condition, insure them and service any indebtedness, if any, secured by such vessels. If we cannot charter vessels we may acquire on time charters or trade them in the spot market profitably, our results of operations and operating cash flow will be adversely affected.

In the future, we may be subject to certain risks with counterparties on any agreements we enter into, and the failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business and ability to maintain compliance with covenants in loan agreements, if any exist at such time, as a result.

If we acquire vessels for use in our operations, we may enter into various contracts that may subject us to various counterparty risks. The ability and willingness of each of these counterparties to perform their obligations under contracts with us will depend on a number of factors that are beyond our control, including, among other things, general economic conditions, the condition of the container shipping industry, the overall financial condition of the counterparty, charter rates received for specific types of vessels and various expenses. We anticipate that we may rely heavily on revenues from our charter agreements, and the failure of counterparties we may contract with in the future to perform their financial obligations under such contracts may cause adversely affect our ability to conduct business.

For example, we have entered into various contracts, including time charter agreements, with former customers. At such time, we relied heavily on the revenues from these contracts, and the failure of our counterparties to comply with their financial obligations in a timely manner affected our ability to maintain compliance with certain financial covenants in various secured loan agreements at that time.

As of the date of this annual report, we have sold our fleet pursuant to settlement agreements with certain of our secured lenders for the full and final satisfaction of all amounts outstanding under the loan agreements in exchange for the net sale proceeds of the mortgaged vessels. In addition, in relation to the \$100 million senior secured loan agreement with ABN AMRO Bank, we entered into an agreement with the lender, pursuant to which we sold the subsidiaries owning the vessels securing the loan and transferred all assets and liabilities to entities affiliated to Mr. Michael Bodouroglou, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, and we were released from our obligations under the loan agreement in connection therewith. Pursuant to the terms of these settlement agreements we were forced to sell our vessels at a time when vessel prices were low, resulting in our recognition of losses and a reduction in our earnings, further affecting our ability to raise additional capital necessary for us, to enter into new loan agreements or to identify any new vessels suitable for acquisition in the future at attractive prices.

If we are able to acquire vessels for use in our operations and should a prospective counterparty fail to honor its obligations under any such charter we may enter into, it may make it difficult to secure substitute employment for such vessel, and any new charter arrangements we may secure in the spot market or on time charters would be at lower rates given currently decreased containership charter rate levels. If prospective charterers fail to meet their obligations to us or attempt to renegotiate such charter agreements, we may sustain significant losses that could have a material adverse effect on our ability to conduct our business, financial condition, results of operations, cash flows, and compliance with covenants in any future secured loan agreements.

We may not be able to secure adequate financing to acquire or identify suitable vessels at attractive prices, which result could adversely affect our business.

We have limited cash resources and no borrowing capacity and we may not be successful in entering into any new financing arrangements. All of our previously owned vessels were used as collateral to our secured loan agreements and were subsequently sold off to satisfy our outstanding obligations under those agreements as a result of our failure to comply with certain covenants and restrictions contained in those agreements. In addition, we may not be able to identify any suitable vessels for acquisition in the future at attractive prices or at all. To the extent we are unable to identify vessels suitable for acquisition or obtain acquisition financing on acceptable terms or at all, we may not be able to acquire any such vessels, which could adversely affect our business.

We may be unable to locate suitable vessels for acquisition which would adversely affect our ability to expand our business.

Our business strategy is dependent in part on identifying and purchasing suitable vessels. Changing market and regulatory conditions may limit the availability of suitable vessels because of customer preferences or because they are not or will not be compliant with existing or future rules, regulations and conventions. New vessels of the age and quality we desire may not be available for purchase at prices we are prepared to pay or at delivery times acceptable to us. If we are unable to purchase new vessels at reasonable prices in accordance with our business strategy or in response to changing market and regulatory conditions, our business would be adversely affected.

We cannot assure you that our Managers will be able to successfully address the variety of vessel management risks in the containership sector and develop and maintain commercial relationships with leading liner companies, and the inability to do so could adversely affect our re-entry and involvement in the containership business and thus our results of operations.

If we identify and acquire suitable containerships, our business strategy will rely to a significant extent on our ability to successfully operate such containerships, which include unique risks involving, among other things, the speeds at which such containerships travel in order to move cargoes around the world quickly and minimize delivery delays, the loading or unloading of containers with highly varied cargoes and industry specific inspection procedures. In addition, we will be required to access attractive chartering opportunities by developing and maintaining relationships with established container liner companies. Our ability to establish containership industry relationships and a reputation for customer service and safety, as well as to acquire and renew charters with leading liner companies, will depend on a number of factors, including our ability to crew vessels we may acquire with experienced containership crews and the ability to manage such risks.

We believe that building and maintaining a modern and technologically advanced fleet, capitalizing on our Managers' experience in the commercial management of vessels, as well as on our senior management's experience in the shipping industry, will be important factors in acquiring and retaining major container liner company charterers. Our Managers may not be able to successfully operate containerships that we may acquire in the future or to develop and maintain the commercial relationships or to replace them in the event any of these relationships are terminated, which would adversely affect our business prospects and profitability.

We may not be able to implement our growth effectively.

Our business plan is to identify and acquire suitable containerships at favorable prices and to employ vessels we may acquire on short- to medium-term time charters of one to five years with staggered maturities. Our business plan therefore depends on our ability to acquire containerships to build and maintain our fleet, successfully employ such vessels and also charter any vessels we may acquire in the future at favorable rates.

Growing any business by acquisition presents numerous risks, including undisclosed liabilities and obligations, difficulty obtaining additional qualified personnel and managing relationships with customers and suppliers. In addition, competition from other companies, many of which may have significantly greater financial resources than we do, may reduce our acquisition opportunities or cause us to pay higher prices. We cannot assure you that we will be successful in executing our plans to grow our business or that we will not incur significant expenses and losses in connection with this plan. Our failure to effectively identify, purchase, develop and integrate vessels we may acquire in the future could impede our ability to implement our growth successfully. Our acquisition growth strategy exposes us to risks that may harm our business, financial condition and operating results, including risks that we may:

- fail to realize anticipated benefits, such as cost-savings or cash flow enhancements;
- incur or assume unanticipated liabilities, losses or costs associated with any new vessels or businesses acquired, particularly if any additional vessel we acquire proves not to be in good condition;
- be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet that we may acquire in the future;
- decrease our liquidity by using a significant portion of available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense or financial leverage if we incur additional debt to finance acquisitions; or
- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

Moreover, we plan to finance potential vessel acquisitions through equity financing, which we expect will mainly consist of issuances of securities that are convertible into shares of our common stock, or with borrowings under any credit facilities we may enter into in the future. If we are unable to raise funds on terms that we deem acceptable, if at all, or we cannot enter into future credit facilities on favorable terms, our cash on hand will be insufficient to fund the costs of future vessel acquisitions and we may need to revise our growth plan or consider alternative forms of financing.

If we cannot successfully employ or charter any new and additional vessels we may acquire in the future, we may incur net losses.

Our business plan is to identify and acquire suitable vessels, at favorable prices and, as market conditions warrant, employ these vessels on short- to medium-term time charters ranging from one to five years with staggered maturities. As of the date of this annual report, we have sold off our entire fleet, consisting of nine containerships, pursuant to certain settlement agreements executed to satisfy all of our outstanding obligations incurred as a result of our failure to comply with certain financial covenants and restrictions contained in our secured loan agreements.

In addition, given the current depressed conditions of the containership market, it is possible that we may acquire a vessel without having a chartering agreement in place or without having a profitable charter in place for such vessel, and we may not find suitable employment for a substantial period of time after taking delivery of such vessel. We would still incur costs related to administrative costs, vessel maintenance and general business expenses, but would be generating no income or income below our operating costs. If we are unable to obtain and secure suitable employment for any vessels that we may acquire in the future in accordance with our business strategy while incurring operating expenses, our business would be adversely affected.

Our growth depends on our ability to identify suitable vessels for acquisition and successfully employ and charter these vessels, for which we will face substantial competition.

If we identify and acquire suitable vessels, we plan to initially employ these vessels on short- to-medium term time charters ranging from one to five years with staggered maturities, consistent with our chartering policy. We may also, under certain circumstances, opportunistically enter vessels we may acquire in the future into short-term charters or our vessels may operate on the spot market. The process of obtaining new medium-term time charters is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. Container shipping charters are awarded based upon a variety of factors relating to the vessel operator, including:

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

We expect substantial competition for providing new containership service from a number of experienced companies, including state-sponsored entities and major shipping companies. Many of these competitors have more experience in the containership sector than we have and significantly greater financial resources than we do, and can therefore operate larger fleets and may be able to offer better charter rates. As a result of these factors, we may be unable to obtain new customers on a profitable basis, if at all, which will impede our ability to implement our growth successfully.

Furthermore, when vessels we may acquire in the future become available for employment under new time charters when charter rates are at currently depressed levels, we may have to employ containerships we may acquire in the future at depressed charter rates, if we are able to secure employment for vessels in our future fleet at all, which would lead to further reduced or volatile earnings. Future charter rates may not be at a level that will enable us to operate such containerships profitably to allow us to implement our growth strategy successfully or repay our debt.

Paragon Shipping and its affiliates may claim business opportunities that would benefit us .

If, in the future, Paragon Shipping becomes the holder of more than 5% of the total issued and outstanding shares of our common stock, Paragon Shipping will be contractually prohibited from competing with us in the international containership industry. We have entered into an agreement with Paragon Shipping and our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, that provides that so long as Mr. Bodouroglou is a director or executive officer of our Company (i) Mr. Bodouroglou and any entity which he controls and (ii) during any period in which Mr. Bodouroglou is also a director or executive officer of Paragon Shipping and Paragon Shipping is the holder of more than 5% of the total issued and outstanding shares of our common stock, Paragon Shipping, will be prohibited from acquiring or entering into any charter for containerships without our prior written consent and we will not acquire or enter into any charter for drybulk carriers without the prior written consent of Mr. Bodouroglou, such entities controlled by him and Paragon Shipping, as applicable.

Nevertheless, Paragon Shipping and its affiliates may claim business opportunities that would benefit us and compete with us in the international containership industry. In addition, notwithstanding our non-competition agreement with Paragon Shipping, Paragon Shipping may claim other business opportunities that would benefit us, such as the hiring of employees, the acquisition of other businesses, or the entry into joint ventures, and in each case other than business opportunities in the international containership industry, and this could have a material adverse effect on our business, results of operations, cash flows and financial condition.

If we purchase and operate second-hand vessels, we will be exposed to increased operating costs that could adversely affect our earnings and, as such future fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.

Our current business strategy includes the creation and growth through the acquisition of new and secondhand vessels. The acquisition of secondhand vessels does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Accordingly, we may not discover defects or other problems with such vessels before purchase. Any such hidden defects or problems, when detected, may be expensive to repair, and if not detected, may result in accidents or other incidents for which we may become liable to third parties. These repairs may require us to put a vessel in dry-dock, which would reduce our potential fleet utilization. In addition, when purchasing secondhand vessels, we do not receive the benefit of any builder warranties if the vessels we buy are older than one year.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel efficient than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations, safety and other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to some of our vessels and may restrict the type of activities in which these vessels may engage.

We cannot assure you that, as vessels we may acquire age, market conditions will justify those expenditures or enable us to operate such vessels profitably during the remainder of their useful lives. As a result, regulations and standards could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Delays in deliveries of vessels we may purchase or order, our decision to cancel an order for purchase of a vessel or our inability to otherwise complete the acquisitions of vessels, could harm our operating results.

We intend to acquire vessels from time to time in the future. The delivery of these vessels could be delayed, not completed or cancelled, which would delay or eliminate our expected receipt of revenues from the employment of these vessels. The seller could fail to deliver these vessels to us as agreed, or we could cancel a purchase contract because the seller has not met its obligations. The delivery of any vessels we may propose to acquire could be delayed because of, among other things, hostilities or political disturbances, non-performance of the purchase agreement with respect to the vessels by the seller, our inability to obtain requisite permits, approvals or financings or damage to or destruction of vessels while being operated by the seller prior to the delivery date.

If the delivery of any vessel is materially delayed or cancelled, especially if we have committed the vessel to a charter under which we become responsible for substantial liquidated damages to the customer as a result of the delay or cancellation, our business, financial condition and results of operations could be adversely affected.

The delivery of vessels we may purchase or order could be delayed because of, among other things:

- work stoppages or other labor disturbances or other events that disrupt the operations of the shipyard building the vessels;
- quality or other engineering problems;
- changes in governmental regulations or maritime self-regulatory organization standards;
- lack of raw materials;
- bankruptcy or other financial crisis of the shipyard building the vessels;
- our inability to obtain requisite financing or make timely payments;
- a backlog of orders at the shipyard building the vessels;
- hostilities or political or economic disturbances in the countries where the vessels are being built;
- weather interference or catastrophic event, such as a major earthquake or fire;
- our requests for changes to the original vessel specifications;
- shortages or delays in the receipt of necessary construction materials, such as steel;
- our inability to obtain requisite permits or approvals; or
- a dispute with the shipyard building the vessels.

Increased competition in technological innovation could reduce the demand for any newly-acquired vessels and thus our ability to successfully implement our business strategy.

The charter hire rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to be loaded and unloaded quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. Physical life is related to the original design and construction, maintenance and the impact of the stress of operations. If new containerhips are built that are more efficient or flexible or have longer physical lives than vessels we may acquire, competition from these more technologically advanced containerhips could adversely affect the amount of charter hire payments we may receive for vessels we may acquire or our ability to employ or re-employ such vessels at all.

Our executive officers and the officers of our Managers will not devote all of their time to our business, which may hinder our ability to operate successfully.

Our executive officers and the officers of our Managers will be involved in Paragon Shipping's and other business activities, which may result in their spending less time than is appropriate or necessary to manage our business successfully. The actual allocation of time could vary significantly from time to time depending on various circumstances and needs of the businesses, such as the relative levels of strategic activities of the businesses. This could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Our executive officers and directors and our Managers have conflicts of interest and limited duties, which may permit them to favor interests of Paragon Shipping or its affiliates above our interests and those of holders of our common stock.

Conflicts of interest may arise between Paragon Shipping, our Managers, and their affiliates, on the one hand, and us and our shareholders, on the other hand. These conflicts include, among others, the following situations:

- Our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer serves as the Chairman, President, Chief Executive Officer and Interim Chief Financial Officer of Paragon Shipping. Our Chief Executive Officer is also the beneficial owner of all of the capital stock of our Managers and Crewcare Inc., or Crewcare, our manning agent, Mone Shipping Co., or Mone, and Venet Shipping Co., or Venet, drybulk vessel owners in which we have commercial services agreements with. Therefore, he may favor the interests of Paragon Shipping, Allseas, Seacommercial, Mone, Venet or their affiliates and may not provide us with business opportunities that would benefit us.
- Our Managers advise our Board of Directors about the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances of additional capital stock and cash reserves, each of which can affect the amount of the cash available for distribution to our shareholders.
- Our executive officers and those of our Managers will not spend all of their time on matters related to our business.
- Our Managers will advise us of costs incurred by them and their affiliates that they believe are reimbursable by us.

As a result of these conflicts, our Managers may favor their own interests, the interests of Paragon Shipping and the interests of its affiliates over our interests and those of our shareholders, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

The fiduciary duties of our officers and directors may conflict with those of the officers and directors of Paragon Shipping and/or its affiliates.

Our officers and directors have fiduciary duties to manage our business in a manner beneficial to us and our shareholders. However, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, serves as an executive officer and director of Paragon Shipping and our Chief Operating Officer, Mr. George Skrimizeas, serves as the Chief Operating Officer of Paragon Shipping. As a result, these individuals have fiduciary duties to manage the business of Paragon Shipping and its affiliates in a manner beneficial to such entities and their shareholders. Consequently, these officers and directors may encounter situations in which their fiduciary obligations to Paragon Shipping and us are in conflict. We believe the principal situations in which these conflicts may occur are in the allocation of business opportunities to Paragon Shipping or us, such as with respect to the allocation and hiring of employees, the acquisition of other businesses or the entry into joint ventures, and in each case other than business opportunities in the international containership industry. The resolution of these conflicts may not always be in our best interest or that of our shareholders and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

However, we have entered into a non-competition agreement with Paragon Shipping and Mr. Michael Bodouroglou that provides that so long as Mr. Bodouroglou is a director or executive officer of our Company (i) Mr. Bodouroglou and any entity which he controls and (ii) during any period in which Mr. Bodouroglou is also a director or executive officer of Paragon Shipping and Paragon Shipping is the holder of more than 5% of the total issued and outstanding shares of our common stock, Paragon Shipping, will be prohibited from acquiring or entering into any charter for containerships without our prior written consent and we will not acquire or enter into any charter for drybulk carriers without the prior written consent of Mr. Bodouroglou, such entities controlled by him and Paragon Shipping, as applicable.

If we identify and acquire vessels, we will be, as we have been in the past, dependent on our fleet Managers for the commercial and technical management of our fleet, as well as to provide us with our executive officers, and the failure of our fleet Managers to satisfactorily perform their services may adversely affect our business.

We have entered into an executive services agreement with Allseas, pursuant to which Allseas provides us with the services of our executive officers, who report directly to our Board of Directors. In addition, as we have subcontracted the commercial and technical management of our fleet, including crewing, maintenance and repair, to Allseas, the loss of Allseas services or Allseas failure to perform its obligations to us, upon any future vessel acquisitions, could materially and adversely affect the results of our operations. We may have rights against Allseas if it defaults on its obligations to us but you will have no recourse directly against Allseas. We have also entered into a Sale & Purchase ("S&P") and Charter Brokerage Services agreement with Seacommercial, pursuant to which Seacommercial provided sale & purchase and charter brokerage services for our fleet. The loss of Seacommercial services or Seacommercial failure to perform its obligations to us, upon any future vessel acquisitions, could materially and adversely affect the results of our operations.

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

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

Our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer has affiliations with our Managers which may create conflicts of interest.

Our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, is the beneficial owner of all of the issued and outstanding capital stock of Allseas, Seacommercial, Mone and Venet. These responsibilities and relationships could create conflicts of interest between us, on the one hand, and our Managers, on the other hand. These conflicts may arise in connection with the chartering, purchase, sale and operations of vessels we may acquire in the future versus vessels managed by other companies affiliated with Allseas, Seacommercial, Mone and Venet and Mr. Bodouroglou. To the extent that any entities affiliated with Mr. Bodouroglou, other than us, Allseas, Seacommercial, Mone or Venet, own or operate vessels that may compete for employment or management services in the future, our Managers may give preferential treatment to vessels that are beneficially owned by related parties because Mr. Bodouroglou and members of his family may receive greater economic benefits. Our Managers currently provide management services to private fleets. Entities affiliated with Mr. Bodouroglou may acquire vessels that may compete with vessels we may acquire in the future, subject to an agreement entered into among the Company, Paragon Shipping and Mr. Bodouroglou, which prohibits Mr. Bodouroglou or entities affiliated with him, including Paragon Shipping, from acquiring or chartering container vessels without our prior written consent, and pursuant to which we have agreed not to acquire or charter drybulk vessels without the prior consent of Mr. Bodouroglou, entities controlled by him or Paragon Shipping, as applicable. To the extent that we believe it is in our interest to grant such consent and Mr. Bodouroglou, entities controlled by him or Paragon Shipping acquires containerships, such vessels may compete with our future fleet. Our Managers are not a party to the non-competition agreement described above and, under the terms of the agreement, may provide vessel management services to other containerships. These conflicts of interest may have an adverse effect on our results of operations.

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

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

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

Our success depends to a significant extent upon the abilities and efforts of our management team. Pursuant to an executive services agreement, Allseas provides us with the services of our executive officers, who report directly to our Board of Directors. Our success depends upon our ability to retain key members of our management team and to hire new members as may be necessary. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining replacement personnel could adversely affect our business and results of operations. We do not intend to maintain "key man" life insurance on any of our officers or other members of our management team.

In the future, we may not have adequate insurance to compensate us or to compensate third parties if we lose vessels we may acquire.

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

If we successfully identify and acquire vessels, we will be insured against tort claims and some contractual claims (including claims related to environmental damage and pollution) through memberships in protection and indemnity associations or clubs, or P&I Associations. As a result of such membership, the P&I Associations will provide us coverage for such tort and contractual claims. We will also carry hull and machinery insurance and war risk insurance for vessels we may acquire. We intend to insure vessels we may acquire in the future for third-party liability claims subject to and in accordance with the rules of the P&I Associations in which such vessels are entered. We also intend to maintain insurance against loss of hire, which covers business interruptions that result in the loss of use of a vessel. In the future, we may not be adequately insured against all risks and particular claims may not be paid by our insurers.

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

In the future, we may be subject to funding calls by our protection and indemnity associations, and our associations may not have enough resources to cover claims made against them.

If we identify and acquire vessels for use in our operations, we will be indemnified for legal liabilities that we may incur while operating vessels we may acquire through membership in P&I Associations. P&I Associations are mutual insurance associations whose members must contribute to cover losses sustained by other association members. The objective of a P&I Association is to provide mutual insurance based on the aggregate tonnage of a member's vessels entered into the association. Claims are paid through the aggregate premiums of all members of the association, although members remain subject to calls for additional funds if the aggregate premiums are insufficient to cover claims submitted to the association. Claims submitted to the association may include those incurred by members of the association, as well as claims submitted to the association from other P&I Associations with which our P&I Association has entered into interassociation agreements. We cannot assure you that the P&I Associations to which we intend to belong will remain viable or that we will not become subject to additional funding calls which could adversely affect us.

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

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

We may have to pay tax on certain shipping income, which would reduce our earnings.

Under the United States Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a corporation that owns or charters vessels, such as us and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States may be subject to a 4% United States federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations promulgated thereunder.

For the 2016 taxable year, we believe that we and our subsidiaries qualified for this statutory tax exemption and we intend to take this position on our U.S. federal income tax returns. 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 United States federal income tax on our United States source shipping income for future taxable years. For example, in certain circumstances we may no longer qualify for exemption under Code section 883 for a particular taxable year if shareholders with a five percent or greater interest in our shares of common stock owned, in the aggregate, 50% or more of our outstanding shares of common stock for more than half the days during the taxable year. It is possible that the ownership threshold could be met for any taxable year. In such a case, we may not qualify for exemption unless we can establish that among the closely-held group of five percent shareholders, there are sufficient five percent shareholders that are qualified shareholders for purposes of Section 883 to preclude non-qualified five percent shareholders in the closely-held group from owning 50% or more of our common stock for more than half the number of days during the taxable year. In order to establish this, sufficient five percent shareholders that are qualified shareholders would have to comply with certain documentation and certification requirements designed to substantiate their identity as qualified shareholders. These requirements are onerous and we may not be able to satisfy them. Due to the factual nature of the issues involved, there can be no assurances on the tax-exempt status of us or any of our subsidiaries.

If we or our subsidiaries were not entitled to exemption under Section 883 for any taxable year, they could be subject for such year to an effective 2% United States federal income tax on the shipping income they derive during the year which is attributable to the transport of cargoes to or from the United States. The imposition of this taxation would have a negative effect on our business and would decrease our earnings available for distribution to our shareholders.

In addition, two of our subsidiaries are incorporated in Hong Kong. We do not believe that we or our Hong Kong subsidiaries will be subject to taxation in Hong Kong since the vessels did not navigate solely or mainly within Hong Kong waters during 2014, 2015 and 2016.

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

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income" (cash is treated as an asset held for the production of passive income). "Passive income" generally includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than those received from unrelated parties in connection with the active conduct of a trade or business. Income derived from the performance of services does not constitute "passive income."

U.S. holders of stock in a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their stock in the PFIC.

Based on our current and anticipated operations, we do not believe that we are currently a PFIC or will be treated a PFIC for any future taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from time or voyage chartering activities (whether directly or through participation in a pool) as services income, rather than passive rental income, accordingly, any assets that we own and operate in connection with the production of such income should not constitute passive assets. However, any gross income that we derive or are deemed to have derived from bareboat chartering activities in the future will be treated as rental income and thus will constitute "passive income," and any assets that we may own and operate in connection with the production of that income will constitute passive assets.

If we are treated as a PFIC for any taxable year, U.S. holders of our common stock will face certain adverse U.S. federal income tax consequences. Under the PFIC rules, unless such U.S. holders make certain elections available under the Code (which elections could themselves have certain adverse consequences for such U.S. holders, as discussed below under "Tax Considerations"), such U.S. holders would be liable to pay U.S. federal income tax at the then highest income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our units, common stock or warrants, as the case may be, as if the excess distribution or gain had been recognized ratably over such U.S. holder's holding period for such common stock, as the case may be, and may be subject to certain information reporting obligations. Please see "Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—United States Federal Income Taxation of U.S. Holders—PFIC Status and Significant Tax Consequences" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. holders of our common stock if we are or were to be treated as a PFIC.

We do not anticipate paying dividends on our common stock and, accordingly, shareholders must rely on stock appreciation for any return on their investment.

Until early 2014, we paid quarterly dividends to holders of our common stock. We have an obligation to make dividend payments to holders of our Series C Preferred Shares, par value \$0.01 per share, liquidation preference \$25.00 per share, issued in 2013, which rank prior to our common stock with respect to, among other things, dividends. We continued to make dividend payments to the holders of our Series C Preferred Shares through 2015; however, we did not make any quarterly payments in 2016. At this time, we do not anticipate making dividend payments on our common stock for the foreseeable future, and will only make dividend payments to the holders of our Series C Preferred Shares if our liquidity position permits.

In the future, if we are able to obtain financing and enter into new secured loan agreements, our ability to make any dividend payments may be affected by any restrictions on distributions under such agreements, which may contain material financial tests and covenants that must be satisfied. If we are unable to satisfy these restrictions in the future, or if we are otherwise default under those secured loan agreements, we may be prohibited from making cash distributions. The declaration and payment of dividends is subject at all times to the discretion of our board directors, the rights of holders of our Series C Preferred Shares, compliance with the laws of the Republic of the Marshall Islands as well as the other limitations set forth in "Item 8. Financial Information—Consolidated Statements and Other Financial Information—Dividend Policy." There can be no assurance that we will make dividend payments to holders of our common stock in the amounts or with the frequency anticipated or at all.

In addition, as discussed above, our ability to pay dividends to holders of our common shares will be subject to the rights of holders of our Series C Preferred Shares, which rank prior to our common stock with respect to dividends, distributions and payments upon liquidation. Cumulative dividends on our Series C Preferred Shares accrue at a rate of 9.00% per annum per \$25.00 stated liquidation preference per Series C Preferred Share, subject to increase upon the occurrence of certain events, and are payable, as and if declared by our Board of Directors, on January 1, April 1, July 1 and October 1 of each year, commencing on October 1, 2013, or, if any such dividend payment date otherwise would fall on a date that is not a business day, the immediately succeeding business day. In the event we are unable to make dividend payments to the holders of our Series C Preferred Shares for six (6) quarters (the "Dividend Payment Default"), whether consecutive or not, such holders shall have the right to elect two (2) members to our Board of Directors. This right shall continue until such time as all dividends accumulated and in arrears on the Series C Preferred Shares shall have been paid in full, at which time such right shall terminate. In addition, the dividend rate shall increase to a number that is 1.25 times the dividend rate payable on the day immediately preceding the date of such default and shall continue to increase until no default exists, but in no event dividends shall accrue at a rate greater than 25% per annum. For additional information about our Series C Preferred Shares, please see the section entitled "Description of Registrant's Securities to be Registered" of our registration statement on Form 8-A filed with the Commission on July 26, 2013 and incorporated by reference herein.

In March 2016, our Board of Directors decided not to proceed with the dividend payment on our Series C Preferred Shares for the first quarter of 2016, in order to preserve our liquidity. As of the date of this annual report, our liquidity position does not permit the payment of dividends to the holders of our Series C Preferred Shares.

As of December 31, 2016, we were not in compliance with the net worth covenant, requiring us to have a net worth to preferred stock ratio of not less than 1.50, as described in the Statement of Designation of the Rights, Preferences and Privileges of the Series C Preferred Shares. The failure to comply with such covenant, if such failure continues unremedied for 120 days, constitutes a covenant default (the "Covenant Default"). Upon occurrence of a Covenant Default, the dividend rate shall increase to a number that is 1.25 times the dividend rate payable on the day immediately preceding the date of such default and shall continue to increase until no default exists, but in no event dividends shall accrue at a rate greater than 25% per annum, without duplication if more than one default has occurred.

If we identify and acquire vessels, we will need to make substantial capital expenditures to build and maintain the operating capacity of such fleet.

If we are able to identify and acquire vessels, we will need to make substantial capital expenditures to build and maintain the operating capacity of such fleet and we will expect to finance these maintenance capital expenditures with cash balances or undrawn credit facilities that we may enter into in the future. We anticipate building our fleet through the acquisition of vessels, which would increase the level of our maintenance capital expenditures.

Maintenance capital expenditures include capital expenditures associated with dry-docking a vessel, modifying an existing vessel or acquiring a new vessel to the extent these expenditures are incurred to maintain the operating capacity of our fleet. These expenditures could increase as a result of changes in the cost of labor and materials; customer requirements; increases in our fleet size or the cost of replacement vessels; governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment; and competitive standards.

In addition, maintenance capital expenditures will vary significantly from quarter to quarter based on the number of vessels dry-docked during that quarter.

If we identify and acquire vessels, we will need to make substantial capital expenditures to build and expand the size of our fleet, which may increase our financial leverage, or dilute our shareholders' ownership interest in us.

If we are able to identify and acquire vessels, we will be required to make substantial capital expenditures to build and increase the size of our fleet. We intend to build and expand our fleet by acquiring existing vessels from other parties or newbuilding vessels, which we refer to as newbuildings. We generally will be required to make instalment payments on any newbuildings prior to their delivery. We typically would pay 10% to 30% of the purchase price of a vessel upon signing the purchase contract, even though delivery of the completed vessel will not occur until much later (approximately one to three years from the order). We expect to fund such capital expenditures with future equity issuances and debt. If equity financing is not available on favorable terms, we may have to use debt financing. If we finance all or a portion of these acquisition costs by issuing debt securities, we may increase the aggregate amount of interest we may be required to pay prior to generating cash from the operation of the newbuildings.

To fund expansion capital expenditures, we may be required to use cash balances, cash from operations, incur borrowings or raise capital through the sale of debt or additional equity securities. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain funds for capital expenditures could have a material adverse effect on our business, results of operations and financial condition. In addition, incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional equity securities may result in significant shareholder ownership dilution.

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.

We are a holding company, and our subsidiaries, which are all wholly-owned by us, may conduct all of our operations and may own operating assets we may acquire in the future. We have no significant assets other than the equity interests in our wholly-owned subsidiaries. As a result, our ability to satisfy our financial obligations depends on the ability of our subsidiaries to distribute funds to us.

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

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

It may not be possible for our investors to enforce U.S. judgments against us and our officers and directors.

We are incorporated in the Republic of the Marshall Islands and our wholly-owned subsidiaries are incorporated in jurisdictions outside the United States. All of our directors and officers reside outside of the United States, and all or a substantial portion of our assets, our subsidiaries' assets and the assets of most of our officers and directors are, and will likely remain, located outside of the United States. As a result, it may be difficult or impossible for U.S. shareholders to serve process within the United States upon us or any of these persons or to enforce judgment upon us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we or our subsidiaries are incorporated or where our assets or our subsidiaries' assets are located (i) would enforce judgments of U.S. courts obtained in actions against us based upon the civil liability provisions of applicable U.S. federal and state securities laws or (ii) would enforce, in original actions, liabilities against us based upon these laws. In addition, the protections offered minority shareholders in the Marshall Islands are different than in the United States.

Risk Factors Related To Our Stock

Our Series C Preferred Shares are senior obligations of ours and rank prior to our common stock with respect to dividends, distributions and payments upon liquidation, which could have an adverse effect on the value of our common stock.

The rights of the holders of our Series C Preferred Shares rank senior to the obligations to holders of our common shares. Upon our liquidation, the holders of Series C Preferred Shares will be entitled to receive a liquidation preference of \$25.00 per share, plus all accrued but unpaid dividends, prior and in preference to any distribution to the holders of any other class of our equity securities, including our common shares. The existence of the Series C Preferred Shares could have an adverse effect on the value of our common shares.

We have convertible securities outstanding, which if fully exercised, could require us to issue a significant number of shares of our common stock and result in substantial dilution to existing shareholders and cause the market price of our common stock to decline.

As of March 9, 2017, we had 2,913,370 shares of common stock issued and outstanding, outstanding warrants to purchase an additional 75,847 shares of common stock and 879,833 Series C Preferred Shares issued and outstanding. Upon the occurrence of certain change of control events, holders of our outstanding Series C Preferred Shares will have the right, subject to our election to redeem the Series C Preferred Shares in whole or part, to convert some or all of the Series C Preferred Shares held by such holder into a number of our common shares, as discussed in the section entitled "Description of Registrant's Securities to be Registered" of our registration statement on Form 8-A filed with the Commission on July 26, 2013 and incorporated by reference herein.

If we are unable to obtain additional funding our business operations will be harmed and if we do obtain additional financing our then existing shareholders may suffer substantial dilution.

In order to fund potential vessel acquisitions, we may have to incur additional indebtedness and/or sell additional equity securities. Future issuances of our common stock, directly or indirectly through convertible or exchangeable securities, options, warrants or rights and will generally dilute the ownership interests of holders of our existing common stock. Additional series or classes of preferred shares, if issued, will generally have a preference on dividend payments, which could prohibit or otherwise reduce our ability to pay dividends to holders of our existing preferred stock. Any additional debt we incur will be senior in all respects to our common stock, will generally include financial and operating covenants with which we must comply and will include acceleration provisions upon defaults thereunder, including our failure to make any debt service payments, and possibly under other debt. Because our decision to issue additional equity securities or incur additional debt in the future will depend on a variety of factors, including market conditions and other matters that are beyond our control, we cannot predict or estimate the timing, amount or form of our capital raising activities in the future. Future sales or other issuances of a substantial number of shares of common stock or other securities in the public market or otherwise, or the perception that these sales could occur, may depress the market price for our common stock. These sales or issuances could also impair our ability to raise additional capital through the sale of our equity securities in the future.

The price of our common stock and preferred stock may be volatile as a result of factors that are beyond our control and if the price of our common stock fluctuates, you could lose a significant part of your investment.

Previously, our common stock traded on the New York Stock Exchange ("NYSE"). In November 2015, our common stock stopped trading on the NYSE and commenced trading in the OTC Markets. We cannot assure you that an active or liquid public market for our common stock will continue. In recent years, the stock market has experienced extreme price and volume fluctuations. If the volatility in the market worsens, it could have an adverse effect on the market price of our common stock and impact a potential sale price if holders of our common stock decide to sell their shares.

The market price of our stock may be influenced by many factors, many of which are beyond our control, including those described above and the following:

- the failure of securities analysts to publish research about us, or analysts making changes in their financial estimates;
- fluctuations in the seaborne transportation industry, including fluctuations in the containership market;
- announcements by us or our competitors of significant contracts, acquisitions or capital commitments;
- actual or anticipated fluctuations in quarterly and annual results;
- economic and regulatory trends;
- general market conditions;
- terrorist acts;
- future sales of our common stock or other securities; and
- investors' perception of us and the container shipping industry.

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

There is a limited trading market for our common stock and there is no guarantee of a liquid public market for you to resell our common shares.

In November 2015, our common stock stopped trading on the NYSE and commenced trading in the OTC Markets. Since then, there has been a limited trading market for our common stock and we expect that may continue for the foreseeable future. We cannot assure you that an active and liquid public market for our common shares will develop. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital by selling shares of capital stock and may impair our ability to acquire other assets by using common stock as consideration.

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

Several provisions of our Amended and Restated Articles of Incorporation and Amended and Restated 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 our management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable.

These provisions:

- authorize our Board of Directors to issue "blank check" preferred stock without stockholder approval;
- provide for a classified Board of Directors with staggered, three-year terms;
- prohibit cumulative voting in the election of directors;
- authorize the removal of directors only for cause and only upon the affirmative vote of the holders of at least two-thirds of the outstanding stock entitled to vote for those directors;
- prohibit shareholder action by written consent unless the written consent is signed by all shareholders entitled to vote on the action;
- establish advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted on by shareholders at shareholder meetings; and
- restrict business combinations with interested shareholders.

In addition, we have entered into a stockholders rights agreement that will make it more difficult for a third party to acquire us without the support of our Board of Directors. See "Item 10. Additional Information—B. Memorandum and Articles of Association—Stockholders Rights Plan."

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

Market interest rates may adversely affect the value of our preferred stock.

One of the factors that will influence the price of our preferred stock will be the dividend yield on the preferred stock (as a percentage of the price of our preferred stock, as applicable) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our preferred stock to expect a higher dividend yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Accordingly, higher market interest rates could cause the market price of our preferred stock to decrease.

Our common stock is subject to the "penny stock" rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

The SEC has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person's account for transactions in penny stocks; and
- the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

FINRA sales practice requirements may also limit a shareholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Item 4. Information on the Company

A. History and Development of the Company

We are Box Ships Inc. We were incorporated under the laws of the Republic of the Marshall Islands on May 19, 2010. We were formed by Paragon Shipping to own and operate containerships and pursue containership acquisition opportunities. We commenced operations upon the consummation of our Initial Public Offering in April 2011. During 2016, due to our failure to comply with certain financial covenants and restrictions contained in our secured loan agreements at such time and due to our failure to continue servicing our debt, we entered into settlement agreements with certain of our lenders for the full and final satisfaction of all amounts outstanding under the relevant loan agreements in exchange for the net sale proceeds of the mortgaged vessels and in relation to the \$100 million senior secured loan agreement with ABN AMRO Bank, we entered into an agreement with the lender, pursuant to which we sold the subsidiaries owning the vessels securing the loan and transferred all assets and liabilities to entities affiliated to Mr. Michael Bodouroglou, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, and we were released from our obligations under the loan agreement in connection therewith. Effective December 1, 2016, we entered into commercial services agreements with ship-owning companies affiliated with Mr. Michael Bodouroglou. We maintain our principal executive offices at 15 Karamanli Avenue, 16673, Voula, Greece. Our telephone number at that address is +30 (210) 891-4600.

Our common and preferred stock trade on the OTCQB and Other OTC Markets under the symbols “TEUFF” and “TEUCF”, respectively.

Effective January 31, 2017, we effectuated a 50-for-1 reverse stock split of our issued and outstanding common shares. The reverse stock split was approved by shareholders at a special meeting of shareholders held on February 12, 2016 and by our Board of Directors on January 4, 2017. The reverse stock split reduced the number of our issued and outstanding common shares and affected all issued and outstanding common shares, as well as common shares underlying stock options outstanding immediately prior to the effectiveness of the reverse stock split. The number of our authorized common shares was not affected by the stock reverse split. No fractional shares were issued in connection with the reverse stock split. Shareholders who would have otherwise held a fractional share of our common stock as a result of the reverse stock split received the next higher number of whole shares.

As of the date of this annual report, we had issued and outstanding 2,913,370 common shares, warrants to purchase an additional 75,847 of our common shares and 879,833 Series C Preferred Shares. Please refer to "Item 10. Additional Information—A. Share Capital", for a description of our capital stock transactions.

B. Business Overview

General

We were formed as an international shipping company engaged in the seaborne transportation of containers worldwide. Following the sale of all of our vessels in 2016, we began operations as a commercial management services provider to international shipping companies. If market conditions improve in a manner that is favorable to us, we currently plan to revive our shipping operations.

As of the date of this annual report, we have sold all of our vessels and provide commercial management services to ship-owning companies affiliated with Mr. Michael Bodouroglou.

Management of Our Fleet

Allseas, a Liberian corporation based in Athens, Greece, was formed in 2000 as a ship management company by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou and provided commercial and technical management services for our fleet, pursuant to long-term management agreements between Allseas and each of our vessel-owning subsidiaries. Effective January 2, 2015, we and Allseas mutually agreed to terminate a portion of the services that were provided by Allseas under the terms of the original management agreements, which were taken over by Seacommercial on substantially the same terms. Seacommercial, a Liberian corporation based in Athens, Greece, also controlled by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, provided sale & purchase and charter brokerage services for our fleet. Allseas was still responsible for commercial and technical management of our vessels, which included, among other things, operations and freight collection services, obtaining insurance and finance and accounting functions. Technical management services included, among other things, arranging for and managing crews, vessel maintenance, dry-docking, repairs, insurance, maintaining regulatory and classification society compliance and providing technical support. Allseas also provided commercial and technical management services for Paragon Shipping's fleet.

We believe Allseas has established a reputation in the international shipping industry for operating and maintaining a fleet with high standards of performance, reliability and safety and that our business benefited through access to the expertise and resources of Allseas.

Agreements with Allseas, Seacommercial, Crewcare, Mone and Venet

For information regarding the agreements with Allseas, Seacommercial, Crewcare, Mone and Venet, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions."

Following the sale of our vessels, the respective agreements with Allseas, Seacommercial and Crewcare were terminated.

Chartering of Our Fleet

Our chartering policy is to employ any vessels we may acquire in the future on short- to medium-term time charters of one to five years in order to take advantage of stable cash flows and high utilization rates while preserving the flexibility to later capitalize on potentially rising charter rates with longer terms. However, we may opportunistically enter into attractive longer-term charters or short-term time charters with durations of less than one year or, under certain circumstances, our vessels we may acquire may operate on the spot market. We intend to charter any vessels we may acquire in the future to a diversified portfolio of leading liner charterers with staggered re-delivery dates in accordance with our market outlook.

We actively monitor charter rates and vessel operating expenses, as well as the cost of laying-up vessels, in order to selectively employ any vessels we may acquire in the future as market conditions warrant. In market conditions where charter rates may or may not cover the operating costs of a vessel, we may choose to lay-up the vessel with the aim of extending the useful life of the vessel and securing more favorable charter rates when vessel supply and demand are more in balance within the containership market.

Time Charters

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

Our Customers

Our assessment of a charterer's financial condition, creditworthiness, reliability and track record are important factors in negotiating employment for our vessels. We generally chartered our vessels to counterparties we believed were creditworthy, such as well-established international container liner companies, rather than to more speculative or undercapitalized entities. Members of our executive management team have relationships with a geographically diverse group of container liner companies or their brokers, including many of the world's largest container liner companies, as measured by TEU capacity. We believe that our management team's network of relationships and more generally our Managers' management teams' reputation and experience in the shipping industry will continue to provide competitive employment opportunities for any vessels we may acquire in the future.

During the year ended December 31, 2016, charters with MSC, CMA CGM, Hapag Lloyd and Cheglie Navigation Co., comprised, in the aggregate, 91% of our revenues. Our largest customer was MSC, which comprised approximately 26% of our revenues for the year ended December 31, 2016, followed by CMA CGM, Hapag Lloyd and Chenglie Navigation Co., as set forth below:

Customer	Year ended December 31, 2016
MSC	26%
CMA CGM	24%
Hapag Lloyd	21%
Chenglie Navigation Co.	20%

The Container Shipping Industry

The standard unit of measure of volume or capacity in container shipping is the 20-foot equivalent unit or TEU, representing a container which is 20 feet long and typically 8.5 feet high and 8 feet wide.

The demand for containerships is influenced by, among other factors, the supply and demand for products suitable for shipping in containers, which is in turn affected by trends in the global economy. In addition, demand is influenced by the distance container cargo must travel and changes in seaborne and other transportation patterns, the globalization of manufacturing, global and regional economic and political conditions and environmental and other regulatory developments.

The supply of containerships is dependent on a number of factors, including the number of newbuilding deliveries, the scrapping rate of older containerships, the availability of financing for the construction of newbuildings, the price of steel and other raw materials, changes in environmental and other regulations that may limit the useful life of containerships, the number of containerships that are slow-steaming to conserve fuel, the number of containerships that are out of service and port congestion and canal closures.

Competition

The containership market is highly competitive and based primarily on supply and demand. We may compete for charters on the basis of price, customer relationships, operating expertise, professional reputation, vessel location and size, age and condition of the vessel. Seacommercial may arrange our charters through the use of brokers, who negotiate the terms of the charters based on market conditions. We may compete with other owners of containerships, some of which could charter our vessels as customers and many of which may have more resources than us and operate vessels that may be newer, and therefore more attractive to charterers, than our vessels we may acquire in the future. Ownership of containerships is highly fragmented and is divided among over 600 independent containership owners.

If, in the future, Paragon Shipping becomes the holder of more than 5% of the total issued and outstanding shares of our common stock, Paragon Shipping will be contractually prohibited from competing with us in the international containership industry. Pursuant to a non-competition agreement we have entered into with Paragon Shipping and our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, so long as Mr. Bodouroglou is a director or executive officer of our Company (i) Mr. Bodouroglou and any entity which he controls and (ii) during any period in which Mr. Bodouroglou is also a director or executive officer of Paragon Shipping and Paragon Shipping is the holder of more than 5% of the total issued and outstanding shares of our common stock, Paragon Shipping will be prohibited from acquiring or entering into any charter for containerships without our prior written consent, and we have agreed not to acquire or enter into any charter for drybulk carriers without the prior written consent of Mr. Bodouroglou, such entities controlled by him and Paragon Shipping, as applicable.

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

Seasonality

The containership market is typically stronger in the spring and autumn in anticipation of increased consumption of consumer products during the holiday and peak seasons. In addition, unpredictable weather patterns during these periods tend to disrupt vessel scheduling and supplies of certain commodities. As a result, to the extent that we must enter into a new charter or renew an existing charter for a vessel in our fleet we may acquire in the future during a time when seasonal variations have reduced prevailing charter rates, our operating results may be adversely affected.

Permits and Authorizations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to any vessels we may acquire in the future. The kinds of permits, licenses and certificates required depend upon several factors, including the product transported, the waters in which such vessels may operate, the nationality of the vessel's crew and the age of the vessel. We intend to obtain all permits, licenses and certificates required to operate any vessels we may acquire in the future. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase our costs of doing business.

Environmental and Other Regulations

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

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

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the shipping industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We have been and will continue to be required to maintain operating standards for all such vessels we may acquire in the future 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 future operation of vessels we may acquire will be in substantial compliance with applicable environmental laws and regulations and that vessels we may acquire will have all material permits, licenses, certificates or other authorizations necessary for the conduct of our future 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 vessels we may acquire in the future. In addition, a future serious marine incident that causes significant adverse environmental impact, such as the 2010 BP plc *Deepwater Horizon* oil spill in the Gulf of Mexico, could result in additional legislation or regulations that could negatively affect our future profitability.

International Maritime Organization

The IMO has adopted the International Convention for the Prevention of Marine Pollution from Ships of 1973, as modified by the related Protocol of 1978 and updated through various amendments, collectively referred to as MARPOL 73/78 and herein as MARPOL. MARPOL entered into force on October 2, 1983. It has been adopted by over 150 nations, including many of the jurisdictions in which our vessels will operate. MARPOL is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

In 2012, the IMO's Marine Environmental Protection Committee, or MEPC, adopted by resolution amendments to the international code for the construction and equipment of ships carrying dangerous chemicals in bulk, or the IBC Code. The provisions of the IBC Code are mandatory under MARPOL and SOLAS. These amendments, which entered into force in June 2014, pertain to revised international certificates of fitness for the carriage of dangerous chemicals in bulk and identifying new products that fall under the IBC Code. We may need to make certain financial expenditures to comply with these amendments.

In 2013 the MEPC adopted by resolution amendments to the MARPOL Annex I Condition Assessment Scheme (CAS). These amendments became effective on October 1, 2014 and pertain to revising references to the inspections of bulk carriers and tankers after the 2011 ESP Code, which enhances the programs of inspections, becomes mandatory. We may need to make certain financial expenditures to comply with these amendments in the future.

Air Emissions

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

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

Sulfur content standards are even stricter within certain ECAs. As of January 1, 2015, ships operating within an ECA may not use fuel with sulfur content in excess of 0.10%. Amended Annex VI established procedures for designating new ECAs. The Baltic and North Seas, certain coastal areas of North America and the United States Caribbean Sea are all within designated ECAs. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency, or the EPA, or the states where we intend to operate, compliance with these regulations could entail significant capital expenditures, operational changes, or otherwise increase the costs of our operations.

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

As of January 1, 2013 MARPOL made mandatory certain measures relating to energy efficiency for ships. This included the requirement that all new ships utilize the Energy Efficiency Design Index, or EEDI, and all ships develop and implement Ship Energy Management Plans, or SEEMPs.

We intend to ensure that any vessels we may acquire in the future will be compliant in all material respects with these regulations. 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.

Ballast Water Management

The IMO adopted the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not become effective 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. To date, the BWM Convention has been ratified following ratification by Finland on September 8, 2016. Finland's accession brought the total gross tonnage of contracting states above 35%, with 52 total contracting parties, thereby triggering the entry into force of the BWM Convention. The BWM Convention will enter into force on September 8, 2017. The Convention will require all ships in international trade to manage their ballast water and sediments to certain standards, according to a ship-specific ballast water management plan. All ships will also have to carry a ballast water record book and an International Ballast Water Management Certificate. The ballast water performance standard will be phased in over a period of time. Most ships will need to install an on-board system to treat ballast water and eliminate unwanted organisms. More than 60 type-approved systems are already available.

Before September 2016, many of the implementation dates in the BWM Convention had already passed, meaning that once the BWM Convention entered into force, the period of installation of mandatory ballast water exchange requirements would have been extremely short, with several thousand ships a year needing to install ballast water management systems, or BWMS. For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates of the BWM Convention so that they would be triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, made all vessels constructed before the entry into force date "existing vessels" which allows for the installation of a BWMS on such vessels at the first renewal survey following entry into force of the convention. Furthermore, in October 2014 the MEPC met and adopted additional resolutions concerning the BWM Convention's implementation. Once mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could increase for ocean carriers and the costs of ballast water treatments may be material. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The United States for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements. Although we do not believe that the costs of such compliance would be material, it is difficult to predict the overall impact of such a requirement on our future operations.

Safety Management System Requirements

The IMO has also adopted SOLAS and 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. Amendments to SOLAS relating to safe manning of vessels that were adopted in May 2012 entered in force on January 1, 2014. The Convention on Limitation of Liability for Maritime Claims (LLMC) was recently amended and the amendments went into effect on June 8, 2015. The amendments alter the limits of liability for loss of life or personal injury claims and property claims against ship owners. We believe that any vessels we may acquire in the future will be in substantial compliance with SOLAS and LL Convention standards.

Our future operations will also be subject to environmental standards and requirements under Chapter IX of SOLAS set forth in the ISM Code. The ISM Code requires the owner of a vessel, or any person who has taken responsibility for operation of a vessel, to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We intend to rely upon the safety management system that we and our technical manager have previously developed for compliance with the ISM Code. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The 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 under the ISM Code unless its manager has been awarded a document of compliance, issued by classification societies under the authority of each flag state. SSM has or will obtain documents of compliance for their offices and will obtain safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance and safety management certificate are renewed every five years, but the document of compliance is subject to audit verification annually and the safety management certificate at least every 2.5 years.

The flag state, as defined by the United Nations Convention on Law of the Sea, has overall responsibility for implementing and enforcing a broad range of international maritime regulations with respect to all ships granted the right to fly its flag. The "Shipping Industry Guidelines on Flag State Performance" evaluates and reports on flag states based on factors such as sufficiency of infrastructure, ratification, implementation, and enforcement of principal international maritime treaties and regulations, supervision of statutory ship surveys, casualty investigations and participation at IMO and ILO meetings. It is our intention that any vessels we may acquire in the future will be flagged in the Marshall Islands. Marshall Islands flagged vessels have historically received a good assessment in the shipping industry. We recognize the importance of a credible flag state and do not intend to use flags of convenience or flag states with poor performance indicators. Noncompliance with the ISM Code or other IMO regulations may subject the ship owner 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. It is our intention that any vessels we may acquire in the future will be ISM Code certified. However, there can be no assurance that such certificate will be maintained.

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

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for oil pollution in international waters and the territorial waters of the signatory to such conventions. Many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocol in 1976, 1984, and 1992, and amended in 2000, or the CLC. Under 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 exceptions. The 1992 Protocol changed certain limits on liability, expressed using the International Monetary Fund currency unit of Special Drawing Rights. The limits on liability have since been amended so that the compensation limits on liability were raised. The right to limit liability is forfeited under the CLC where the spill is caused by the ship owner's actual fault and under the 1992 Protocol where the spill is caused by the ship owner's intentional or reckless act or omission where the ship owner knew pollution damage would probably result. The CLC requires ships covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner's liability for a single incident. We intend to acquire and maintain protection and indemnity insurance that will cover the liability under the plan adopted by the IMO.

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

IMO regulations also require owners and operators of vessels to adopt shipboard oil pollution emergency plans and/or shipboard marine pollution emergency plans for noxious liquid substances in accordance with the guidelines developed by the IMO.

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 may have on our future 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 around the United States. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil except in certain limited circumstances, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. OPA applies to oil tankers (which are not operated by us), as well as non-tanker ships that carry fuel oil, or bunkers, to power such ships. CERCLA will also apply to our future operations.

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

- injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- injury to, or economic losses resulting from, the destruction of real and personal property;
- net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective November 19, 2015, the U.S. Coast Guard adjusted the limits of OPA liability for non-tank vessels to the greater of \$1,100 per gross ton or \$939,800 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsibility party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

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

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

If we acquire vessels in the future, we intend to acquire and maintain pollution liability coverage insurance in the amount of \$1 billion per incident for each vessel. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico may also result in additional legislative or regulatory initiatives, including the raising of liability caps under OPA or more stringent operational requirements. We cannot predict what additional requirements, if any, may be enacted and what effect, if any, such requirements may have on our future operations.

Other Environmental Initiatives

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

The EPA regulates the discharge of ballast water and other substances in U.S. waters under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit, or VGP, that authorizes ballast water discharges and other discharges incidental to the operation of vessels. For a new vessel delivered to an owner or operator after September 19, 2009 to be covered by the VGP, the owner must submit a Notice of Intent, or NOI, at least 30 days before the vessel operates in U.S. waters. The VGP imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, record keeping and reporting requirements to ensure the effluent limits are met. The EPA renewed and revised the VGP, effective December 19, 2013. The VGP now contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters and more stringent requirements for exhaust gas scrubbers and requires the use of environmentally acceptable lubricants.

USCG regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. As of June 21, 2012, the USCG adopted revised ballast water management regulations that established standards for allowable concentrations of living organisms in ballast water discharged from ships in U.S. waters. The USCG must approve any technology before it is placed on a vessel, but has not yet approved the technology necessary for vessels to meet the foregoing standards.

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

It should also be noted that in October 2015, the Second Circuit Court of Appeals issued a ruling that directed the EPA to redraft the sections of the 2013 VGP that address ballast water. However, the Second Circuit stated that 2013 VGP will remain in effect until the EPA issues a new VGP. It presently remains unclear how the ballast water requirements set forth by the EPA, the USCG, and IMO BWM Convention, some of which are in effect and some which are pending, will co-exist.

The USCG's revised ballast water standards are consistent with requirements under the BWM Convention. Compliance with the EPA and the USCG regulations could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters. In addition, certain states have enacted more stringent discharge standards as conditions to their required certification of the VGP.

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 will be subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. Our vessels that operate in such port areas with restricted cargoes will be equipped with vapor recovery systems that satisfy these requirements. The CAA also requires states to adopt 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 was the case with our previously owned vessels, if we acquire vessels in the future, we intend to operate in covered port areas that will be equipped with vapor recovery systems that satisfy these existing requirements.

European Union Regulations

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

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, flag, and the number of times the ship has been detained. The European Union also adopted and then extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply.

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions. The 2015 United Nations Convention on Climate Change Conference in Paris did not result in an agreement that directly limited greenhouse gas emissions from ships. As of January 1, 2013, ships were required to comply with new MEPC mandatory requirements to address greenhouse gas emissions from ships. European Parliament and Council of Ministers are expected to endorse regulations that would require the monitoring and reporting greenhouse gas emissions from marine vessels in the near future. For 2020, the EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol's second period, from 2013 to 2020. In April 2015, a regulation was adopted requiring that large ships (over 5,000 gross tons) calling at EU ports from January 2018 collect and publish data on carbon dioxide emissions and other information.

In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety, has adopted regulations to limit greenhouse gas emissions from certain mobile sources and has proposed regulations to limit greenhouse gas emissions from large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, the EPA is considering a petition from the California Attorney General and environmental groups to regulate greenhouse gas emissions from ocean-going vessels. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time. Even in the absence of climate control legislation, our business may be indirectly affected to the extent that climate change may result in sea level changes or more intense weather events.

International Labour Organization

The International Labour Organization, or the ILO, is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006, or the MLC 2006. A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 came into force on August 20, 2013 and we are in compliance with these regulations.

Vessel Security Regulations

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

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter V became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the International Ship and Port Facilities Security Code, or the ISPS Code. The ISPS Code is designed to enhance the security of ports and ships against terrorism. After July 1, 2004, to trade internationally, a vessel must attain an International Ship Security Certificate, or the ISSC, from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

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

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

Furthermore, additional security measures could be required in the future which could have a significant financial impact on us. The USCG regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. 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 intend to implement and maintain the various security measures addressed by the MTSA, SOLAS and the ISPS Code as we have done in the past.

100% Container Screening

On August 3, 2007, the United States signed into law the Implementing Recommendations of the 9/11 Commission Act of 2007, or the 9/11 Commission Act. The 9/11 Commission Act amends the SAFE Port Act of 2006 to require that all containers being loaded at foreign ports onto vessels destined for the United States be scanned by nonintrusive imaging equipment and radiation detection equipment before loading.

As a result of the 100% scanning requirements added to the SAFE Port Act of 2006, ports that ship to the United States may need to install new x-ray machines and make infrastructure changes in order to accommodate the screening requirements. Such implementation requirements may change which ports are able to ship to the United States and shipping companies may incur significant increased costs. It is impossible to predict how this requirement will affect the industry as a whole, but changes and additional costs can be reasonably expected.

Inspection by Classification Societies

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

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

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

- *Annual Surveys:* For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, 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 vessel owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years. 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 dry-docked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship owner within prescribed time limits.

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

Risk of Loss and Insurance Coverage

General

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

While we have maintained hull and machinery insurance, war risks insurance, protection and indemnity cover, increased value insurance, loss of hire insurance and freight, demurrage and defense cover for each vessel we have previously owned in amounts that we believed to be prudent to cover normal risks in our operations, we may not be able to achieve this level of coverage for vessels that we may acquire and throughout that vessel's useful life. Furthermore, while we have procured what we consider to be adequate insurance coverage in the past, and we intend to procure a similar level of such insurance if we acquire vessels in the future, not all risks can be insured against, specific claims may not be paid and we may not be able to obtain adequate insurance coverage at reasonable rates.

Hull & Machinery and War Risks Insurance

We intend to acquire marine hull and machinery and war risks insurance, which includes the risk of actual or constructive total loss, for all of our vessels that we may acquire in the future. We intend that each of our vessels we acquire in the future will be covered up to at least fair market value with deductibles of \$125,000 per vessel per incident. We may also maintain increased value coverage for vessels we may acquire in the future. Under this increased value coverage, in the event of total loss of a vessel, we would 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 a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs", which may insure our third party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses resulting from the injury or death of crew and other third parties, the loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal.

We may procure protection and indemnity insurance coverage for pollution in the amount of \$1.0 billion per vessel per incident. The 13 principal underwriting member P&I Associations that comprise the International Group of P&I Clubs insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P&I Association, which is a member of the International Group of P&I Clubs, we are subject to calls payable to the associations based on the group's claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Associations comprising the International Group of P&I Clubs.

FDD (Freight / Demurrage / Defense) cover

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

Loss of Hire Insurance

Some casualties may result in a significant period off-hire and loss of earnings in the freight market. The time occupied by repairs can amount to a significant loss for the shipowner. Freight rates are lost since the vessel is off-hire and capital and operational costs are still due. Loss of Hire cover is designed to reduce this loss, above fourteen off-hire days.

C. Organizational Structure

Box Ships Inc. is a holding company incorporated in the Republic of the Marshall Islands and is the sole owner of all of the issued and outstanding shares of the subsidiaries listed on Exhibit 8.1 to this annual report.

D. Property, Plants and Equipment

We do not own any material real estate property. We lease office space in Athens, Greece from Granitis Glyfada Real Estate Ltd, a company beneficially owned by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer. See "Item 7. Major Shareholders and Related Party Transactions —B. Related party transactions—Office Lease."

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes of the Company (defined as Box Ships Inc. and its subsidiaries) included elsewhere in this annual report. The financial statements have been prepared in accordance with U.S. GAAP and are presented in U.S. Dollars unless otherwise indicated.

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

A. Operating results

Overview

We are an international shipping company specializing in the seaborne transportation of containers worldwide and the provision of commercial management services to shipping companies. We commenced operations following the completion of our Initial Public Offering, on April 19, 2011. During 2016, due to our failure to comply with certain financial covenants and restrictions contained in our secured loan agreements at such time and due to our failure to continue servicing our debt, we entered into settlement agreements with certain of our lenders for the full and final satisfaction of all amounts outstanding under the relevant loan agreements in exchange for the net sale proceeds of the mortgaged vessels and in relation to the \$100 million senior secured loan agreement with ABN AMRO Bank, we entered into an agreement with the lender, pursuant to which we sold the subsidiaries owning the vessels securing the loan and transferred all assets and liabilities to entities affiliated to Mr. Michael Bodouroglou, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, and we were released from our obligations under the loan agreement in connection therewith. Effective December 1, 2016, we entered into commercial services agreements with ship-owning companies affiliated with Mr. Michael Bodouroglou.

Vessel Management

Allseas, a Liberian corporation based in Athens, Greece that was formed in 2000 as a ship management company by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, provided commercial and technical management services for our fleet, pursuant to long-term management agreements between Allseas and each of our vessel-owning subsidiaries.

We entered into separate management agreements with Allseas for each of the vessels in our fleet which provided for: (i) a technical management fee; (ii) a superintendent fee, and (iii) a lump sum fee for pre-delivery services. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related party transactions—Management Agreements with Allseas" for additional information about these agreements. Following the sale of our vessels, the respective management agreements were terminated.

Effective January 2, 2015, Seacommercial, a Liberian corporation based in Athens, Greece that was formed in 2014 by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, provided sale & purchase and charter brokerage services for our fleet, pursuant to long-term brokerage agreements between Seacommercial and each of our vessel-owning subsidiaries, which were previously provided by Allseas.

We entered into separate brokerage agreements with Seacommercial for each of the vessels in our fleet which provided for: (i) a fee equal to 1.25% of the gross freight, demurrage and charter hire collected from the employment of our vessels; and (ii) a fee equal to 1.0% calculated on the price as stated in the relevant memorandum of agreement for any vessel bought or sold on our behalf. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related party transactions—Brokerage Agreements with Seacommercial" for additional information about these agreements. Following the sale of our vessels, the respective brokerage agreements were terminated.

Factors Affecting our Results of Operations

We generated all of our revenue from time charters on which we employed our vessels. Our ongoing cash expenses consisted of fees and reimbursements under our management and brokerage agreements, administrative services agreement, accounting services agreement and executive services agreement and other expenses directly related to the operation of our vessels and certain administrative expenses. We do not have any income tax liabilities in the Marshall Islands or Liberia, but may be subject to tax in the United States on revenues derived from voyages that either began or ended in the United States or in Hong Kong on revenues generated by our Hong Kong subsidiaries when their vessels navigated solely or mainly within Hong Kong waters. Please see "Item 10. Additional Information—E. Taxation."

Our financial results were largely driven by the following factors:

- *Calendar days.* We define calendar days as the total number of days in a period during which each vessel in our fleet was owned. Calendar days are an indicator of the size of the fleet over a period and affect both the amount of revenues and the amount of expenses that are recorded during that period.
- *Operating days.* We define operating days as the total Calendar days the vessels were in our possession for the relevant period after subtracting off-hire days for scheduled dry-dockings, or special or intermediate surveys and unscheduled off-hire days associated with repairs and other operational matters. Any idle days relating to the days a vessel remains unemployed are included in unscheduled off-hire days.
- *Fleet utilization.* We calculate fleet utilization by dividing the number of operating days during a period by the number of 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, dry-dockings or special or intermediate surveys.
- *Time charter rates.* A time charter is a contract for the use of a vessel for a specific period of time during which the charterer pays substantially all of the voyage expenses, including port and canal charges, and bunkers (fuel) expenses, but the vessel owner pays the vessel operating expenses and commissions on gross voyage revenues. Time charter rates are usually fixed during the term of the charter. Prevailing time charter rates fluctuate on a seasonal and year to year basis and may be substantially higher or lower from a prior time charter contract when the subject vessel is seeking to renew that prior charter or enter into a new charter with another charterer. Fluctuations in charter rates are caused by imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes.

Our financial results were also affected by our ability to control our fixed and variable expenses, including our ship-management fees, our operating costs, and our general, administrative and other expenses including insurance. Operating costs may vary from month to month depending on a number of factors, including the timing of purchases of lubricants, crew changes and delivery of spare parts.

Time Charter Revenues

Time charter revenues were driven primarily by the number of vessels in our fleet, the number of voyage days during which our vessels generated revenues and the amount of daily charter hire that our vessels earned under charters. These, in turn, were affected by a number of factors, including our decisions relating to vessel acquisitions and disposals, the amount of time that we spent positioning our vessels, the amount of time that our vessels spent in dry-dock undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels, levels of supply and demand in the containership market and other factors affecting the charter rates for our vessels.

Period charters refer to both time and bareboat charters. Vessels operating on time charters for a certain period of time provide predictable cash flows over that period of time. Under a bareboat charter, the charterer is typically responsible for paying all voyage costs as well as the vessel's operating expenses and management fees. As a result of this arrangement, daily charter hire rates payable under a bareboat charter are generally significantly less than the charter hire rates payable under a time charter for a comparable vessel. We have not entered into any bareboat charters.

When vessels are acquired with time charters attached and the charter rate on such charters is above or below the then current market rates, we allocate the purchase price of the vessel and the attached time charter on a relative fair value basis. The fair value is computed as the present value of the difference between the contractual amount to be received over the term of the time charter and our estimate of the then current market charter rate for an equivalent vessel at the time of acquisition. The asset or liability recorded is amortized or accreted over the remaining period of the time charter as a reduction or addition, respectively, to time charter revenues.

Voyage Expenses

Voyage expenses, primarily consisted of port, canal, bunker expenses, extra war risk insurance costs and other crew costs reimbursable by the charterers that were unique to a particular charter, were paid for by the charterer under time charter arrangements or by us under voyage charter arrangements, except for commissions, which were always paid for by us, regardless of charter type. In addition, voyage expenses included bunkers consumed during the periods that vessels were in between employment and travelling to and from the dry-docks and were paid for by us. All voyage expenses were expensed as incurred, except for commissions. Commissions were deferred over the related voyage charter period to the extent revenue had been deferred since commissions were earned as our revenues were earned.

Vessel Operating Expenses

Our vessel operating expenses, which were expensed as incurred, included crew wages and related costs, the cost of insurance and vessel registry, expenses relating to repairs and maintenance (excluding dry-docking), the costs of spares and consumable stores, regulatory fees and other miscellaneous expenses. In addition, vessel operating expenses included amortization of other intangible assets, in relation to manning agreements attached to the purchase agreements of the *Box Hong Kong* and the *Box China*, delivered to us in June 2012 and July 2012, respectively. The intangible asset recorded upon delivery of the vessels to us amounted to approximately \$3.2 million and was fully amortized in 2015. The amortization for the intangible asset for the years ended December 31, 2014, 2015 and 2016, amounted to approximately \$1.1 million, \$0.5 million and \$0, respectively. Other factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market prices for crew wages and insurance, may also cause these expenses to increase.

Dry-docking Expenses

We accounted for dry-docking costs using the direct expense method. No dry-docking expenses were incurred in 2016, except for settlement of cases relating to 2015 dry-dockings.

Fees paid under our Management Agreements

We entered into long-term management agreements for each of the vessels in our fleet, pursuant to which Allseas was responsible for all of the commercial and technical management functions of our fleet. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related party transactions—Management Agreements with Allseas" for additional information about these agreements.

Depreciation

We depreciated our vessels over their estimated useful lives determined to be approximately 30 years from the date of their initial delivery from the shipyard. Depreciation was computed using the straight-line method, after considering the estimated salvage value. Each vessel's salvage value was equal to the product of its lightweight tonnage and estimated scrap rate. Our depreciation charge is affected by the number of vessels in our fleet, the estimated residual value and can be affected by a change in the useful life.

Impairment of Long-Lived Assets

We reviewed our long-lived assets "held and used" for impairment whenever events or changes in circumstances indicated that the carrying amount of the assets may not be recoverable. When the estimate of future undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset was less than its carrying amount, we evaluated the asset for an impairment loss. We measured an impairment loss as the difference between the carrying value of the asset and its fair value. In this respect, we regularly reviewed the carrying amount of the vessels in connection with the estimated recoverable amount for each of our vessels.

General and Administrative Expenses

Our general and administrative expenses include fees payable under our administrative, accounting and executive services agreements with Allseas, discussed in "Item 7. Major Shareholders and Related Party Transactions—B. Related party transactions", directors' fees, office rent, travel, communications, directors and officers insurance, legal, auditing, investor relations and other professional expenses and reflect the costs associated with running a public company.

Furthermore, our general and administrative expenses include share-based compensation. For more information on the restricted shares of our common stock issued as incentive compensation under our 2011 Equity Incentive Plan, please see "Item 6. Directors, Senior Management and Employees—B. Compensation".

Interest and Finance Costs

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

Lack of Historical Operating Data for Vessels Before Their Acquisition

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

Consistent with shipping industry practice, we have treated and expect to continue to treat the acquisition of a vessel from unaffiliated parties (whether acquired with or without charter) as the acquisition of an asset rather than a business for the reasons noted in this section.

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

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

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

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

Our business is comprised of the following main elements:

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

The employment and operation of the vessels requires the following main components:

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

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

- rates and periods of charter hire;
- levels of vessel operating and general and administrative expenses;
- depreciation expenses and vessels' impairment charges;
- financing costs;
- capital expenditures; and
- fluctuations in foreign exchange rates.

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

Critical Accounting Policies

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. We have described below what we believe will be our most critical accounting policies that will involve a high degree of judgment and the methods of their application upon the acquisition of our fleet.

Time Charter Revenues. Time charter revenues are recorded ratably over the term of the charter as service is provided, including the amortization/accretion of the above/below market acquired time charters where applicable. Time charter revenues received in advance of the provision of charter service are recorded as deferred income, and recognized when the charter service is rendered.

When vessels are acquired with time charters attached and the charter rate on such charters is above or below market, we allocate the fair value of the above or below market charter to the cost of the vessel on a relative fair value basis and record a corresponding asset or liability for the above or below market charter. Fair value is determined by reference to market data. The fair value is computed as the present value of the difference between the contractual amount to be received over the term of the time charter and management's estimate of the then current market charter rate, supported by third party estimates, of charter party agreements with similar characteristics as the time charter assumed for equivalent vessel at the time of acquisition. The asset or liability recorded is amortized or accreted over the remaining period of the time charter as a reduction or addition, respectively, to time charter revenue. Such amortization and accretion for the intangible asset and liability for the years ended December 31, 2014, 2015 and 2016 decreased time charter revenues by \$4.7 million, \$2.9 million and \$0.4 million, respectively.

Depreciation . We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and delivery expenditures, including pre-delivery expenses and expenditures, made to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our containerships on a straight-line basis over their estimated useful lives, expected to be approximately 30 years from the date of initial delivery from the shipyard. Depreciation is based on cost less the estimated residual scrap value. An increase in the useful life of a containership or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a containership or in its residual value would have the effect of increasing the annual depreciation charge and or requiring an impairment charge. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, we will adjust the vessel's useful life to end at the date such regulations preclude such vessel's further commercial use.

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

The carrying values of our vessels may not represent their fair market values at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Historically, both charter rates and vessel values tend to be cyclical. Declines in the fair value of vessels, prevailing market charter rates, vessel sale and purchase considerations, and regulatory changes in shipping industry, changes in business plans or changes in overall market conditions that may adversely affect cash flows are considered as potential impairment indicators. In the event our estimate of the market value of a vessel, as determined in the section above, is lower than its carrying value, we determine undiscounted projected net operating cash flow for such vessel and compare it to the vessel's carrying value.

The undiscounted projected net operating cash flows for each vessel incorporate various factors, such as estimated future charter rates, utilization rates, estimated scrap values, expected outflows for vessels' dry-docking expenses, vessel operating expenses, assuming an average annual inflation rate of 2% for vessel operating expenses and management fees. The Company determines the charter rates to be used in its impairment analysis, based on the contracted charter rate for the period a vessel is under a charter contract and for the period a vessel is not under a charter contract, the prevailing market charter rates for the first three years and historical average rates from year four and for the remainder of the useful life of the vessel. In respect of the estimated future rates of the first three years for the larger vessels in our fleet, the daily time charter equivalent rate was determined on a pro rata basis, based on TEU capacity, using the computations for 4,400 TEU vessels, as these are the largest vessels for which there is market-available information. The historical rates used for year four onwards were based on the simple ten year historical average of one year time charter rates. These assumptions were based on historical trends as well as future expectations. Although management believed that the assumptions used to evaluate potential impairment were reasonable and appropriate, such assumptions were highly subjective and may be, should we acquire any vessels in the future.

Results of Operations

Fleet Data and Average Daily Results

FLEET DATA	BOX SHIPS INC.		
	2014	2015	2016
Average number of vessels ⁽¹⁾	9.00	9.00	7.35
Operating days for the fleet ⁽²⁾	3,217	3,052	2,054
Number of vessels at end of period	9	9	-
Calendar days for the fleet ⁽³⁾	3,285	3,285	2,690
Fleet utilization ⁽⁴⁾	98%	93%	76%
AVERAGE DAILY RESULTS			
Vessel operating expenses ⁽⁵⁾	\$ 5,562	\$ 5,038	\$ 4,928
Management fees ⁽⁶⁾	\$ 861	\$ 723	\$ 804
General and administrative expenses ⁽⁷⁾	\$ 2,202	\$ 1,590	\$ 1,446

- (1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of calendar days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.
- (2) Operating days for the fleet are the total calendar days the vessels were in our possession for the relevant period net of off-hire days for scheduled dry-dockings or special or intermediate surveys and unscheduled off-hire days associated with repairs and other operational matters. Any idle days relating to the days a vessel remains unemployed are included in unscheduled off-hire days.
- (3) Calendar days for the fleet are the total days the vessels were in our possession for the relevant period.
- (4) Fleet utilization is the percentage of time that our vessels were available for generating revenue, and is determined by dividing operating days by fleet calendar days for the relevant period.

- (5) Daily vessel operating expenses, which includes crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance, repairs and amortization of other intangibles, is calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.
- (6) Daily management fees are calculated by dividing management fees by fleet calendar days for the relevant time period.
- (7) Daily general and administrative expenses are calculated by dividing general and administrative expense by fleet calendar days for the relevant time period.

Results of Operations—Box Ships Inc.

Year ended December 31, 2016 compared to the year ended December 31, 2015

Net Revenues

Net revenues mainly represent charter hire earned, net of commissions. Net revenues decreased by 60.3%, to \$17.5 million for the year ended December 31, 2016, from \$44.0 million for the year ended December 31, 2015, mainly due to the sale of all vessels during 2016. More specifically, the *Box Hong Kong* and *Box China* were sold in August 2016, the *Box Emma* and *Box Queen* were sold in September 2016 and October 2016, respectively, the *Box Voyager*, *Box Trader* and *Maule* were sold in November 2016 and the *Box Kingfish* and *Box Marlin* were sold in December 2016. In addition, our net revenues are also net of the amortization of above/below market time charters, which decreased our revenues and increased our net loss for 2016 and 2015 by \$0.4 million and \$2.9 million, respectively. The decrease in the amortization of above/below market time charters is attributable to the termination of the long-term time charter contracts of *Box Hong Kong* and *Box China* in May and June 2015, respectively. Further, net revenues decreased during 2016 due to a significant number of idle days, which were 626 days and 10 off-hire days related to unscheduled repairs and maintenance, for a total of 636 off-hire days. During 2015, we had 128 idle days and 9 off-hire days related to unscheduled repairs and maintenance, along with 96 days due to the dry-dockings of three vessels, for a total of 233 off-hire days.

Voyage Expenses

Voyage expenses for 2016 and 2015 amounted to \$2.2 million and \$2.3 million, respectively, decreased by \$0.1 million mainly due to the decrease in extra war risk insurance costs by \$0.4 million due to different ports called and the sale of vessels, offset by the increase in sundry voyage expenses by \$0.3 million due to the redelivery of the vessels from their charterers prior to their sale.

Vessels Operating Expenses

Vessels operating expenses for 2016 and 2015 amounted to \$13.3 million and \$16.5 million, respectively, or \$4,928 per vessel per day in 2016 compared to \$5,038, per vessel, per day, during 2015. The overall decrease is a result of the decrease in calendar days due to the sale of vessels while the expenses per vessel per day were relatively unchanged. In addition, vessels operating expenses for 2016 and 2015 include the amortization of other intangible assets amounting to \$0 and \$0.5 million, respectively. The decrease in amortization of other intangible assets is attributable to the termination of charters of *Box Hong Kong* and *Box China* with Orient Overseas Container Line Limited (“OOCL”) in May and June 2015, respectively.

Dry-docking Expenses

During 2016, none of the vessels underwent their scheduled dry-docking and any expenses recognized in 2016 related to settlement of 2015 dry-dockings. During 2015, three of our vessels, the *Box Hong Kong*, *Box China* and the *Box Queen* underwent their scheduled dry-dockings, which resulted in 96 off-hire days and expenses amounting to \$2.5 million, in aggregate.

Management Fees Charged by a Related Party

Management fees charged by Allseas for each of the years ended December 31, 2016 and 2015 were \$2.2 million and \$2.4 million, respectively, or \$804 per vessel per day and \$723 per vessel per day, for 2016 and 2015, respectively, and represent fees in accordance with our management agreements entered into with Allseas for the provision of management and technical services as described above. This fee was charged on a daily basis per vessel and was affected by the number of vessels in our fleet, the number of calendar days during the year, the official Eurozone inflation rate and the U.S. Dollar/Euro exchange rate at the beginning of each month.

Depreciation

Depreciation for our fleet and other fixed assets amounted to \$7.7 million and \$15.1 million for 2016 and 2015, respectively. The decrease is attributable to the sale of vessels, the corresponding decrease in calendar days and the impairment charges recognized during the year which overall reduced the carrying amounts of the vessels and related depreciation prior to their disposal.

General and Administrative Expenses

General and administrative expenses for 2016 and 2015 amounted to \$3.9 million and \$5.2 million, respectively, or \$1,446 per day and \$1,590 per day, respectively. The decrease in general and administrative expenses is mainly due to the decrease by \$0.5 million in share-based compensation, the decrease by \$0.5 million in incentive compensation and the decrease by \$0.2 million in professional services fees.

Impairment loss

Impairment loss recognized in all of our vessels during 2016 amounted to \$240.0 million. Impairment loss for 2015 amounted to \$21.6 million and relates to the vessels *Box Hong Kong* and *Box China*. We refer you to "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies."

Loss on Sale of Vessels

The loss on the sale of six out of nine of the vessels in our fleet amounted to \$14.8 million during 2016. No loss was recognized on the sale of the remaining three vessels, as those served as collateral to the \$100 million senior secured loan with ABN AMRO Bank, for which we entered into an agreement with the lender to transfer full ownership of the subsidiaries owning those vessels to entities affiliated with Mr. Michael Bodouroglou, and we were released from our obligations under the loan agreement in connection therewith. This sale is separately reflected as a gain from deconsolidation of subsidiaries discussed below. We did not recognize a loss on sale of vessels in 2015.

Other Operating (Income) / Expenses, Net

Other operating income in 2016 includes: (a) settlement of insurance claims of \$1.7 million, in relation to the *Box China* and *Box Kingfish*, (b) special solidarity contribution to the Greek economy of \$0.2 million and (c) other operating income of \$0.2 million recognized in 2016, due to the partial reversal of the provision recognized in 2014 for damages made in relation to *Box Hong Kong*. Other operating expenses in 2015 relate to special solidarity contribution to the Greek economy of \$0.2 million.

Interest and Finance Costs

Interest and finance costs for 2016 and 2015 amounted to \$4.5 million and \$5.5 million, respectively, out of which \$3.7 million and \$4.9 million, respectively, related to the interest incurred on the loans for the vessels and related swap agreements and \$0.8 million and \$0.6 million, respectively, related to the amortization of financing costs and other financial expenses. The decrease in interest and finance costs is due to the decrease by \$1.2 million in interest and swap expenses and the decrease by \$0.1 million in amortization of financing costs due to the full and final settlement of our secured loan agreements offset by the increase by \$0.3 million in other financial expenses associated mainly with legal fees incurred in relation to the settlement agreements we entered with all of our lenders.

Gain From Debt Extinguishment

During 2016, due to our failure to comply with certain financial covenants and restrictions contained in our secured loan agreements at such time and due to our failure to continue servicing our debt, we entered into settlement agreements with certain of our lenders for the full and final satisfaction of all amounts outstanding under the relevant loan agreements in exchange for the net sale proceeds of the mortgaged vessels, resulting in a gain of \$24.7 million. No such gain from debt extinguishment was recognized in 2015.

Gain From Deconsolidation of Subsidiaries

In November 2016, due to our failure to comply with certain financial covenants and restrictions contained in our \$100 million senior secured loan agreement with ABN AMRO Bank and due to our failure to continue servicing our debt, we entered into an agreement with the lender, pursuant to which we sold all of the issued and outstanding capital stock of the subsidiaries owning the *Box Voyager*, *Box Trader* and *Maule* to entities affiliated with Mr. Michael Bodouroglou, and we were released from our obligations under the loan agreement in connection therewith. The transaction included the transfer of all assets and liabilities of the companies sold, resulting in a gain from deconsolidation of subsidiaries of \$17.9 million. No such gain was recognized in 2015.

Fair Value Change of Warrants

During 2016 and 2015, we recognized a gain of \$0.0 million and \$0.3 million, respectively, resulting from the valuation of the warrants issued in April 2014 and classified as a liability, as a result of the decline in our share price from \$0.16 per share as of December 31, 2015 to \$0.5 per share as of December 31, 2016.

Year ended December 31, 2015 compared to the year ended December 31, 2014

Net Revenues

Net revenues represent charter hire earned, net of commissions. Net revenues decreased by 11.7%, to \$44.0 million for the year ended December 31, 2015, from \$49.9 million for the year ended December 31, 2014, mainly due to the re-chartering of three of our vessels at lower rates compared to 2014. More specifically, the *Box Emma* earned an average daily rate of approximately \$12,300 during 2015, compared to \$19,000 per day that the vessel was earning during 2014; the *Box Hong Kong* and *Box China* earned a daily rate of approximately \$17,240 and \$17,760, respectively, during 2015, compared to \$26,800 per day that each of these vessels was earning during 2014. In addition, our net revenues are also net of the amortization of above/below market time charters, which decreased our revenues and increased our net loss for 2015 and decreased our net income for 2014 by \$2.9 million and \$4.7 million, respectively. The decrease in the amortization of above/below market time charters is attributable to the termination of the long-term time charter contracts of *Box Kingfish*, *Box Marlin* and *Box Emma* during 2014 and the termination of the time charter contract of *Box Hong Kong* and *Box China* in May and June 2015, respectively. In 2016, assuming all other variables are held constant, we expect to recognize amortization for the intangible asset of approximately \$0.4 million, which will decrease our revenues accordingly. During 2015, we had 128 idle days and 9 off-hire days related to unscheduled repairs and maintenance, along with 96 days due to the dry-dockings of three vessels, for a total of 233 off-hire days. During 2014, we had 14 idle days and 12 off-hire days related to unscheduled repairs and maintenance, along with 42 days due to the dry-dockings of two vessels, for a total of 68 off-hire days.

Voyage Expenses

Voyage expenses for 2015 and 2014 amounted to \$2.3 million and \$1.6 million, respectively, mainly due to the increase in bunkers by \$1.0 million due to the increase in idle days and loss in value of bunkers, offset by the decrease in extra war risk insurance costs by \$0.3 million due to different ports called.

Vessels Operating Expenses

Vessels operating expenses for 2015 and 2014 amounted to \$16.5 million and \$18.3 million, respectively, or \$5,038 per vessel per day in 2015 compared to \$5,562, per vessel, per day, during 2014. The decrease is a result of continuing cost control efforts and due to decreased insurance costs as a result of decreased insured values. In addition, vessels operating expenses for 2015 and 2014 include the amortization of other intangible assets amounting to \$0.5 million and \$1.1 million, respectively. The decrease in amortization of other intangible assets is attributable to the termination of charters of *Box Hong Kong* and *Box China* with OOCL in May and June 2015, respectively. Vessels operating expenses are influenced by the age and size of the vessels, the condition of the vessels and other factors, as discussed above.

Dry-docking Expenses

During 2015, three of our vessels, the *Box Hong Kong*, *Box China* and the *Box Queen* underwent their scheduled dry-dockings, which resulted in 96 off-hire days and expenses amounting to \$2.5 million, in aggregate. During 2014, two of our vessels, the *Box China* and the *Box Emma* underwent their scheduled dry-dockings, which resulted in 42 off-hire days and expenses amounting to \$2.3 million, in aggregate.

Management Fees Charged by a Related Party

Management fees charged by Allseas for each of the years ended December 31, 2015 and 2014 were \$2.4 million and \$2.8 million, respectively, or \$723 per vessel per day and \$861 per vessel per day, for 2015 and 2014, respectively, and represent fees in accordance with our management agreements entered into with Allseas for the provision of management and technical services as described above. This fee is charged on a daily basis per vessel and is affected by the number of vessels in our fleet, the number of calendar days during the year, the official Eurozone inflation rate and the U.S. Dollar/Euro exchange rate at the beginning of each month.

Depreciation

Depreciation for our fleet and other fixed assets amounted to \$15.1 million for each of the years ended December 31, 2015 and 2014.

General and Administrative Expenses

General and administrative expenses for 2015 and 2014 amounted to \$5.2 million and \$7.2 million, respectively, or \$1,590 per day and \$2,202 per day, respectively. The decrease in general and administrative expenses is mainly due to the decreased share-based compensation, amounting to \$0.7 million and \$2.2 million, for 2015 and 2014, respectively.

Impairment loss

Impairment loss for 2015 amounted to \$21.6 million and relates to the vessels *Box Hong Kong* and *Box China*. We refer you to "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies." No such impairment loss was recognized in 2014.

Other Operating (Income) / Expenses

Other operating expenses in 2015 relate to special solidarity contribution to the Greek economy of \$0.2 million. Other operating (income) / expenses in 2014 include: (a) in October 2014, the *Box Hong Kong* while carrying out cargo operations at Sydney Container Terminal ("Terminal") collided with another vessel. The collision caused several damages to the *Box Hong Kong* and the Terminal, for which a provision of \$0.3 million has been made. We have submitted a claim to the owner of the other vessel and such amounts claimed will be recognized when recovery is assured, (b) special solidarity contribution to the Greek economy of \$0.2 million.

Interest and Finance Costs

Interest and finance costs for 2015 and 2014 amounted to \$5.5 million and \$7.0 million, respectively, out of which \$4.9 million and \$6.0 million, respectively, related to the interest incurred on the loans for the vessels and related swap agreements and \$0.6 million and \$1.0 million, respectively, related to the amortization of financing costs and other financial expenses. The decrease in interest and finance costs is due to the full repayment of our secured loan with Commerzbank in July 2014 and the decrease in our average borrowings outstanding period over period. The average indebtedness during 2015 and 2014 was \$128.0 million and \$158.4 million, respectively, and the outstanding balance as of December 31, 2015 and 2014, was \$123.3 million and \$135.0 million, respectively.

Gain From Debt Extinguishment

On July 22, 2014, the outstanding balance of our loan agreement with Commerzbank was \$21.4 million, out of which an amount of \$15.0 million was paid as a full and final settlement, resulting in a gain of \$6.4 million. No such gain from debt extinguishment was recognized in 2015.

Fair Value Change of Warrants

During 2015 and 2014, we recognized a gain of \$0.3 million and \$1.3 million, respectively, resulting from the valuation of the warrants issued in April 2014 and classified as a liability, as a result of the decline in our share price from \$0.86 per share as of December 31, 2014 to \$0.16 per share as of December 31, 2015.

B. Liquidity and Capital Resources

Our business is capital intensive, and our future success mainly depends on our ability to acquire a high-quality fleet through the acquisition of new containerships. These acquisitions will be principally subject to our expectation of future market conditions, our ability to acquire containerships on favorable terms and our ability to finance such acquisitions. As of December 31, 2016 and 2015, we had cash and cash equivalents of \$0.04 million and \$5.9 million, respectively, and current and non-current restricted cash of \$0.01 million and \$8.0 million, respectively.

As of December 31, 2016, we had no debt outstanding. Currently, we have no borrowing capacity. General and administrative expenses are expected to exceed revenues from commercial services agreements which are expected to approximate \$140,000 over the next 12 months from the date of issuance of the financial statements resulting in an operating cash deficit. However, we believe that our existing cash and cash equivalents and amounts receivable from Allseas, consisting of funds advanced for the settlement of operating expenses, will be sufficient to meet our general corporate needs for at least the next 12 months, but are not expected to be sufficient to fund the dividend payments under our Series C Preferred Shares. We intend to keep our general and administrative expenses at low levels and if market conditions improve in a manner that is favorable to us, we intend to reorganize our capital and actively seek to secure new vessel acquisitions, by obtaining new equity and debt.

Our primary sources of funds are our operating cash flow, borrowings under our credit facilities and equity provided by our shareholders, while our primary uses of funds are vessels operating expenses and dry-dockings costs, loan principal and interest payments. During the year ended December 31, 2016, our source of capital was the proceeds from the sale of convertible notes. In the event we acquire any vessels in the future, we will rely on additional equity and debt financing alternatives.

Cash Flows

Operating Activities

Net cash used in operating activities during the year ended December 31, 2016 increased by \$22.5 million to \$9.3 million, compared to \$13.2 million net cash from operating activities for the year ended December 31, 2015. This increase was primarily attributable to the decreased revenues due to the sale of vessels. In 2016, our vessels generated positive cash flows from revenues, net of commissions, of \$18.1 million, while we paid \$27.4 million for expenses, of which \$4.1 million relates to the payment of interest on our bank loans. In 2015, our vessels generated positive cash flows from revenues, net of commissions, of \$46.2 million, while we paid \$33.0 million for expenses, of which \$4.9 million relates to the payment of interest on our bank loans.

Net cash from operating activities during the year ended December 31, 2015 decreased by \$6.6 million to \$13.2 million, compared to \$19.8 million for the year ended December 31, 2014. This decrease was primarily attributable to the decreased revenues due to the lower re-chartering rates for three of our vessels. In 2015, our vessels generated positive cash flows from revenues, net of commissions, of \$46.2 million, while we paid \$33.0 million for expenses, of which \$4.9 million relates to the payment of interest on our bank loans. In 2014, our vessels generated positive cash flows from revenues, net of commissions, of \$54.4 million, while we paid \$34.6 million for expenses, of which \$5.8 million relates to the payment of interest on our bank loans.

Investing Activities

Net cash from investing activities for the year ended December 31, 2016 was \$40.3 million, resulting from the modifications and improvements of \$0.1 million performed on vessel *Maule*, the net sale proceeds of \$32.4 million relating to the six vessels sold in 2016 and the release of restricted cash of \$8.0 million associated with the termination of the loan agreements and the resulting release of the respective cash deposits.

For the year ended December 31, 2015, there was no cash used in investing activities.

Net cash from investing activities for the year ended December 31, 2014 was \$2.0 million, resulting from the amendment in minimum liquidity required to be maintained under our loan agreements.

Financing Activities

Net cash used in financing activities for the year ended December 31, 2016, was \$36.8 million. During the year ended December 31, 2016, we repaid \$36.7 million of our debt, paid financing costs of \$0.1 million, entered into securities purchase agreements, pursuant to which we issued convertible notes, resulting in net proceeds of \$0.5 million and made cash payments to our preferred shareholders of \$0.5 million.

Net cash used in financing activities for the year ended December 31, 2015, was \$13.9 million. During the year ended December 31, 2015, we repaid \$11.7 million of our debt, repurchased shares of our common stock of \$0.1 million and made cash payments to our preferred shareholders of \$2.1 million.

Net cash used in financing activities for the year ended December 31, 2014, was \$29.8 million. On April 15, 2014, we completed the offering and concurrent private placement of 5,500,000 units, each consisting of one common share and one warrant to purchase 0.40 common shares (the "Units"), resulting in net proceeds of \$10.6 million in the aggregate, net of underwriting discounts, commissions and other offering costs of \$0.7 million in the aggregate. During the year ended December 31, 2014, we repaid \$38.2 million of our debt, paid financing costs of \$0.1 million and made cash payments to our preferred shareholders of \$2.1 million.

Capital Expenditures

Our capital expenditures during 2016 related to the modifications / improvements performed on vessel *Maule*. No capital expenditures are anticipated for 2017.

Loan Agreements

\$100.0 million senior secured loan agreement with ABN AMRO

On May 6, 2011, we entered into a senior secured loan agreement for a loan of up to \$100.0 million, with ABN AMRO, to partially refinance the acquisition of the *Box Voyager* and *Box Trader* and to partially finance the acquisition of *Maule*, referred to herein collectively as the Security Vessels, which we drew in full in May 2011. Under the terms of the loan agreement, the joint and several borrowers are Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc., the vessel-owning subsidiaries that owned the Security Vessels, and we were the corporate guarantor. On August 9, 2012, we entered into an amending and restating agreement to reflect the transfer of rights and interest by ABN AMRO in respect of 33.33% and 32% of the total amount of the loan of \$100.0 million to HSH Nordbank AG and ITF International Transport Finance Suisse AG, respectively. On August 9, 2013, we entered into the second amending and restating agreement, pursuant to which, certain financial covenants and securities were permanently or temporarily amended and ABN AMRO waived the application of the asset cover for the period commencing on June 28, 2013 and ending on April 1, 2014 ("ABN AMRO Waiver Period"). On November 25, 2014, we entered into a supplemental agreement, pursuant to which, certain financial covenants, undertakings and securities were temporarily amended or waived for the period commencing on April 1, 2014 and ending on June 29, 2015 ("ABN AMRO Second Waiver Period"). On June 25, 2015, we entered into a supplemental agreement, pursuant to which, certain financial covenants, undertakings and securities were temporarily amended or waived for the period commencing on June 30, 2015 and ending on June 29, 2016 ("ABN AMRO Third Waiver Period"). On July 12, 2016, we entered into a supplemental agreement to amend the repayment schedule and waive or amend the application of certain covenants and undertakings. Pursuant to the supplemental agreement, the outstanding amount as of June 30, 2016, of \$63.4 million would be repaid by a bullet repayment instalment in May 2017, subject to prepayments to be made out of any excess earnings of the Security Vessels. Effective July 28, 2016, the loan bore interest at LIBOR plus a margin of 3.75%. On November 24, 2016, we entered into an amending and restating agreement, pursuant to which we transferred the ownership of the shares of each of the borrowers to entities affiliated to Mr. Michael Bodourolou, and we were released from our obligations under the corporate guarantee.

\$30.0 million secured loan agreement with Unicredit

On May 17, 2011, we entered into a senior secured loan agreement for a loan of up to \$30.0 million with Unicredit to partially finance the acquisition of the *Box Queen*, which we drew in full in May 2011. Under the terms of the loan agreement, the borrower is Aral Sea Shipping S.A., the vessel-owning subsidiary of the *Box Queen*, and we are the corporate guarantor. On June 27, 2013, we entered into a supplemental agreement, pursuant to which, during the period commencing on June 27, 2013 and ending on January 1, 2014 ("Unicredit Waiver Period"), certain financial covenants and the minimum security requirements were amended. On December 17, 2014, we entered into a supplemental agreement to amend the terms of repayment of the loan, the financial covenants and undertakings and the margin. Pursuant to the agreement, during the period commencing on January 1, 2014 and ending on June 30, 2015 ("Unicredit Second Waiver Period"), certain financial covenants were amended. On October 28, 2016, we entered into a settlement and release agreement for the full and final satisfaction of all amounts then outstanding under the loan agreement in exchange for the net sale proceeds of vessel *Box Queen*.

Two \$22.0 million secured loan agreements with Credit Suisse / \$31.65 million secured loan agreement with Credit Suisse

On July 12, 2011 and July 18, 2011, we entered into two secured loan agreements with Credit Suisse relating to loans of up to \$22.0 million each to partially refinance the cash consideration paid for the *Box Marlin* and the *Box Kingfish*, which we drew in full in August 2011. On May 28, 2013, we entered into a supplemental agreement, pursuant to which, during the period commencing on March 31, 2013 and ending on April 1, 2014 ("Credit Suisse Waiver Period"), certain financial covenants were amended. On November 11, 2014, we entered into a loan agreement for \$31.65 million, to refinance in full the then outstanding indebtedness. Pursuant to the loan agreement dated November 11, 2014, the vessel *Box Emma* was added as security to the loan. On July 1, 2016, we entered into a supplemental agreement to amend the repayment schedule and waive or amend the application of certain covenants and undertakings. Pursuant to the supplemental agreement, we, following the sale of *Box Emma* deferred all instalments to the maturity of the loan to May 2017. The net sale proceeds along with the minimum liquidity associated with the vessel *Box Emma* of \$0.5 million were used to partially prepay the outstanding loan and the balance of the loan was payable in May 2017. On November 29, 2016, we entered into a settlement and release agreement for the full and final satisfaction of all amounts then outstanding under the loan agreement in exchange for the net sale proceeds of vessels *Box Kingfish* and *Box Marlin*.

\$30.3 million secured loan agreement with Commerzbank

On July 29, 2011, we entered into a secured loan agreement with Commerzbank relating to a loan of up to \$30.3 million to partially fund the acquisition of the *Box Emma*, which we drew in full in August 2011. On July 8, 2013, we entered into a supplemental agreement, pursuant to which, certain financial covenants and securities were amended.

On July 22, 2014, the outstanding amount of the loan was \$21.45 million and we agreed with the bank to the payment of \$15.0 million, plus accrued interest, in full and final settlement of the loan.

\$25.0 million secured loan agreement with ABN AMRO

On June 27, 2012, we entered into a loan agreement with ABN AMRO relating to a loan of up to \$25.0 million to partially finance the acquisition of the *Box Hong Kong* and the *Box China*, delivered to us on June 25, 2012 and July 5, 2012, respectively. The borrowers under the loan agreement are Triton Shipping Limited and Rosetta Navigation Corp. Limited, the vessel-owning subsidiaries that own the *Box Hong Kong* and the *Box China*, respectively, and Box Ships Inc. is the corporate guarantor. On August 9, 2013, we entered into a supplemental agreement, pursuant to which, during the period commencing on June 28, 2013 and ending on April 1, 2014 ("ABN AMRO \$25 Million Loan Waiver Period") and for the period thereafter, certain financial, minimum security and other covenants and securities were temporarily or permanently amended, respectively, as specified below. On November 25, 2014, we entered into the second supplemental agreement, pursuant to which, during the period commencing on April 1, 2014 and ending on June 29, 2015 ("ABN AMRO \$25 Million Loan Second Waiver Period") certain financial covenants, undertakings and securities were temporarily amended or waived, as specified below. On June 25, 2015, we entered into a supplemental agreement, pursuant to which, the loan repayment schedule was amended and certain financial covenants, undertakings and securities were temporarily amended or waived for the period commencing on June 30, 2015 and ending on June 29, 2016 ("ABN AMRO \$25 Million Loan Third Waiver Period"). On July 12, 2016, we entered into a supplemental loan agreement, pursuant to which the excess proceeds from the sale of *Box Hong Kong* and *Box China*, following repayment of their outstanding indebtedness, were applied against the \$100.0 million senior secured loan agreement with ABN AMRO discussed above. Pursuant to the supplemental agreement, the application of certain covenants and undertakings were waived or amended. Following the sale of *Box Hong Kong* and *Box China* in August 2016, the then outstanding amount of \$9.0 million was repaid in full and the excess amount of \$2.9 million, being the difference between the net sale proceeds and the carrying amount of their then outstanding indebtedness, was applied against the \$100.0 million senior secured loan agreement with ABN AMRO.

Interest Rate Swaps

We entered into interest rate swap agreements in order to hedge our variable interest rate exposure under our loan agreements, discussed above. Following the settlement agreements discussed above, all interest rate swap agreements were terminated.

Convertible Notes

In April and August 2016, we entered into two securities purchase agreements with an unrelated third party, pursuant to which we authorized and issued convertible notes in the aggregate original principal amount of \$0.5 million, which were converted in full together with accrued interest into an aggregate of 2,042,527 common shares.

Exchange Agreement

In March 2016, we entered into a securities exchange agreement with an unrelated third party, pursuant to which we exchanged 36,500 Series C Preferred Shares for 244,119 common shares. The Exchange Agreement expired on June 30, 2016.

C. Research and Development, Patents and Licenses

None.

D. Trend Information

Our results of operations depend primarily on the charter hire rates that we may be able to realize in the future. Charter hire rates paid for containerships are primarily a function of the underlying balance between vessel supply and demand.

Containership charter rates peaked in 2005 and generally remained strong until the middle of 2008, when the effects of the recent economic crisis began to affect global trade. Rates reversed dramatically and reached historically low levels during 2009. The recovery in China and India positively influenced charter rates in 2010 and the first half of 2011, when the market experienced a moderate recovery during those periods; however, charter rates then declined from the second half of 2011 and have remained well below their long term historical averages due to the combination of increasing containership capacity, the reluctance of liner companies to cull services, a fight for market share between the liner companies and decreasing demand. The charter market deteriorated further in 2016 averaging approximately \$5,500 per day for 3,500 TEU and below \$5,000 per day for the 4,400 TEU containerships. The existing oversupply in the containership market mainly in the larger sizes is expected to keep the time charter rates under pressure in the short- and long-term periods as well as the box freight rates charged by liner companies to shippers.

The global seaborne container trade grew by an estimated 3.4% in 2016, faster than in 2015, partly driven by improved Mainline trade growth. Box trade growth is expected to accelerate slightly to 4.2% in 2017. In 2016, containership demolition reached a record level of nearly 0.7 million TEU, while deliveries totaled 0.9 million TEU, down 46% year over year in capacity terms. Fleet capacity grew by just 1.2% year over year in 2016 compared with 8.1% in 2015. Fleet growth is expected to accelerate slightly to 3% in 2017 due to rising deliveries, although demolition is expected to remain historically firm which should limit fleet growth to some extent.

Please see "Item 3. Key Information—D. Risk Factors" for a discussion of the material risks inherent in our business. See also "Item 4. Information on the Company—B. Business overview—The Container Shipping Industry" for a discussion of the container shipping industry.

E. Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

F. Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2016:

Contractual Obligations (amounts in thousands of U.S. Dollars)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Executive services ⁽¹⁾	\$ 2,500	\$ 500	\$ 1,000	\$ 1,000	\$ *
Accounting services ⁽²⁾	\$ 315	\$ 63	\$ 126	\$ 126	\$ *
Total	\$ 2,815	\$ 563	\$ 1,126	\$ 1,126	\$ -

* Pursuant to the amended and restated Executive Services and Accounting agreements, dated May 19, 2015, the agreements shall remain in full force and effect, unless terminated in accordance with the provisions of the agreements. These agreements do not have a finite term, however the table above reflects the respective obligations assuming a five-year term.

(1) Executive services relate to the executive services fee of \$0.5 million per annum, effective from January 1, 2017, in connection with the provision of services under the executive services agreement with Allseas and do not include any incentive compensation.

(2) Accounting services relate to the financial and accounting services fee of €60,000 per annum (or \$63,150 using an exchange rate of \$1.0525:€1.00, the U.S. dollar/Euro exchange rate as of December 30, 2016, according to Bloomberg), effective from January 1, 2017.

G. Safe Harbor

See the section entitled "Forward-looking Statements" at the beginning of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Our Board of Directors and executive officers oversee and supervise our operations. Subject to this oversight and supervision, the vessels in our fleet were managed generally by our Managers, pursuant to separate management agreements, under which our Managers and their affiliates provided to us commercial and technical management services. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related party transactions—Management Agreements with Allseas and Seacommercial" for additional information about these agreements.

Set forth below are the names, ages and positions of our directors and executive officers. The business address for each director and executive officer is c/o Box Ships Inc., 15 Karamanli Ave, GR 166 73, Voula, Greece. Members of our Board of Directors are elected annually on a staggered basis, and each director elected holds office for a three-year term or until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal or the earlier termination of his term of office. Officers are elected from time to time by vote of our Board of Directors and hold office until a successor is elected.

Name	Age	Position
Michael Bodouroglou	62	Chairman, President, Chief Executive Officer, Interim Chief Financial Officer and Class C Director
George Skrimizeas	51	Chief Operating Officer
Achilleas Stergiou	67	Class A Director
Dimitar Todorov	61	Class B Director

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

Michael Bodouroglou, age 62, has served as a director of the Company and our President and Chief Executive Officer since our inception in May 2010 and has served as our Chairman and Class C director since April 2011. Mr. Bodouroglou also serves as our Interim Chief Financial Officer since March 2015. Mr. Bodouroglou also serves as Chairman, President, Chief Executive Officer and Interim Chief Financial Officer of Paragon Shipping. Mr. Bodouroglou has co-founded and co-managed an independent shipping group since 1993 and has served as co-managing director of Eurocarriers and Allseas, which he co-founded, since 1994 and 2000, respectively. Mr. Bodouroglou disposed of his interest in Eurocarriers in September 2006. Prior to founding Eurocarriers, Mr. Bodouroglou served from 1984 to 1992 as technical superintendent for Thenamaris (Ships Management) Inc., where he was responsible for all technical matters of a product tanker fleet. Mr. Bodouroglou served as technical superintendent for Manta Line, a dry cargo shipping company, in 1983 and as technical superintendent for Styga Compania Naviera, a tanker company, from 1981 to 1983. Mr. Bodouroglou graduated from the University of Newcastle-upon-Tyne in the United Kingdom with a Bachelor of Science in Marine Engineering, with honors, in 1977, and received a Masters of Science in Naval Architecture in 1978. Mr. Bodouroglou is a member of the Cayman Islands Shipowners' Advisory Council, the DNV GL Greek Committee and the Lloyd's Register Hellenic Advisory Committee. He is also a member of China Classification Society Mediterranean Committee (CCS), the RINA Hellenic Advisory Committee (Registro Italiano Navale) and the Greek Committee of Nippon Kaiji Kyokai (ClassNK). He is also a member of the Board of the Swedish P&I Club, the Bureau Veritas Regional Hellenic & Black Sea Committee, the Union of Greek Shipowners and the Greek Shipowners Social Welfare Company (Syn-Enosis). Mr. Bodouroglou is the Honorary Consul for the Slovak Republic in Piraeus, member of the Board of the Hellenic Australian Business Council (HABC) and an Honorary Fellow of the Institute of Chartered Shipbrokers.

George Skrimizeas, age 51, has been our Chief Operating Officer since July 2013. Mr. Skrimizeas has been general manager of Allseas since May 2006. Mr. Skrimizeas has also been the Chief Operating Officer of Paragon Shipping Inc. since June 2006. From 1996 to 2006, Mr. Skrimizeas has held various positions in Allseas, Eurocarriers and their affiliates, including general manager, accounts and human resources manager, and finance and administration manager. Mr. Skrimizeas worked as accounts manager for ChartWorld Shipping from 1995 to 1996 and as accounts and administration manager for Arktos Investments Inc. from 1994 to 1995. From 1988 to 1994, Mr. Skrimizeas was accounts and administration manager for Candia Shipping Co. S.A. and accountant and chief accounting officer—deputy human resources manager in their Athens, Romania, Hong Kong and London offices. Mr. Skrimizeas received his Bachelor of Science degree in Business Administration from the University of Piraeus, Greece in 1988 and completed the coursework necessary to obtain his Masters of Science in Finance from the University of Leicester, in the United Kingdom, in 2002. Mr. Skrimizeas is a member of the Hellenic Chamber of Economics, the Hellenic Management Association, the Hellenic Association of Chief Executive Officers, Governor of the International Propeller Club - Port of Piraeus, Greece and member of the Business Advisory Committee of the ICMA center Henley Business School in the U.K. (Msc in International Shipping and Finance).

Achilleas Stergiou, age 67, has served as a Class A non-executive director of the Company since April 2011. From 2002 to November 2010, Mr. Stergiou served as the managing director of Metrostar Management Corp. From 1995 to 2001, Mr. Stergiou served as the Vice President, Head of the Piraeus Greek Representative Office of J.P. Morgan-Chase Manhattan Bank, focusing on the bank's shipping finance activity from 1998 to 2001 and performing shipping and private banking duties for the bank from 1995 to 1998. From 1990 to 1995, Mr. Stergiou served as Treasurer of Tsakos Shipping & Trading S.A. and from 1985 to 1990, Mr. Stergiou served as Investment Manager of Star Maritime S.A. – G.S. Livanos Group. From 1980 to 1995, Mr. Stergiou was a Registered Stockbroker at Merrill Lynch, Pierce, Fenner & Smith. Mr. Stergiou has served on the Board of Directors of Eleftheros Typos and Atlas Securities Co. He has also served as a member of the Investment Committees of Hermes Mutual Fund, a wholly-owned subsidiary of Commercial Bank of Greece, and Interinvest Mutual Fund. Mr. Stergiou graduated from the Hellenic School of Economics and Business Science with a degree in Accounting in 1975. He also holds a Master in Business Administration with a concentration in finance from McGill University, Montreal Canada.

Dimitar Todorov, age 61, has served as a Class B non-executive director of the Company since April 2011. Since 2003, Mr. Todorov has been the Executive Director and a member of the Board of Directors of Odessos Shiprepair Yard S.A., a shiprepair and conversion yard in Bulgaria on the Black Sea. The main activities and responsibilities of Mr. Todorov in this position are general and commercial management of the yard, management of repair contracts, promotion of various investment projects, development of strategies and the pursuit of joint ventures with other entities. Mr. Todorov has served since 1980 in various other positions at Odessos Shiprepair Yard S.A., such as Technologist, Shiprepair Manager, Manager of Workshop, Head of the Production Department, Head of the Commercial Department and Commercial Director. Mr. Todorov graduated from the Technical University of Varna, Bulgaria as a Marine Engineer with a specialty in Ship's Machines and Equipment. Mr. Todorov has extensive technical experience and competence in the shiprepair business.

B. Compensation

Our executive officers and directors and employees of our Managers are eligible to receive awards under the Box Ships Inc. 2011 equity incentive plan, or our 2011 Equity Incentive Plan, described below under "—2011 Equity Incentive Plan." We do not have a retirement plan for our officers or directors.

Executive Compensation

On April 19, 2011, we entered into an executive services agreement with Allseas, pursuant to which Allseas provides the services of our executive officers, which include strategy, business development, marketing, finance and other services, who report directly to our Board of Directors. Pursuant to the amended and restated Executive Services Agreement, dated May 19, 2015, the agreement shall remain in full force and effect unless terminated in accordance with the provisions of the agreement, as discussed further below. Allseas is entitled to an executive services fee for provision of services under the agreement, which amounted to \$2.2 million per annum and was decreased to \$0.5 million per annum as of January 1, 2017. In addition, Allseas is entitled also to incentive compensation, at the discretion of our Board of Directors. The aggregate compensation that was charged by Allseas under the executive services agreement in 2016 was \$2.2 million.

All restricted shares granted to our executive officers under our 2011 Equity Incentive Plan will vest in full immediately upon the occurrence of a change of control (as defined under our 2011 Equity Incentive Plan), the involuntary termination of their service as an executive officer of the Company and an employee of Allseas without cause (as defined under the 2011 Equity Incentive Plan) or if their service is terminated by reason of their death or disability (as defined under our 2011 Equity Incentive Plan). If they voluntarily terminate their service or are removed for cause (as defined under our 2011 Equity Incentive Plan), all of their unvested restricted shares will be forfeited.

Compensation of Our Non-employee Directors

For the year ended December 31, 2016, each non-employee director was entitled to directors' fees of \$30,000 per annum. In addition, each director is entitled also to incentive compensation, at the discretion of our Board of Directors and is also reimbursed for out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors or committees. Each director is fully indemnified by us for actions associated with being a director to the extent permitted under Marshall Islands law.

All restricted shares granted to our non-employee directors will vest in full immediately upon the occurrence of a change of control (as defined under our 2011 Equity Incentive Plan), the involuntary termination of the non-employee director's service as a director of the Company without cause (as defined under the 2011 Equity Incentive Plan) or if the non-employee director's service is terminated by reason of his death or disability (as defined under our 2011 Equity Incentive Plan). If the non-employee director voluntarily terminates his service or is removed for cause (as defined under our 2011 Equity Incentive Plan), all of his unvested restricted shares will be forfeited.

Compensation of Certain Employees of Our Managers

All restricted shares granted to employees of our Managers will vest in full immediately upon the occurrence of a change of control (as defined under our 2011 Equity Incentive Plan), the involuntary termination of the employee's service as an employee of our Managers without cause (as defined under the 2011 Equity Incentive Plan) or if the employee's service is terminated by reason of his death or disability (as defined under our 2011 Equity Incentive Plan). If the employee voluntarily terminates his service or is removed for cause (as defined under our 2011 Equity Incentive Plan), all of his unvested restricted shares will be forfeited.

During 2016, we did not grant restricted stock to any of our directors, executive officers or to the employees of our Managers.

C. Board Practices

Our Board of Directors consists of the three directors named above. Our Board of Directors is elected annually on a staggered basis, 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 A director, Mr. Achilleas Stergiou expires at our 2018 annual general meeting of shareholders, the term of our Class B director, Mr. Dimitar Todorov has expired but he remains a director until his successor is appointed at our next annual general meeting of shareholders, and the term of our Class C director, Mr. Michael Bodouroglou, expires at our 2017 annual general meeting of shareholders.

We have established an audit committee, a compensation committee, a nominating and corporate governance committee and a conflicts committee, each comprised of independent directors. In the case of our conflicts committee, it is also a requirement that no member of the conflicts committee may participate in the evaluation or approval of any transaction in which such director, or a member of his family or his employer, has any financial interest.

Our audit committee consists of Messrs. Todorov and Stergiou, each of whom has been determined by our Board of Directors to be independent under Rule 10A-3 of the Exchange Act. Our Board of Directors has also designated Mr. Stergiou as an "audit committee financial expert," as such term is defined in Item 407 of Regulation S-K promulgated by the SEC. The audit committee, among other things, reviews our external financial reporting, engages our external auditors and oversees our internal audit activities and procedures and the adequacy of our internal accounting controls.

Our compensation committee consists of Messrs. Todorov and Stergiou. The compensation committee is responsible for establishing the compensation and benefits of our executive officers and making recommendations to the Board of Directors regarding the compensation of our non-employee directors, reviewing and making recommendations to the Board of Directors regarding our compensation policies, and overseeing our 2011 Equity Incentive Plan described below.

Our nominating and corporate governance committee consists of Messrs. Todorov and Stergiou. The nominating and corporate governance committee is responsible for recommending to the Board of Directors nominees for director and directors for appointment to committees of the Board of Directors, advising the Board of Directors with regard to corporate governance practices and recommending director compensation. Shareholders may also nominate directors in accordance with procedures set forth in our amended and restated bylaws.

Our conflicts committee is comprised of directors who are neither officers nor directors of Paragon Shipping and who do not have a financial interest, including through a family or employment relationship, in any proposed transactions. The conflicts committee is comprised of Messrs. Todorov and Stergiou. The conflicts committee, which we are required to maintain pursuant to the terms of our code of ethics, is intended to provide a mechanism for independent assessment of whether proposed arrangements with Paragon Shipping, Mr. Michael Bodouroglou, and any entity controlled by Mr. Bodouroglou, and their respective affiliates, or proposed modifications to arrangements with Paragon Shipping, Mr. Bodouroglou, any entities controlled by Mr. Bodouroglou and their respective affiliates, are fair and reasonable to us. The Board of Directors is not obligated to seek approval of the conflicts committee on any matter; however, the Board of Directors may submit such proposed arrangements or modifications to the conflicts committee. Please see "Item 7. Major Shareholders and Related Party Transactions—B. Related party transactions—Review and Approval of Transactions with Related Persons."

For matters presented to it, the conflicts committee determines if the resolution of the conflict of interest is fair and reasonable to us. Any matters approved by the conflicts committee are conclusively deemed to be fair and reasonable to us, taking into account the totality of the relationship between the parties involved, including other transactions that may be particularly favorable or advantageous to us. Our Board of Directors has the power to override a determination by the committee. However, a determination by directors who were interested in the transaction would be subject to Section 58 of the Marshall Islands Business Corporation Act, which provides that the transaction may be void or voidable unless the material facts of the interested directors' interests are known or disclosed to the Board of Directors and the Board of Directors approves the transaction by a vote sufficient for such purpose without counting the vote of the interested directors, or if the vote of the disinterested directors is insufficient, by unanimous vote of the disinterested directors.

We do not maintain service contracts with any of our directors providing for benefits upon termination of employment.

D. Crewing and Shore Employees

As of December 31, 2016, 2015 and 2014, we had three, one and one employee, respectively. Allseas provides the services of our executive officers, who report directly to our Board of Directors, pursuant to an executive services agreement entered into between the Company and Allseas. As of December 31, 2016, 2015 and 2014, we had two shoreside executive officers, Mr. Bodouroglou, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer and Mr. George Skrimizeas, who has been our Chief Operating Officer since July 2013, while Mr. Robert Perri was served as our Chief Financial Officer until March 2015. In addition, Mrs. Maria Stefanou served as our corporate secretary until February 19, 2014 when she was replaced by Mrs. Aikaterini Stoupa.

Allseas was responsible for recruiting, either directly or through a crewing agent, the senior officers and all other crew members for our containerships. Allseas subcontracts crewing services relating to our vessels mainly to Crewcare, a company beneficially owned by Mr. Bodouroglou. We believe the streamlining of crewing arrangements ensured that all of our vessels were crewed with experienced crews that had the qualifications and licenses required by international regulations and shipping conventions.

As of December 31, 2016, 2015 and 2014, 0, 212 and 173 people were employed to crew the vessels in our fleet, respectively. We did not experience any material work stoppages due to labor disagreements since we commenced operations in April 2011.

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 Stockholders and Related Party Transactions—A. Major Shareholders."

2011 Equity Incentive Plan

We adopted our 2011 Equity Incentive Plan, effective upon the closing of our Initial Public Offering, under which our and our affiliates' employees, officers, directors, consultants and service providers are eligible to participate. The plan provides for the award of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and unrestricted stock. On February 19, 2013, we amended our 2011 Equity Incentive plan to increase the total number of common shares available for issuance to 40,000.

Administration

The plan is administered by our Board of Directors. To the extent permitted by law and consistent with the terms of the plan, the Board of Directors may elect to delegate its responsibilities and powers to such committee of our board, or such other person or persons, as the board may designate, other than the authority to amend or terminate the plan. The plan administrator has the authority to, among other things, designate participants under the plan, determine the type or types of awards to be granted to a participant, determine the number of shares of common stock to be covered by awards, determine the terms and conditions applicable to awards and interpret and administer the plan.

Number of Shares of Common Stock

Subject to adjustment in the event of any distribution, recapitalization, split, merger, consolidation and the like, the number of shares of common stock available for delivery pursuant to awards granted under the plan is 40,000 shares, as amended in February 2013. As of the date of this annual report, we had 5,940 shares of common stock remaining for issuance under the plan. If any award is forfeited or otherwise terminates or is cancelled without delivery of the shares of common stock, those shares will again be available for grant under the plan. Shares of our common stock delivered under the plan will consist of authorized but unissued shares or shares acquired by us in the open market, from us or from any other person or entity.

Stock Options and Stock Appreciation Rights

The plan permits the grant of options covering the common stock and the grant of stock appreciation rights. A stock appreciation right is an award that, upon exercise, entitles the participant to receive the excess of the fair market value of a share of common stock on the exercise date over the base price established for the stock appreciation right. Such excess may be paid in shares of common stock, cash, or a combination thereof, as determined by the plan administrator in its discretion. The plan administrator is able to make grants of stock options and stock appreciation rights under the plan containing such terms as the plan administrator may determine. Stock options and stock appreciation rights may have an exercise price or base price that is no less than the fair market value of our common stock on the date of grant. In general, stock options and stock appreciation rights granted will become exercisable over a period determined by the plan administrator.

Restricted Stock and Restricted Stock Units

Restricted stock is subject to forfeiture prior to the vesting of the award. A restricted stock unit is notional stock that entitles the grantee to receive a share of common stock following the vesting of the restricted stock unit or, in the discretion of the plan administrator, cash equivalent to the value of the common stock. The plan administrator may determine to make grants under the plan of restricted stock and restricted stock units to plan participants containing such terms as the plan administrator may determine. The plan administrator will determine the period over which restricted stock and restricted stock units granted to plan participants will vest. The plan administrator may base its determination upon the achievement of specified performance goals.

Unrestricted Stock

The plan administrator, in its discretion, may grant shares of our common stock free of restrictions under the plan in respect of past services or other valid consideration.

Change of Control

Unless otherwise provided in the instrument evidencing the award, in the event of a change in control of Box Ships Inc., all outstanding awards will become fully and immediately vested and exercisable.

Term, Termination and Amendment of Plan

Our Board of Directors, in its discretion may terminate, suspend or discontinue the plan at any time with respect to any award that has not yet been granted. Unless the plan is terminated earlier, no award may be granted under the plan following the tenth anniversary of the date of the plan's adoption by our Board of Directors. Our Board of Directors also has the right to alter or amend the plan or any part of the plan from time to time, subject to shareholder approval in certain circumstances as provided in the plan. The plan administrator may also modify outstanding awards granted under the plan. However, other than adjustments to outstanding awards upon the occurrence of certain unusual or nonrecurring events, generally no change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of the participant.

Options

As of the date of this annual report, we have not granted any options to purchase shares of our common stock.

Non-vested Shares of Common Stock

During 2016, we did not grant restricted stock to any of our directors, executive officers or to the employees of our Managers.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth the beneficial ownership of shares of our common stock, as of March 9, 2017, held by:

- each person or entity that we know beneficially owns 5% or more of our common stock;
- each of our executive officers and directors; and
- all our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing percentage ownership of each person, shares of common stock subject to options held by that person that are currently exercisable or convertible, or exercisable or convertible within 60 days of March 9, 2017, are deemed to be beneficially owned by that person. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. All of our shareholders, including the shareholders listed in the table below, are entitled to one vote for each share of common stock held.

Name and Address of Beneficial Owner ⁽¹⁾	Number of Shares Owned	Percent of Class ⁽²⁾
<u>Executive Officers and Directors:</u>		
Michael Bodouroglou ⁽²⁾	—	*
George Skrimizeas	—	*
Achilleas Stergiou	—	*
Dimitar Todorov	—	*
Executive Officers and Directors as a Group	—	*

5% Beneficial Owners: NONE

* Less than 1.0% of our outstanding common stock.

- (1) Unless otherwise indicated, the business address of each beneficial owner identified is c/o Box Ships Inc., 15 Karamanli Avenue, GR 16673, Voula, Greece.
- (2) Mr. Bodouroglou may be deemed to beneficially own shares of our common stock through Neige International, a Marshall Islands corporation controlled by Mr. Bodouroglou. This beneficial ownership includes 26,667 common shares issuable upon the exercise of warrants issued to Neige International in June 2012, which have an exercise price of \$387.00 per share and may be exercised at any time on or prior to June 30, 2017 and 4,000 common shares issuable upon the exercise of warrants issued to Neige International in April 2014, which have an exercise price of \$132.50 per share and may be exercised at any time on or prior to April 10, 2019. As of March 9, 2017, Mr. Bodouroglou also beneficially owns 23.7% of our outstanding Series C Preferred Shares.

As of March 9, 2017, we had 30 shareholders of record located in the United States, including CEDE & CO., a nominee of The Depository Trust Company.

B. Related Party Transactions

Management Agreements with Allseas

We entered into separate management agreements with Allseas for each of the vessels in our fleet, pursuant to which Allseas was responsible for the commercial and technical management functions of our fleet. Effective January 2, 2015, we and Allseas mutually agreed to terminate a portion of the services that were provided by Allseas under the terms of the original management agreements, which were taken over by Seacommercial, on substantially similar terms, as discussed further below. Allseas was still responsible for the commercial management which included, among other things, operations and freight collection services, obtaining insurance for our vessels and finance and accounting functions. Technical management services included, among other things, arranging for and managing crews, vessel maintenance, dry-docking, repairs, insurance, maintaining regulatory and classification society compliance and providing technical support.

Under the terms of the management agreements, Allseas agreed to use its best efforts to provide technical and commercial management services upon our request in a commercially reasonable manner and provided these services directly to us or subcontracted for certain of these services with other entities. Allseas has in-house technical management capabilities, which it continues to expand. Allseas remained responsible for any subcontracted services under the management agreements. We agreed to indemnify Allseas for losses it would incur in connection with the provision of these services, excluding losses caused by the gross negligence or willful misconduct of Allseas or its employees or agents. Allseas agreed to indemnify us for our losses caused by its gross negligence or willful misconduct.

Each management agreement had an initial term of five years and automatically would renew for additional five-year periods, unless in each case, at least 30 days' advance notice of termination would be given by either party.

Under the management agreements, Allseas was entitled to a technical management fee of €648.28 per vessel, per day (or \$682 per vessel, per day using an exchange rate of \$1.0525:€1.00, the U.S. dollar/Euro exchange rate as of December 30, 2016 according to Bloomberg), commencing June 1, 2016, paid on a monthly basis in advance, pro rata either for the calendar days these vessels were owned by us if the vessels were second-hand purchases, or from the date of the memorandum of agreement if the vessels were purchased directly from a shipyard. The technical management fee was adjusted annually based on the Eurozone inflation rate. Allseas was also entitled to (i) a superintendent fee of €500 per day (or \$526 per day using an exchange rate of \$1.0525:€1.00, the U.S. dollar/Euro exchange rate as of December 30, 2016 according to Bloomberg), for each day in excess of five days per calendar year for which a superintendent performed onsite inspection; and (ii) a lump sum fee of \$15,000 for pre-delivery services, including legal fees, crewing and manning fees, manual preparation costs and other expenses related to preparing the vessel for delivery, rendered during the period from the date a memorandum of agreement was signed for the purchase of any such vessel until the delivery date.

Under the terms of the management agreements, Allseas was entitled to terminate a particular agreement if any moneys payable under the agreement had not been received within 10 days of such payment having been requested by Allseas or if, after receipt of Allseas objection thereto, we proceeded to employ the vessel subject to the agreement in a trade or in a manner that was, in Allseas opinion, likely to be detrimental to its reputation as a manager or prejudicial to its commercial interest. Under the terms of the management agreements, we were also entitled to terminate a particular agreement if any moneys payable to us under the agreement were not paid or accounted for in full by Allseas or Allseas repeatedly neglected or failed to perform its principal duties to meet its material obligations under the agreement.

In addition, the management agreements might be terminated if (i) we ceased to be the owner of the vessel by reason of a sale thereof; (ii) the vessel became an actual, constructive, compromised or arranged total loss; (iii) the vessel was requisitioned for title or other compulsory acquisition of the vessel occurred, other than requisition for hire; (iv) the vessel was captured, seized, detained or confiscated by any government, or persons acting or purporting to act on behalf of any government, and was not subsequently released; (v) either party ceased to carry on its business or the substantial portion of the business, properties or assets of either party was seized or appropriated; or (vi) an order was made against either party by a competent court or other appropriate authority or a resolution was passed for the bankruptcy, dissolution or winding up of a party or for the appointment of a liquidator, manager, receiver or trustee of a party or all or a substantial part of the party's assets, other than for the purposes of amalgamation or re-organization not involving or arising out of insolvency.

Furthermore, the management agreements would be terminated upon a change of control of us. Under the agreements, a change of control meant the occurrence of any of the following:

- the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of our assets, other than a disposition to Paragon Shipping or any of its affiliates;
- the adoption by our Board of Directors of a plan of liquidation or dissolution of us;
- the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as such term is used in Section 13(d)(3) of the Exchange Act), other than Paragon Shipping or any of its affiliates, becomes the beneficial owner, directly or indirectly, of a majority of our voting shares, measured by voting power rather than number of shares;
- if, at any time, we become insolvent, admit in writing our inability to pay our debts as they become due, are adjudged bankrupt or declare our bankruptcy or make an assignment for the benefit of creditors, a proposal or similar action under the bankruptcy, insolvency or other similar laws of any applicable jurisdiction or commence or consent to proceedings relating to it under any reorganization, arrangement, readjustment of debt, dissolution or we consolidate with, or merge with or into, any person (other than Paragon Shipping or any of its affiliates), or any such person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which outstanding shares of our common stock are converted into or exchanged for cash, securities or other property, or receive a
- payment of cash, securities or other property, other than any such transaction where any shares of our common stock outstanding immediately prior to such transaction is converted into or exchanged for voting stock of the surviving or transferee person constituting a majority of the outstanding voting power of such surviving or transferee person immediately after giving effect to such issuance; and

- the first day on which a majority of the members of our Board of Directors are not continuing directors.

"Continuing directors" means, as of any date of determination, any member of our Board of Directors who was:

- a member of our Board of Directors on the date immediately after the closing of our Initial Public Offering; or
- nominated for election or elected to our Board of Directors with the approval of a majority of the directors then in office who were either directors immediately after the closing of our Initial Public Offering or whose nomination or election was previously so approved.

The management agreements provided that unless the agreements were terminated (i) because the vessel was requisitioned for title or other compulsory acquisition of the vessel occurred (other than requisition for hire); (ii) the vessel was captured, seized, detained or confiscated by any government, or persons acting or purporting to act on behalf of any government, and was not subsequently released; or (iii) by reason of default by gross negligence or misconduct of Allseas, the fixed management fee would continue to be paid for a period of 90 days following the termination date to cover the operating and accounting costs of finalizing the vessel's disbursements and demurrage. In addition, in the event of such a termination, the applicable vessel-owning company would be obligated to pay crew support costs for an additional three-month period following the termination date, plus an equitable portion of any management staff redundancy costs that may materialize. Furthermore, in the event the management agreements were terminated upon a change in control, the provisions of the Compensation Agreement between Allseas and Box Ships Inc., described below, would be applied.

The management agreements might not be amended or otherwise modified without the written consent of both parties.

During 2016, we incurred approximately \$2.2 million in management fees. During 2015, we incurred approximately \$2.4 million in management fees. During 2014, we incurred approximately \$2.8 million and \$0.7 million in management fees and chartering commissions, respectively. Following the sale of our vessels, the respective management agreements were terminated.

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

Compensation Agreement with Allseas

On September 12, 2012 we entered into a compensation agreement with Allseas, whereby in the event that Allseas is involuntarily terminated as the manager of our fleet, Allseas is entitled to a sum equal to (i) three years of the most recent management fees and commissions, based on the fleet at the time of termination; and (ii) €3.0 million (or \$3.2 million using an exchange rate of \$1.0525/€1.00, the U.S. dollar/Euro exchange rate as of December 30, 2016, according to Bloomberg). Under the agreement, any other form of termination fees or compensation to which Allseas may be entitled at the time of the involuntary termination in respect of the management agreements described above shall become null and void. The agreement shall continue for so long as Allseas serves as the commercial and technical manager of our fleet and may be terminated at any time by the mutual agreement of the parties or by either party in the event of a material breach of the terms and provisions by the other party. On January 2, 2015, the Compensation Agreement was amended and restated to reflect the amended and restated management agreements, discussed above. The provisions contained in the original Compensation Agreement remain unchanged. Following the sale of our vessels, the respective compensation agreement was terminated.

Administrative Services Agreement with Allseas

On April 19, 2011, we entered into an administrative services agreement with Allseas, under which, Allseas provides us with telecommunication services, secretarial and reception personnel and equipment, security facilities and cleaning for our offices and information technology services at cost. Allseas engagement under the agreement shall continue for as long as Allseas remains in the premises of 15 Karamanli Ave. in Voula, Greece as tenant, or under any other capacity, and may be terminated at any time by either party upon 60 days' prior written notice. Under the terms of the agreement, the agreement may not be amended or otherwise modified without the written consent of both parties.

Our obligations under the agreement will cease immediately and Allseas will not be entitled to any further payments of any kind in the event Allseas engagement is terminated by us for Cause (as defined in the agreement) or voluntarily by Allseas other than for Good Reason (as defined in the agreement) or as a result of a Change of Control (as defined in the agreement). In the event Allseas engagement is terminated by us without Cause or by Allseas for Good Reason (as such terms are defined in the agreement), Allseas will be entitled to receive its fee through the Termination Date (as defined in the agreement). In addition, either party may terminate the agreement within six months following a Change of Control (as defined in the agreement) and, in such case, Allseas will be entitled to receive its fee through the Termination Date (as defined in the agreement).

Under the agreement, we have agreed to reimburse Allseas on a quarterly basis for all costs and expenses reasonably incurred in connection with the provision of the above services by Allseas, which amounted to approximately \$35,000, \$31,000 and \$35,500 for the years ended December 31, 2016, 2015 and 2014, respectively.

Executive Services Agreement with Allseas

On April 19, 2011, we entered into an executive services agreement with Allseas, pursuant to which Allseas provides the services of our executive officers, which include strategy, business development, marketing, finance and other services, who report directly to our Board of Directors. Pursuant to the amended and restated Executive Services Agreement, dated May 19, 2015, the agreement shall remain in full force and effect unless terminated in accordance with the provisions of the agreement. Under the terms of the agreement, the agreement may not be amended or otherwise modified without the written consent of both parties.

Our obligations under the agreement will cease immediately and Allseas will not be entitled to any further payments of any kind in the event Allseas engagement is terminated by us for Cause (as defined in the agreement) or by Allseas other than for Good Reason (as defined in the agreement). In the event Allseas engagement is terminated by us without Cause or by Allseas for Good Reason (as such terms are defined in the agreement) or as a result of a Change of Control (as defined in the agreement), Allseas will be entitled to receive (i) its annual fee payable under the agreement through the Termination Date (as defined in the agreement); (ii) a compensation equal to three years annual executive services fee; and (iii) 60,000 fully vested shares of our common stock issued cash free on the date of termination. In addition, either party has the option to terminate the agreement within six months following a Change of Control (as defined in the agreement).

Under the agreement, Allseas is entitled to an executive services fee for the provision of services under the agreement, which amounted to \$2.2 million per annum as of January 1, 2013. Effective from January 1, 2017, the executive services fee was reduced to \$0.5 million per annum. For each of the years ended December 31, 2016, 2015 and 2014, the amount charged by Allseas under the executive services agreement amounted to \$2.2 million, which does not include incentive compensation of approximately \$0.5 million and \$0.7 million, respectively, awarded to Allseas, at the discretion of our Board of Directors, in relation to executive services provided during the years ended December 31, 2015 and 2014, respectively.

Accounting Agreement with Allseas

On September 12, 2012, we entered into an accounting agreement with Allseas, effective from September 1, 2012, pursuant to which Allseas was entitled to financial and accounting services fees of €250,000 per annum. Effective from January 1, 2016 the financial and accounting services fees were reduced to €200,000 per annum (or \$210,500 using an exchange rate of \$1.0525:€1.00, the U.S. dollar/Euro exchange rate as of December 30, 2016 according to Bloomberg), paid quarterly, for the provision of financial and accounting services and \$30,000 per vessel, payable quarterly, for the provision of financial reporting services. Effective from January 1, 2017, the financial and accounting services fees were further reduced to €60,000 per annum.

Pursuant to the amended and restated Accounting Agreement, dated May 19, 2015, the agreement shall remain in full force and effect, unless terminated in accordance with the provisions of the agreement.

Our obligations under the agreement will immediately cease, and Allseas will not be entitled to any further payments of any kind in the event Allseas engagement is terminated by us for Cause (as defined in the agreement) or by Allseas other than for Good Reason (as defined in the agreement). In the event Allseas engagement is terminated by us without Cause or by Allseas for Good Reason (as such terms are defined in the agreement) or as a result of a Change of Control (as defined in the agreement), Allseas will be entitled to receive (i) its fee through the Termination Date (as defined in the agreement); and (ii) a compensation equal to three years annual financial accounting services fee and financial reporting fee. In addition, either party may terminate the agreement within six months following a Change of Control (as defined in the agreement).

For the years ended December 31, 2016, 2015 and 2014, the amounts charged by Allseas under the Accounting Agreement amounted to \$0.4 million, \$0.5 million and \$0.6 million, respectively.

Brokerage Agreement with Seacommercial

On January 2, 2015, we entered into a Sale & Purchase ("S&P") and Charter Brokerage Services Agreement with Seacommercial, a Liberian company, pursuant to agreements with each vessel owning subsidiary. Mr. Michael Bodouroglou, the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, is the sole shareholder and Managing Director of Seacommercial. These agreements had an initial term of five years and would automatically extend for successive five year term, unless, in each case, at least 30 days' advance written notice of termination was given by either party. In addition, the agreements could be terminated by either party for cause, as set forth in the agreements, on at least 30 days' advance written notice. The agreements provided for (i) a fee equal to 1.25% of the gross freight, demurrage and charter hire collected from the employment of our vessels; and (ii) a fee equal to 1.0% calculated on the price as stated in the relevant memorandum of agreement for any vessel bought or sold on our behalf.

For the years ended December 31, 2016 and 2015, the amount charged by Seacommercial under the agreement amounted to \$0.2 million and \$0.6 million, respectively. Following the sale of our vessels, the respective brokerage agreements were terminated.

Compensation Agreement with Seacommercial

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

Manning Agreements with Crewcare

Allseas subcontracted crewing services relating to our vessels to Crewcare, a company beneficially owned by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou. Each of our vessel-owning subsidiaries entered into separate manning agreements with Crewcare, pursuant to which Crewcare provided manning services for our vessels in exchange for a fixed monthly fee of \$95 per seaman for all officers and crew who served on board our vessels and a one-time recruitment fee of \$120 per seaman, increased to \$140 per seaman, effective from August 1, 2016. In addition, the agreements also provided for a fee of \$30 per seaman for in-house training, increased to \$50 per seaman, effective from August 1, 2016 and a fee of \$50 per seaman for extra in-house training. The fees payable under the agreements were subject to the review and mutual agreement by Allseas and Crewcare in January of each year.

In October 2013, pursuant to a cadetship program agreement, Crewcare, at its own cost, was responsible for recruiting and training cadets to be assigned to the vessels. These services were provided in exchange for a lump sum fee of \$5,000 per cadet employed on board the vessel for his one year training. The agreement had an initial term of one year with the option to renew for one more year by mutual agreement, unless, at least thirty days' advance notice of termination was given by either party.

For the years ended December 31, 2016, 2015 and 2014, the amounts charged by Crewcare under the manning and cadetship program agreements amounted to approximately \$0.2 million, \$0.4 million and \$0.4 million, respectively. Following the sale of our vessels, the respective manning and cadetship program agreements were terminated.

Commercial Services Agreements

On December 1, 2016, we entered into commercial services agreements with Mone Shipping Co. ("Mone") and Venet Shipping Co. ("Venet"), which are each the owner of a drybulk vessel and are beneficially owned by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou. These agreements have an initial term of five years and automatically extend for successive five year term, unless, in each case, at least 30 days advance written notice of termination is given by either party. In addition, the agreements may be terminated by either party for cause on at least 30 days advance written notice. The agreements provide for (i) a chartering commission equal to 2% of the gross freight, demurrage and charter hire collected from the employment of the vessels owned by Mone and Venet; and (ii) a sale & purchase commission equal to 1% calculated on the price as stated in the relevant memorandum of each agreement for any vessel bought or sold on behalf of Mone and Venet.

For the year ended December 31, 2016, the amount we charged Mone and Venet under the commercial services agreements amounted to \$0.01 million.

Our Executive Officers and Certain of Our Directors

Michael Bodouroglou, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer and George Skrimizeas, our Chief Operating Officer, are also officers of Paragon Shipping. Mr. Bodouroglou serves as the Chairman, President, Chief Executive Officer and Interim Chief Financial Officer of Paragon Shipping and Mr. Skrimizeas serves as the Chief Operating Officer of Paragon Shipping.

Non-Competition Agreement with Paragon Shipping and Our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer

On April 19, 2011, we entered into an agreement with Paragon Shipping and our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou, reflecting, among others, the provisions described below:

For so long as Mr. Bodouroglou is a director or executive officer of our Company (i) Mr. Bodouroglou and any entity which he controls and (ii) during any period in which Mr. Bodouroglou is also a director or executive officer of Paragon Shipping and Paragon Shipping is the holder of more than 5% of the total issued and outstanding shares of our common stock, Paragon Shipping, will be prohibited from acquiring or entering into any charter for containerships without our prior written consent and we will not acquire or enter into any charter for drybulk carriers without the prior written consent of Mr. Bodouroglou, such entities controlled by him and Paragon Shipping, as applicable. Notwithstanding this agreement, Paragon Shipping may claim business opportunities that would benefit us, such as the hiring of employees, the acquisition of other businesses, or the entry into joint ventures, and in each case other than business opportunities in the international containership industry, and this could have a material effect on our business, results of operations, cash flows and financial condition.

Business Opportunities

Paragon Shipping and we have agreed that if Paragon Shipping becomes the holder of more than 5% of the total issued and outstanding shares of our common stock and Mr. Michael Bodouroglou is a director or executive officer of both Paragon Shipping and our Company, Paragon Shipping will not acquire or enter into any charter for containerships and we will not acquire or enter into any charter for drybulk carriers of which it, they or we become aware.

Amendments

The portions of our agreement with Paragon Shipping that relate to conflicts of interest with Paragon Shipping may not be amended without the prior approval of the conflicts committee of our Board of Directors if the proposed amendment will, in the reasonable discretion of our Board of Directors, adversely affect holders of our common stock.

Termination

If Paragon Shipping no longer beneficially owns shares representing at least 5% of the total issued and outstanding shares of our common stock and Mr. Michael Bodouroglou is no longer a director or executive officer of both Paragon Shipping and our Company, then this agreement with respect to the obligations of Paragon Shipping is not effective.

Transactions with Neige International

On April 15, 2014, as discussed under "Item 10. Additional Information—A. Share Capital—Share History", we issued and sold 10,000 Units to Neige International in a concurrent private placement at a purchase price of \$102.5 per Unit and warrants to purchase 4,000 common shares exercisable at any time until April 10, 2019, at an exercise price of \$132.5 per share, pursuant to a share purchase agreement, dated April 10, 2014, by and between Box Ships Inc. and Neige International.

Transactions with Entities Affiliated with Mr. Michael Bodouroglou

On November 24, 2016 (the "Closing Date"), we (the "Seller") sold of all of the issued and outstanding capital stock of the companies owning the vessels *Box Voyager*, *Box Trader* and *Maule* at a sale price of \$0.50 per company to entities affiliated with our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou (the "Buyer"). The transaction included the transfer of all assets and liabilities of the companies sold. Pursuant to the share purchase agreement the Buyer granted to the Seller a right to buy back the shares ("Call Option") at the same consideration for a period of 90 days from the Closing Date, subject to lender's approval and reimbursement by the Seller of all payments and/or repayments under the loan agreement (including but not limited to any principal and accrued interest) from the Closing Date until the Call Option date.

The transaction occurred following the difficulties we experienced to serve our debt obligations under the \$100 million loan agreement with ABN AMRO Bank N.V. In November 2016, a special committee consisting of our independent directors ("Special Committee") was established to evaluate the potential transfer of ownership of the companies owning the vessels *Box Voyager*, *Box Trader* and *Maule* to entities affiliated with Mr. Michael Bodouroglou. The Special Committee determined it was in the best interest of us and our shareholders to sell the vessel-owning subsidiaries to entities controlled by Mr. Michael Bodouroglou, and we were released from our obligations under the loan agreement in connection therewith.

Office Lease

We lease office space in Athens, Greece from Granitis Glyfada Real Estate Ltd., a company controlled by our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, Mr. Michael Bodouroglou. The term of the lease is for one year and will expire on May 31, 2017, unless the lease is renewed. The monthly lease payment is €3,000 (or \$3,158 using an exchange rate of \$1.0525:€1.00, the U.S. dollar/Euro exchange rate as of December 30, 2016, according to Bloomberg), plus 3.6% tax, and will adjust thereafter annually for increases in inflation. For the years ended December 31, 2016, 2015 and 2014, we were charged approximately \$33,000, \$21,000 and \$25,000, respectively, in rental payments under the lease agreement.

Review and Approval of Transactions with Related Persons

Related person transactions must be approved by the Board of Directors or by the conflicts committee, which will approve the transaction only if they determine that it is in the best interests of our company. In considering the transaction, the Board of Directors or conflicts committee will consider all relevant factors, including as applicable (i) the related person's interest in the transaction; (ii) the approximate dollar value of the amount involved in the transaction; (iii) the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss; (iv) our business rationale for entering into the transaction; (v) the alternatives to entering into a related person transaction; (vi) whether the transaction is on terms no less favorable to us than terms that could have been reached with an unrelated third party; (vii) the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; (viii) the overall fairness of the transaction to us; and (ix) any other information regarding the transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction. If a director is involved in the transaction, he or she will not cast a vote regarding the transaction.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See "Item 18. Financial Statements."

Legal Proceedings

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

Dividend Policy

You should read the following discussion of our dividend policy and restrictions on dividends in conjunction with specific assumptions included in this section. In addition, you should read the section entitled "Forward-Looking Statements" at the beginning of this annual report and "Item 3. Key Information — D. Risk Factors" for information regarding statements that do not relate strictly to historical or current facts and certain risks inherent in our business.

Until early 2014, we paid quarterly dividends to holders of our common stock. We have an obligation to make dividend payments to holders of our Series C Preferred Shares, par value \$0.01 per share, liquidation preference \$25.00 per share, issued in 2013, which rank prior to our common stock with respect to, among other things, dividends. We continued to make dividend payments to the holders of our Series C Preferred Shares through 2015, with the last payment made in January 2016 in relation to the fourth quarter of 2015, however, we did not make the quarterly payments thereafter. At this time, we do not anticipate making dividend payments on our common stock for the foreseeable future, and will only make dividend payments to the holders of our Series C Preferred Shares if our liquidity position permits.

The following table illustrates the dividends we have paid in respect of our common stock:

For the Quarter ended:	Dividend per common share:
September 30, 2013	\$ 3.00
June 30, 2013	\$ 6.00
March 31, 2013	\$ 6.00
December 31, 2012	\$ 11.00
September 30, 2012	\$ 11.00
June 30, 2012	\$ 13.00
March 31, 2012	\$ 15.00
December 31, 2011	\$ 15.00
September 30, 2011	\$ 15.00
June 30, 2011	\$ 7.50

The declaration and payment of any dividend on our common stock will be determined at the sole discretion of our Board of Directors, and we cannot assure you that we will reinstate our policy to pay dividends in the near future, or at all. We have a limited operating history upon which to rely as to whether we will have sufficient cash available to pay dividends on our common stock in the future. In addition, during 2016, due to our failure to comply with certain financial covenants and restrictions contained in our secured loan agreements at such time and due to our failure to continue servicing our debt, we entered into settlement agreements with certain of our lenders for the full and final satisfaction of all amounts outstanding under the relevant loan agreements in exchange for the net sale proceeds of the mortgaged vessels and in relation to the \$100 million senior secured loan agreement with ABN AMRO Bank, we entered into an agreement with the lender, pursuant to which we sold the subsidiaries owning the vessels securing the loan and transferred all assets and liabilities to entities affiliated to Mr. Michael Bodouroglou, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, and we were released from our obligations under the loan agreement in connection therewith. Currently, our only source of income is the fees under the commercial services agreements we entered into on December 1, 2016. We have used in the past, and may use in the future, a portion of our cash reserves, in addition to our operating cash flows, to fund quarterly dividend payments, which reduces our cash position and is only sustainable to the extent cash is available.

In addition, Marshall Islands law generally prohibits the payment of dividends (i) other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or (ii) when a company is insolvent or (iii) if the payment of the dividend would render the company insolvent. Furthermore we may incur other expenses or liabilities that would reduce or eliminate the cash available for distribution as dividends.

Our ability to make distributions to our shareholders will also depend upon the performance of our current and future wholly-owned subsidiaries through which we may operate vessels in the future and whether or not they are able to generate sufficient cash so as to allow for the distribution of funds to us. The ability of our future vessel-owning or other subsidiaries to make distributions to us may be restricted by, among other things, the provisions of any future indebtedness, applicable corporate or limited liability company laws and other laws and regulations.

Our Board of Directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors. We cannot assure you that we will be able to pay quarterly dividends owed to the holders of our Series C Preferred Shares, which rank prior to our common stock with respect to dividends, distributions and payments upon liquidation. Cumulative dividends on our Series C Preferred Shares accrue at a rate of 9.00% per annum per \$25.00 stated liquidation preference per Series C Preferred Share, subject to increase upon the occurrence of certain events, and are payable on January 1, April 1, July 1 and October 1 of each year, commencing on October 1, 2013, or, if any such dividend payment date otherwise would fall on a date that is not a business day, the immediately succeeding business day. For additional information about our Series C Preferred Shares, please see the section entitled "Description of Registrant's Securities to be Registered" of our registration statement on Form 8-A filed with the Commission on July 26, 2013 and incorporated by reference herein. In addition, any ability to pay dividends to holders of our common shares will be subject to the provisions of Marshall Islands law as well as the other limitations.

We believe that, under current U.S. law, any future dividend payments from our then current and accumulated earnings and profits, as determined under U.S. federal income tax principles, would not constitute "qualified dividend income" and, as a consequence, non-corporate U.S. shareholders would not, with respect to such dividend payments, be subject to the preferential U.S. federal income tax rates applicable to long-term capital gains. Distributions in excess of our earnings and profits, as so calculated, will be treated first as a non-taxable return of capital to the extent of a U.S. stockholder's tax basis in its shares of common stock on a dollar-for-dollar basis and thereafter as capital gain. Please see "Item 10. Additional Information—E. Taxation" for additional information relating to the tax treatment of any dividend payments.

B. Significant Changes

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

Item 9. The Offer and Listing

Between April 14, 2011 and November 17, 2015, our common stock was trading on the NYSE under the symbol "TEU". On November 18, 2015, it commenced trading on OTCQX and since January 3, 2017 it is trading on OTCQB under the symbol "TEUFF".

The table below sets forth the low and high closing prices for each of the periods indicated for our common stock.

For the Fiscal Year Ended	Low	High
December 31, 2012	\$ 200.50	\$ 487.00
December 31, 2013	\$ 143.00	\$ 308.50
December 31, 2014	\$ 33.50	\$ 166.00
December 31, 2015	\$ 7.50	\$ 53.00
December 31, 2016	\$ 0.50	\$ 9.50

For the Quarter Ended	Low	High
March 31, 2015	\$ 36.50	\$ 49.50
June 30, 2015	\$ 42.00	\$ 53.00
September 30, 2015	\$ 23.00	\$ 50.00
December 31, 2015	\$ 7.50	\$ 28.50
March 31, 2016	\$ 4.00	\$ 9.50
June 30, 2016	\$ 0.50	\$ 4.00
September 30, 2016	\$ 0.50	\$ 2.00
December 31, 2016	\$ 0.50	\$ 1.00

For the Month	Low	High
September 2016	\$ 1.00	\$ 1.50
October 2016	\$ 0.50	\$ 1.00
November 2016	\$ 0.50	\$ 1.00
December 2016	\$ 0.50	\$ 0.50
January 2017	\$ 0.36	\$ 0.50
February 2017	\$ 0.35	\$ 0.51
March 1, 2017 to March 10, 2017	\$ 0.36	\$ 0.41

Item 10. Additional Information

A. Share Capital

Authorized Capitalization

Our Amended and Restated Articles of Incorporation provide for shares of common stock, which each have one vote per share. As of the date of this annual report, our authorized capital stock consisted of 500,000,000 registered shares, of which:

- 475,000,000 shares are designated as common stock, par value \$0.01 per share;
- 25,000,000 shares are designated as preferred shares, par value \$0.01 per share, of which 1,000,000 shares are designated Series A Participating Preferred Stock which is issuable upon exercise of the preferred stock purchase rights attached to our common stock in accordance with the terms of our stockholders rights agreement, 2,500,000 shares are designated as Series B Preferred Shares, 2,500,000 shares are designated as Series B-1 Preferred Shares and 2,500,000 shares are designated as Series C Preferred Shares.

All of our shares of stock are in registered form. As of December 31, 2016, we had issued and outstanding 2,912,257 common shares, warrants to purchase an additional 75,847 shares of our common stock and 879,333 Series C Preferred Shares. See "—Share History" and, for a description of the warrants and Series C Preferred Shares, see "—B. Memorandum and Articles of Association." In addition, as of the date of this annual report, we have reserved for issuance an additional 5,940 shares of common stock under our 2011 Equity Incentive Plan.

Share History

On April 15, 2014, we completed the public offering of 100,000 Units at a public offering price of \$102.50 per Unit. Neige International, in a concurrent private placement, purchased directly from us 10,000 Units at the public offering price. Additionally, a portion of the over-allotment option was exercised for 12,950 warrants at a price of \$0.50 per warrant. The warrants have an exercise price of \$132.50 per share and are exercisable immediately upon issuance, and will expire on April 10, 2019. The proceeds from the offering and the concurrent private placement, after underwriting discounts and commissions were \$10.6 million.

On November 10, 2014, we granted under our 2011 Equity Incentive Plan 6,000 shares of our restricted common stock to Mr. Bodourogrou and 200 shares of our restricted common stock to each of our non-executive directors, with such restricted shares being valued at \$45.50 per share. All such restricted shares will vest ratably in annual instalments over a two-year period commencing on December 31, 2015.

On February 26, 2015, we granted under our 2011 Equity Incentive Plan 1,400 shares of our restricted common stock to certain employees of our Managers, with such restricted shares being valued at \$42.25 per share. All such restricted shares will vest ratably in annual instalments over a two-year period commencing on December 31, 2015.

On March 17, 2015, we granted under our 2011 Equity Incentive Plan 600 shares of our restricted common stock to our executive officers, with such restricted shares being valued at \$41.75 per share. All such restricted shares will vest ratably in annual instalments over a two-year period commencing on December 31, 2015.

On December 15, 2015, we granted under our 2011 Equity Incentive Plan 4,000 shares of our restricted common stock to Mr. Bodourogrou and 400 shares of our restricted common stock to each of our non-executive directors, with such restricted shares being valued at \$9.25 per share. All such restricted shares will vest ratably in annual instalments over a two-year period commencing on December 31, 2016.

During the fourth quarter of 2015, under the share repurchase program, we repurchased 4,164 shares of our common stock, which were cancelled in January 2016.

On February 12, 2016, at our special meeting of shareholders, it was approved and adopted to grant discretionary authority to the our Board of Directors to (A) amend the Amended and Restated Articles of Incorporation of the Company to effect one or more consolidations of the issued and outstanding shares of common stock, pursuant to which the shares of common stock would be combined and reclassified into one share of common stock at ratios within the range from 1-for-2 up to 1-for-50 (the "Reverse Stock Split") and (B) determine whether to arrange for the disposition of fractional interests by shareholder entitled thereto, to pay in cash the fair value of fractions of a share of common stock as of the time when those entitled to receive such fractions are determined, or to entitle shareholder to receive from the Company's transfer agent, in lieu of any fractional share, the number of shares of common stock rounded up to the next whole number, provided that, (X) the Company shall not effect Reverse Stock Splits that, in the aggregate, exceeds 1-for-50, and (Y) any Reverse Stock Split is completed no later than the first anniversary of the date of the Special Meeting.

On March 3, 2016, we entered into a securities exchange agreement (the "Exchange Agreement") with an unrelated third party (the "Buyer"). The Buyer purchased, from time to time, shares of our Series C Preferred Shares, with an aggregate purchase price of up to \$350,000. We agreed with the Buyer to exchange any of such Series C Preferred Shares for a number of shares of our Common Stock pursuant to a formula set forth in the Exchange Agreement. The Exchange Agreement expired on June 30, 2016 and we exchanged 36,500 Series C Preferred Shares for 244,119 common shares.

In April and August 2016, we entered into two securities purchase agreements with an unrelated third party, pursuant to which we authorized and issued convertible notes in the aggregate original principal amount of \$0.5 million, which was converted into 2,042,527 common shares.

Effective January 31, 2017, we effectuated a 50-for-1 reverse stock split of our issued and outstanding common shares. The reverse stock split was approved by shareholders at a special meeting of shareholders held on February 12, 2016 and by our Board of Directors on January 4, 2017. The reverse stock split reduced the number of our issued and outstanding common shares and affected all issued and outstanding common shares, as well as common shares underlying stock options outstanding immediately prior to the effectiveness of the reverse stock split. The number of our authorized common shares was not affected by the reverse split. No fractional shares were issued in connection with the reverse stock split. Shareholders who would have otherwise held a fractional share of our common stock as a result of the reverse stock split received the next higher number of whole shares.

B. Memorandum and Articles of Association

Our Amended and Restated Articles of Incorporation, Amended and Restated Bylaws and Certificate of Designations of Rights, Preferences and Privileges of Series A Participating Preferred Stock have been filed as exhibits 1.1, 1.2 and 1.3, respectively, to our Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012. In addition, our Statement of Designation of the Rights, Preferences and Privileges of 9.75% Series B Cumulative Redeemable Perpetual Preferred Shares has been filed as Exhibit 2 to our Report on Form 6-K, filed with the SEC on June 12, 2012 and our Statement of Designation of the Rights, Preferences and Privileges of 9.75% Series B-1 Cumulative Redeemable Perpetual Preferred Shares has been filed as Exhibit 3.1 to our Report on Form 6-K, filed with the SEC on July 17, 2012. For a description of our Series C Preferred Shares, please see the section entitled "Description of Registrant's Securities to be Registered" of our registration statement on Form 8-A filed with the Commission on July 26, 2013 and incorporated by reference herein. The information contained in the aforementioned exhibits is incorporated by reference herein.

Except as set forth below, information required by "Item 10. Additional Information—B. Memorandum and Articles of Association" of Form 20-F is hereby incorporated by reference to the section entitled "Description of Capital Stock" in our Registration Statement on Form F-3 (Registration Statement No. 333-181076), or the Form F-3 Registration Statement, declared effective by the SEC on May 10, 2012, to the sections entitled "Description of Capital Stock" in the Final Prospectus Supplement on Form 424B5 filed with the SEC on October 4, 2013, and "Description of Securities" in the Final Prospectus Supplement on Form 424B5 filed with the SEC on April 11, 2014, which supplement the Form F-3 Registration Statement.

Description of Neige International Warrants under the Private Offering

As of the date of this annual report, we had outstanding warrants to purchase 26,667 shares of our common stock, which were issued to Neige International in connection with the Private Offering. The warrants are exercisable in cash at any time on or prior to June 30, 2017, or the Expiration Date, at a price of \$387.00 per share, or the Exercise Price. The Exercise Price and the number of shares of common stock issuable upon exercise of the warrants may be adjusted in certain circumstances, including in the event we pay a stock dividend or if there is a recapitalization, reorganization, merger or consolidation of us. The warrants may be exercised upon surrender of the warrant certificate on or prior to the Expiration Date at the offices of the Company or the warrant agent, with the exercise form attached to the warrant, accompanied by full payment of the Exercise Price, in cash, by certified check or cashier's check payable to us or by wire transfer in immediately available funds to an account specified by us, for the number of warrants being exercised. Holders of the warrants do not have the rights or privileges of holders of our common stock nor do they have any voting rights until they exercise their warrants and receive shares of common stock therefor. After the issuance of the common stock upon exercise of the warrants, each holder will be entitled to one vote for each share of common stock held of record on all matters to be voted on by shareholders. No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round up to the nearest whole number the shares of common stock to be issued to the holder of the warrants.

Description of Neige International Warrants under the Units Offering

As of the date of this annual report, we had outstanding warrants to purchase 4,000 shares of our common stock, which were issued to Neige International in a concurrent private placement in connection with the Units offering in April 2014. The warrants have an exercise price of \$132.50 per share and are exercisable immediately upon issuance, and will expire on April 10, 2019.

Stockholders Rights Agreement

General

We have adopted a stockholders rights plan. Each share of our common stock includes one right, or, collectively, the rights, that entitles the holder to purchase from us a unit consisting of one-thousandth of a share of our Series A Participating Preferred Stock at an exercise price of \$4,500.00 per unit, subject to specified adjustments. The rights were issued pursuant to a Stockholders Rights Agreement between us and Computershare Trust Company, N.A., as rights agent. Until a right is exercised, the holder of a right will have no rights to vote or receive dividends or any other stockholder rights.

The rights may have anti-takeover effects. The rights will cause substantial dilution to any person or group that attempts to acquire us without the approval of our Board of Directors. As a result, the overall effect of the rights may be to render more difficult or discourage any attempt to acquire us. Because our Board of Directors can approve a redemption of the rights or a permitted offer, the rights should not interfere with a merger or other business combination approved by our Board of Directors.

We have summarized the material terms and conditions of the Stockholders Rights Agreement and the rights below. For a complete description of the rights, we encourage you to read the Stockholders Rights Agreement filed as an exhibit to this annual report.

Detachment of the Rights

The rights are attached to all certificates representing our currently outstanding shares of common stock and will attach to all certificates for shares of our common stock we issue before the rights distribution date or the date on which the rights expire (or thereafter, in certain circumstances). The rights will not be exercisable until after the rights distribution date and will expire at the close of business on the tenth anniversary of the closing of our Initial Public Offering, unless we redeem or exchange them earlier as we describe below. The rights will separate from shares of our common stock and a rights distribution date would occur, subject to specified exceptions, on the earlier of the following two dates:

- ten days following a public announcement that a person or group of affiliated or associated persons, or an "acquiring person," has acquired or obtained the right to acquire beneficial ownership of 15% or more of the number of shares of our outstanding common stock; or
- ten business days following the announcement of a tender or exchange offer that would result, if closed, in a person's becoming an acquiring person.

Michael Bodourogrou and any entity controlled by Michael Bodourogrou, and their respective related entities, are excluded from the definition of "acquiring person" for purposes of the distribution of the rights, and therefore their ownership cannot trigger the distribution of the rights. Specified "inadvertent" owners that would otherwise become an acquiring person, including those who would have this designation as a result of repurchases of shares of our common stock by us, will not become acquiring persons as a result of those transactions.

Our Board of Directors may defer the rights distribution date of some circumstances, and some inadvertent acquisitions will not result in a person becoming an acquiring person if the person promptly divests itself of a sufficient number of shares of our common stock.

Until the rights distribution date:

- our common stock certificates will evidence the rights, and the rights will be transferable only with those certificates; and
- any new shares of common stock will be issued with rights and new certificates will contain a notation incorporating the rights agreement by reference.

As soon as practicable after the rights distribution date, the rights agent will mail certificates representing the rights to holders of record of our common stock at the close of business on that date. After the rights distribution date, only separate rights certificates will represent the rights.

We will not issue rights with any shares of common stock we issue after the rights distribution date, except as our Board of Directors may otherwise determine.

Flip-In Event

A "flip-in event" will occur under the rights agreement when a person becomes an acquiring person, as defined above.

If a flip-in event occurs and we do not redeem the rights as described under the heading "Redemption of Rights" below, each right, other than any right that has become void, as we describe below, will become exercisable at the time it is no longer redeemable for the number of shares of stock of the same class of stock in which such right is included, or, in some cases, cash, property or other of our securities, having a current market price equal to two times the exercise price of such right.

When a flip-in event occurs, all rights that are, or in some circumstances that were, beneficially owned by or transferred to an acquiring person or specified related parties will become void in the circumstances the rights agreement specifies.

Flip-Over Event

A "flip-over event" will occur under the rights agreement when, at any time after a person has become an acquiring person:

- we are acquired in a merger or other business combination transaction, subject to limited exceptions; or
- 50% or more of our assets or earning power is sold or transferred.

If a flip-over event occurs, each holder of a right, other than any right that has become void as we describe under the heading "Flip-In Event" above, will have the right to receive the number of shares of common stock of the acquiring company which has a current market price equal to two times the exercise price of such right.

Anti-Dilution

The number of outstanding rights associated with shares of our common stock is subject to adjustment for any stock split, stock dividend or subdivision, combination or reclassification of our common stock occurring before the rights distribution date. With some exceptions, the rights agreement does not require us to adjust the exercise price of the rights until cumulative adjustments amount to at least 1% of the exercise price. It also does not require us to issue fractional shares of our common stock that are not integral multiples of one one-thousandth of a share of preferred stock and, instead, we may make a cash adjustment based on the market price of the common stock on the last trading date before the date of exercise. The rights agreement reserves to us the right to require before the occurrence of any flip-in event or flip-over event that, on any exercise of rights, a number of rights must be exercised so that we will issue only whole shares of stock.

Redemption of Rights

At any time before the close of business on the earlier of the distribution date or the date on which the rights expire, we may redeem the rights in whole, but not in part, at a redemption price of \$0.01 per right. The redemption price is subject to adjustment for any stock split, stock dividend or similar transaction occurring before the date of redemption. At our option, we may pay that redemption price in cash or shares of common stock. The rights are not exercisable and no flip-in event shall occur if timely redeemed by us. The rights will terminate immediately upon ordering the redemption and making the appropriate filing with the rights agent.

Exchange of Rights

We may, at our option, subject to applicable laws, rules and regulations, exchange the rights (other than rights owned by an acquiring person or an affiliate or an associate of an acquiring person, which have become void), in whole or in part. The exchange will be at an exchange ratio of one share of common stock per right, subject to specified adjustments at any time after the occurrence of a flip-in event and before any person becoming the beneficial owner of 50% or more of the shares of common stock then outstanding.

Amendment of Terms of Rights

During the time the rights are redeemable, we may amend any of the provisions of the rights agreement in any way without the approval of the rights holders. Once the rights cease to be redeemable, we generally may amend the provisions of the rights agreement without the approval of the rights holders, only as follows:

- to cure any ambiguity, defect or inconsistency;
- to make changes that do not materially adversely affect the interests of holders of rights, excluding the interests of any acquiring person; or
- to shorten or lengthen any time period under the rights agreement, except that we cannot lengthen the time period governing redemption or any other time period, unless such lengthening is for the purpose of protecting, clarifying or enhancing the rights and benefits of the rights holders (other than an acquiring person).

C. *Material contracts*

We refer you to "Item 5. Operating and Financial Review and Prospects —B. Liquidity and capital resources—Loan Agreements, " "Item 7. Major Shareholders and Related Party Transactions—B. Related party transactions" and "—B. Memorandum and Articles of Association" for a discussion of our material agreements that we have entered into outside the ordinary course of our business during the two-year period immediately preceding the date of this annual report.

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

D. *Exchange controls*

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

E. *Taxation*

The following is a discussion of the material Marshall Islands and U.S. federal income tax considerations relevant to a U.S. Holder and a Non-U.S. Holder, each as defined below, of our common stock. This discussion does not purport to deal with the tax consequences of owning our common stock to all categories of investors, some of which, such as financial institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, insurance companies, persons holding our common stock as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that have elected the mark-to-market method of accounting for their securities, persons liable for alternative minimum tax, persons who are investors in partners or other pass-through entities for U.S. federal income tax purposes, dealers in securities or currencies, U.S. Holders whose functional currency is not the U.S. dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of our shares of common stock, may be subject to special rules. This discussion deals only with holders who hold the shares of our common stock as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or foreign law of the ownership of our common stock.

Marshall Islands Tax Considerations

The following are the material Marshall Islands tax consequences of our activities to us and our shareholders. 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 shareholders.

United States Federal Income Tax Considerations

The following are the material U.S. federal income tax consequences to us of our activities and to U.S. Holders and Non-U.S. Holders, each as defined below, of shares of our common stock. The following discussion of U.S. federal income tax matters is based on the U.S. Internal Revenue Code of 1986, as amended ("the Code"), judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Department of the Treasury, all of which are subject to change, possibly with retroactive effect.

Taxation of Operating Income: In General

As a foreign corporation to the United States, our operating income generally is taxable in the United States if it is effectively connected with the conduct of a trade or business in the United States. In order to be effectively connected with the conduct of a trade or business in the United States, operating income must be from sources within the United States. The income we derive from providing management services is not derived from sources within the United States. Our management services are provided to companies operating outside the United States and consist of services performed outside the United States. Accordingly, we do not believe that we would be taxable in the United States on our general operating income. Special rules apply to shipping income and these are discussed below.

Taxation of Shipping Income

In the event that we derive income from the conduct of shipping operations, the taxation of such income in the United States is subject to the rules set forth below.

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

Shipping income attributable to transportation that both begins and ends in the United States is considered to be 100% from sources within the United States. We are not permitted by law to engage in transportation that produces income which is considered to be 100% from sources within the United States.

Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to any U.S. federal income tax.

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

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

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

- (1) we are organized in a foreign country that grants an "equivalent exemption" to corporations organized in the United States, which we refer to as United States corporations; and
- (2) either:
 - more than 50% of the value of our outstanding stock is owned, directly or indirectly, by "qualified shareholders" (shareholders residing in countries that grant an "equivalent exemption" to United States corporations), as discussed in more detail below, which we refer to as the "50% Ownership Test," or
 - our stock is "primarily and regularly traded on an established securities market" in a country that grants an "equivalent exemption" to United States corporations or in the United States, which we refer to as the "Publicly-Traded Test."

The Marshall Islands, the jurisdiction where we are incorporated, grant an "equivalent exemption" to United States corporations. The Marshall Islands, Hong Kong and Liberia, the jurisdictions in which our shipholding subsidiaries are incorporated, each provides an "equivalent exemption" to U.S. corporations. Therefore, we will be exempt from U.S. federal income taxation with respect to our U.S.-source shipping income if either the 50% Ownership Test or the Publicly-Traded Test is met.

Due to the widely held nature of our stock we do not currently anticipate a circumstance where we would be able to satisfy the 50% Ownership Test.

As discussed below, for the 2016 taxable year, we believe that we satisfied the Publicly-Traded Test since, on more than half the days of the taxable year, our common shares were primarily and regularly traded on established securities markets in the United States and we intend to take this position on our U.S. federal income tax return.

The regulations under Section 883 of the Code provide, in pertinent part, that shares of a foreign corporation will be considered to be "primarily traded" on an established securities market in a country if the number of shares of each class of shares that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. During the 2016 taxable year, shares of our common stock were "primarily traded" on the established securities markets in the United States.

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

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

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

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

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

For our 2016 taxable year, we do not believe that we were subject to the 5% Override Rule and therefore, we believe that we satisfied the Publicly-Traded Test. However, in any future taxable year, it is possible that our 5% Shareholders may own 50% or more of our common stock. Therefore, we may be subject to the 5% Override Rule for such year unless we can establish that among the closely-held group of 5% Shareholders, there are sufficient 5% Shareholders that are qualified shareholders for purposes of Section 883 to preclude non-qualified 5% Shareholders in the closely-held group from owning 50% or more of our common stock for more than half the number of days during the taxable year. In order to establish this, sufficient 5% Shareholders that are qualified shareholders would have to comply with certain documentation and certification requirements designed to substantiate their identity as qualified shareholders. These requirements are onerous and there is no assurance that we would be able to satisfy them.

Taxation In Absence of Exemption

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

To the extent the benefits of the Section 883 of the Code exemption are unavailable and our U.S.-source shipping income is considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, any such "effectively connected" U.S.-source shipping income, net of applicable deductions, would be subject to the U.S. federal corporate income tax currently imposed at rates of up to 35%. In addition, we may be subject to an additional 30% "branch profits" tax on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of our U.S. trade or business.

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

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

We do not anticipate that we will have a fixed place of business in the United States involved in earning of shipping income. Based on the foregoing, we do not anticipate that any of our U.S.-source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

United States Federal Income Taxation of Gain on Sale of Vessels

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

United States Federal Income Taxation of U.S. Holders

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

If a partnership holds shares of 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 shares of our common stock, you are encouraged to consult your tax advisor.

Distributions

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

Dividends paid on our common stock to a U.S. Holder will not be treated as "qualified dividend income" taxable at preferential tax rates (to certain U.S. Holders such as individuals and certain trusts) because our shares of common stock presently trade only on the OTCQB, which is not an established securities market for purposes of the qualified dividend income rule. Therefore, any dividends paid by us will be taxed as ordinary dividend income to a U.S. Holder.

Sale, Exchange or other Disposition of Common Stock

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

PFIC Status and Significant Tax Consequences

Special U.S. federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a PFIC for U.S. federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such U.S. Holder held shares of 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), which we refer to as the "income test"; or
- at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income, which we refer to as the "asset test".

For purposes of determining whether we are a PFIC, 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 and anticipated operations, we do not believe that we are currently a PFIC or will be treated as a PFIC for any future taxable year. However, our status as a PFIC will depend in part upon the operations of our vessels. Therefore, we can give no assurances as to whether we will be a PFIC with respect to any taxable year. In making the determination as to whether we are a PFIC, we intend to treat the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities (whether conducted directly or through participation in a pool) of us or any of our wholly-owned subsidiaries as services income, rather than rental income. Since we are taking the position that such income should not constitute passive income, we are also taking the position that any assets that we or our wholly-owned subsidiaries own and operate in connection with the production of such income should not constitute passive assets for purposes of determining whether we are a PFIC. On the other hand, any income we derive from bareboat chartering activities will likely be treated as passive income for purposes of the income test. Likewise, any assets utilized in the performance of bareboat chartering activities will likely be treated as generating passive income for purposes of the asset test.

We believe there is substantial legal authority supporting our position, consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. In the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the IRS or a court could disagree with our position.

Our status as a PFIC could also depend on our activities at times that we do not own any shipping assets and are not in the shipping business. For example, if most of our assets were not used in the conduct of a business operation, but were investment-type assets earning passive income, and we had very little management services income at the time, our passive assets might equal or exceed 50% of our total assets and/or our passive income might equal or exceed 75% of our total income, which would make us a PFIC and make our shareholders subject to the PFIC taxation rules. We do not expect such circumstances to arise and, if they did, we would not in any event expect our passive income to be substantial.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a "Qualified Electing Fund," which election we refer to as a "QEF election" or makes a "mark-to-market" election with respect to shares of our common stock. If we were to be treated as a PFIC, a U.S. Holder of our shares would be required to file an annual information return containing information regarding the PFIC as required by applicable Treasury Regulations.

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

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

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

As an alternative to making a QEF election, if we were to be treated as a PFIC for any taxable year and, as is expected to be the case, our common stock were treated as "marketable stock," then 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 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 shares of our 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 shares of our common stock over their fair market value at the end of the taxable year, but only to the extent of the net amount of mark-to-market income previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in his shares of our common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our shares of common stock would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common 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. (The mark-to-market election may not be available with respect to any PFIC income generated by our subsidiaries, with the result that a subsidiary's income may be subject to adverse tax consequences under the PFIC rules even though, due to a mark-to-market election, our own income is not – an anomaly that the IRS recognizes but has not yet resolved.)

Taxation of U.S. Holders Not Making a Timely QEF Election

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

- the excess distribution or gain would be allocated ratably to each day over the Non-Electing Holders' aggregate holding period for the shares of our 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 deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

Non-Electing Holders may be subject to IRS filing requirements with respect to their ownership of shares in a PFIC. These adverse tax consequence 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. In addition, if a Non-Electing 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 common stock.

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

A beneficial owner of our common stock (other than a partnership or entity treated as a partnership for U.S. Federal income tax purposes) that is not a U.S. Holder is referred to herein as a "Non-U.S. Holder."

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. In general, if the Non-U.S. Holder is entitled to the benefits of certain U.S. income tax treaties with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

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. In general, if the Non-U.S. Holder is entitled to the benefits of certain income tax treaties with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, the income from the shares of our common stock, including dividends and the gain from the sale, exchange or other disposition of the stock that is effectively connected with the conduct of that trade or business will generally be subject to 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 you will be subject to information reporting requirements. Such payments will also be subject to backup withholding tax if you are a non-corporate U.S. Holder and you:

- fail to provide an accurate taxpayer identification number;
- are notified by the IRS that you have failed to report all interest or dividends required to be shown on your U.S. federal income tax returns; or
- in certain circumstances, fail to comply with applicable certification requirements.

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

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

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

U.S. Holders and Non-U.S. Holders should consult their own tax advisors regarding information that must be provided to us or to our paying agent in order to avoid backup withholding.

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

U.S. Holders (including U.S. entities) and Non-U.S. Holders are encouraged to consult their own tax advisors regarding their obligations to file Form 8938.

F. Dividends and paying agents

Not applicable.

G. Statement by experts

Not applicable.

H. Documents on display

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

I. Subsidiary information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The international containership 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. We entered into interest rate swap agreements in order to hedge a portion of our variable interest rate exposure. For more information about our interest rate swap agreements, please refer to Note 10 in our consolidated financial statements included at the end of this annual report. Our interest rate swaps were terminated following the settlement agreements we entered into during 2016 with all of our lenders. Certain of our interest rate swaps qualified for hedge accounting and subsequent changes in their fair market value at the end of every period and the resulting unrealized gains / (losses) during the period were recorded in Other Comprehensive Income / (Loss) in the Statement of Stockholders' Equity. The fair value changes of the interest rate swaps that did not qualify for hedge accounting were recognized in the statement of comprehensive income / (loss).

As an indication of the extent of our sensitivity to interest rates changes based upon our debt level, an increase or decrease of 50 basis points in the LIBOR interest rates and all other variables held constant would have resulted in a respective increase or decrease in interest expense by approximately \$0.3 million and \$0.4 million, for the years ended December 31, 2016 and 2015, respectively.

Currency and Exchange Rates Risk

For the years ended December 31, 2016 and 2015, we generated all of our revenues in U.S. dollars and incurred approximately 24% and 25%, respectively, of our expenses in currencies other than U.S. dollars (mainly in Euros). For accounting purposes, expenses incurred in currencies other than U.S. dollars, are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. We do not normally hedge currency exchange risks relating to operations and our operating results could be adversely affected as a result. The impact of a 10% increase in exchange rates, on the level of expenses incurred for the years ended December 31, 2016 and 2015 in currencies other than U.S. dollars, would be approximately \$0.5 million and \$0.7 million, respectively.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

In March 2016, our Board of Directors decided not to proceed with the dividend payment on our Series C Preferred Shares for the first quarter of 2016, in order to preserve our liquidity. As of the date of this annual report, our liquidity position does not permit the payment of dividends to the holders of our Series C Preferred Shares.

As of December 31, 2016, we were not in compliance with the net worth covenant requiring us to maintain a net worth to preferred stock ratio of not less than 1.50 as provided in the Statement of Designation of the Rights, Preferences and Privileges of the Series C Preferred Shares. In accordance with the terms of our Series C Preferred Shares, we must regain compliance with the net worth covenant within 120 days. Upon occurrence of a Covenant Default, the dividend rate shall increase to a number that is 1.25 times the dividend rate payable on the day immediately preceding the date of such default and shall continue to increase until no default exists, but in no event dividends shall accrue at a rate greater than 25% per annum. In the event we experience a Dividend Payment Default, such holders shall have the right to elect two (2) members to our Board of Directors. This right shall continue until such time as all dividends accumulated and in arrears on the Series C Preferred Shares shall have been paid in full, at which time such right shall terminate. In addition, the dividend rate shall increase to a number that is 1.25 times the dividend rate payable on the day immediately preceding the date of such default and shall continue to increase until no default exists, but in no event dividends shall accrue at a rate greater than 25% per annum, without duplication if more than one default has occurred. For additional information about our Series C Preferred Shares, please see the section entitled "Description of Registrant's Securities to be Registered" of our registration statement on Form 8-A filed with the Commission on July 26, 2013 and incorporated by reference herein.

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

Material Modifications to the Rights of Security Holders

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

In addition, as of the date of this annual report, we had issued and outstanding 879,833 Series C Preferred Shares, which rank prior to our common stock with respect to dividends, distributions and payments upon liquidation. See "Item 10. Additional Information—B. Memorandum and Articles of Association."

Item 15. Controls and Procedures

A. Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Interim Chief Financial Officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this annual report. Disclosure controls and procedures are defined under SEC rules as controls and other procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include controls and procedures designed to ensure that information is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon that evaluation, our Chief Executive Officer and Interim Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of December 31, 2016.

B. Management's Annual Report on Internal Control Over Financial Reporting

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

Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management has conducted an assessment of the effectiveness of our internal control over financial reporting based on the control criteria framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, published in its report entitled Internal Control—Integrated Framework (2013 Framework). Based on this assessment, management has determined that our internal control over financial reporting as of December 31, 2016 is effective.

However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements even when determined to be effective and can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

C. Attestation Report of the Registered Public Accounting Firm

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

D. Changes in Internal Control over Financial Reporting

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

Item 16. Reserved

Item 16A. Audit Committee Financial Expert

Our audit committee is comprised of Messrs. Achilleas Stergiou and Dimitar Todorov. Our Board of Directors has designated Achilleas Stergiou as an "audit committee financial expert" as such term is defined in Item 407 of Regulation S-K promulgated by the SEC. Our Board of Directors has also determined Mr. Stergiou to be independent under Rule 10A-3 of the Exchange Act and the NYSE independence rules.

Item 16B. Code of Ethics

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

Item 16C. Principal Accountant Fees and Services

Our principal accountants, Deloitte, an independent registered public accounting firm and member of Deloitte Certified Public Accountants S.A., have billed us for audit, audit-related and non-audit services as follows:

(amounts in U.S. Dollars)	2015	2016
Audit fees	\$ 335,779	\$ 129,765
Total Fees	\$ 335,779	\$ 129,765

Audit fees represent compensation for professional services rendered for (i) the audit of our financial statements included herein; (ii) the review of our quarterly financial information; (iii) the audit of the financial statements of certain of our subsidiaries for statutory purposes; and (iv) services provided in connection with public or private offerings effectuated or withdrawn and any other services performed for SEC or other regulatory filings by us or our subsidiaries.

The audit committee charter sets forth our policy regarding retention of the independent auditors, giving the audit committee responsibility for the appointment, replacement, compensation, evaluation and oversight of the work of the independent auditors. As part of this responsibility, our audit committee pre-approves the audit and non-audit services performed by our independent auditors in order to assure that they do not impair the auditor's independence from the Company. 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. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Not applicable.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

See "Item 18. Financial Statements."

Item 18. Financial Statements

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

Item 19. Exhibits

Exhibit Number	Description
1.1	Amended and Restated Articles of Incorporation of Box Ships Inc., incorporated by reference to exhibit 1.1 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
1.2	Amended and Restated Bylaws of Box Ships Inc., incorporated by reference to exhibit 1.2 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
1.3	Certificate of Designations of Rights, Preferences and Privileges of Series A Participating Preferred Stock of Box Ships Inc., incorporated by reference to exhibit 1.3 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
1.4	Statement of Designation of the Rights, Preferences and Privileges of 9.75% Series B Cumulative Redeemable Perpetual Preferred Shares of Box Ships Inc., incorporated by reference to exhibit 2 to Box Ships Inc.'s Report on Form 6-K, filed with the SEC on June 13, 2012.
1.5	Statement of Designation of the Rights, Preferences and Privileges of 9.00% Series C Cumulative Redeemable Perpetual Preferred Shares of Box Ships Inc., incorporated by reference to exhibit 1.5 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed with the SEC on March 20, 2014.
1.6	Articles of Amendment to the Amended and Restated Articles of Incorporation, as filed with the Registrar of Corporations of the Marshall Islands on January 26, 2017, incorporated by reference to exhibit 3.01 to Box Ships Inc.'s Current Report on Form 6-K, filed with the SEC on January 30, 2017.
2.1	Form of Common Stock Certificate, incorporated by reference to exhibit 4.1 to Box Ships Inc.'s Registration Statement on Form F-1 (File No. 333-173280), filed with the SEC on April 4, 2011.
2.2	Form of Warrant, incorporated by reference to exhibit 4.8 to Box Ships Inc.'s Current Report on Form 6-K, filed with the SEC on April 11, 2014.
4.1	Administrative Services Agreement between Box Ships Inc. and Allseas Marine S.A., incorporated by reference to exhibit 4.8 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
4.2	Stockholders Rights Agreement between Box Ships Inc. and Computershare Trust Company N.A., incorporated by reference to exhibit 4.9 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
4.3	Box Ships Inc. 2011 Equity Incentive Plan, incorporated by reference to exhibit 4.10 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
4.4	Box Ships Inc. First Amended and Restated 2011 Equity Incentive Plan incorporated by reference to exhibit 4.22 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed with the SEC on March 8, 2013.

- 4.5 Non-Competition Agreement between Box Ships Inc., Paragon Shipping and Michael Bodouroglou, incorporated by reference to exhibit 4.11 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.6 Manning Agreement, dated May 17, 2011, between Allseas Marine S.A. and Crewcare Inc., incorporated by reference to exhibit 4.30 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.7 Manning Agreement, dated July 14, 2011, between Lawry Shipping Ltd. and Crewcare Inc., incorporated by reference to exhibit 4.31 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.8 Manning Agreement, dated April 20, 2011, between Amorita Development Inc. and Crewcare Inc., incorporated by reference to exhibit 4.32 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.9 Manning Agreement, dated April 19, 2011, between Efploias Shipping Co. and Crewcare Inc., incorporated by reference to exhibit 4.33 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.10 Manning Agreement, dated April 19, 2011, between Polyaristi Navigation Co. and Crewcare Inc., incorporated by reference to exhibit 4.34 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.11 Manning Agreement, dated May 11, 2011, between Tacita Oceanway Carrier Co. and Crewcare Inc., incorporated by reference to exhibit 4.35 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.12 Manning Agreement, dated May 11, 2011, between Alaqua Marine Limited and Crewcare Inc., incorporated by reference to exhibit 4.36 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.13 Manning Agreement, dated April 20, 2011, between Aral Sea Shipping S.A. and Crewcare Inc., incorporated by reference to exhibit 4.37 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.14 Lease agreement between Box Ships Inc. and Granitis Glyfada Real Estate Ltd., incorporated by reference to exhibit 4.38 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 4.15 Share Purchase Agreement with Neige International, dated April 10, 2014 incorporated by reference to exhibit 4.71 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed with the SEC on March 23, 2015 .
- 4.16 Form of Amended and Restated Management Agreement, dated January 2, 2015, between Allseas Marine S.A. and the Company's various subsidiaries. Incorporated by reference to exhibit 4.34 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed with the SEC on April 27, 2016.
- 4.17 Form of Brokerage Agreement, dated January 2, 2015, between Seacommercial Shipping Services S.A. and the Company's various subsidiaries. Incorporated by reference to exhibit 4.35 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed with the SEC on April 27, 2016.
- 4.18 Amended and Restated Compensation Agreement, dated January 2, 2015, between Box Ships Inc. and Allseas Marine S.A. Incorporated by reference to exhibit 4.36 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed with the SEC on April 27, 2016.
- 4.19 Compensation Agreement, dated January 2, 2015, between Box Ships Inc. and Seacommercial Shipping Services S.A. Incorporated by reference to exhibit 4.37 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed with the SEC on April 27, 2016.
- 4.20 Amended and Restated Executive Services Agreement, dated May 19, 2015, between Box Ships Inc. and Allseas Marine S.A. Incorporated by reference to exhibit 4.38 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed with the SEC on April 27, 2016.

- 4.21 Amended and Restated Accounting Agreement, dated May 19, 2015, between Box Ships Inc. and Allseas Marine S.A. Incorporated by reference to exhibit 4.39 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed with the SEC on April 27, 2016.
- 4.22 Supplemental Agreement relating to a loan facility of up to \$100,000,000 between Polyaristi Navigation, Efploias Shipping Co and Amorita Development as Borrowers and ABN, dated June 25, 2015. Incorporated by reference to exhibit 4.40 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed with the SEC on April 27, 2016.
- 4.23 Supplemental Agreement relating to a loan facility up to \$25,000,000 between Rosetta Navigation Corp. Limited and Triton Shipping Limited as Borrowers and ABN, dated June 25, 2015. Incorporated by reference to exhibit 4.41 to Box Ships Inc.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed with the SEC on April 27, 2016.
- 4.24 Form of Securities Exchange Agreement, dated March 3, 2016, by and between the Company and the Buyer incorporated by reference to Exhibit 99.1 to the Company's Form 6-K filed on March 4, 2016.
- 4.25 Form of Securities Exchange Agreement, dated April 7, 2016, by and between the Company and the Buyer incorporated by reference to Exhibit 99.1 to the Company's Form 6-K filed on April 8, 2016.
- 4.26 Form of Convertible Note, dated April 7, 2016, by and between the Company and the Buyer incorporated by reference to Exhibit 99.1 to the Company's Form 6-K filed on April 8, 2016.
- 4.27 Form of First Supplemental Letter, dated May 6, 2016, by and among Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc., as joint and several borrowers, Box Ships Inc., as corporate guarantor, Allseas Marine S.A., as approved manager, the banks and financial institutions listed in schedule 1, as lenders, ABN Amro Bank N.V., as agent, underwriter and security trustee, ABN Amro Bank N.V. and HSH Nordbank AG, as swap banks.
- 4.28 Form of Second Supplemental Letter, dated May 20, 2016, by and among Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc., as joint and several borrowers, Box Ships Inc., as corporate guarantor, Allseas Marine S.A., as approved manager, the banks and financial institutions listed in schedule 1, as lenders, ABN Amro Bank N.V., as agent, underwriter and security trustee, ABN Amro Bank N.V. and HSH Nordbank AG, as swap banks.
- 4.29 Form of First Deferral Letter, dated June 7, 2016, by and between the Box Ships Inc. and Credit Suisse AG
- 4.30 Form of Third Supplemental Letter, dated June 13, 2016, by and among Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc., as joint and several borrowers, Box Ships Inc., as corporate guarantor, Allseas Marine S.A., as approved manager, the banks and financial institutions listed in schedule 1, as lenders, ABN Amro Bank N.V., as agent, underwriter and security trustee, ABN Amro Bank N.V. and HSH Nordbank AG, as swap banks.
- 4.31 Form of Second Deferral Letter, dated June 15, 2016, by and between the Box Ships Inc. and Credit Suisse AG
- 4.32 Form of Fourth Supplemental Letter, dated June 24, 2016, by and among Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc., as joint and several borrowers, Box Ships Inc., as corporate guarantor, Allseas Marine S.A., as approved manager, the banks and financial institutions listed in schedule 1, as lenders, ABN Amro Bank N.V., as agent, underwriter and security trustee, ABN Amro Bank N.V. and HSH Nordbank AG, as swap banks.
- 4.33 Form of Deferral Letter, dated June 30, 2016, by and between the Box Ships Inc. and Credit Suisse AG
- 4.34 Form of Addendum 1 to the Amended and Restated Accounting Agreement, dated July 1, 2016, by and between Box Ships Inc. and Allseas Marine S.A.
- 4.35 Form of Supplemental Agreement, dated July 1, 2016, by and between the Company and Credit Suisse AG.

- 4.36 Form of Fourth Supplemental Letter, dated July 8, 2016, by and among Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc., as joint and several borrowers, Box Ships Inc., as corporate guarantor, Allseas Marine S.A., as approved manager, the banks and financial institutions listed in schedule 1, as lenders, ABN Amro Bank N.V., as agent, underwriter and security trustee, ABN Amro Bank N.V. and HSH Nordbank AG, as swap banks.
- 4.37 Form of Fourth Supplemental Agreement relating to a loan facility up to \$25,000,000 between Rosetta Navigation Corp. Limited and Triton Shipping Limited as Borrowers and ABN, dated July 12, 2016.
- 4.38 Form of Third Supplemental Agreement relating to a loan facility of up to \$100,000,000 between Polyaristi Navigation, Efploias Shipping Co and Amorita Development as Borrowers and ABN, dated July 12, 2016.
- 4.39 Form of Securities Purchase Agreement, dated August 5, 2016, by and between the Company and the Investor, incorporated by reference to Exhibit 99.1 to the Company's Form 6-K filed on August 5, 2016.
- 4.40 Form of Convertible Note, incorporated by reference to Exhibit 99.2 to the Company's Form 6-K filed on August 5, 2016.
- 4.41 Form of First Supplemental Letter, dated September 15, 2016, by and between Box Ships Inc. and Credit Suisse AG
- 4.42 Form of Settlement Agreement, dated October 28, 2016, by and among Aral Sea Shipping S.A., the Company, Allseas Marine S.A. and UniCredit Bank AG, incorporated by reference to Exhibit 99.1 to the Company's Form 6-K filed on November 16, 2016.
- 4.43 Form of Third Amending and Restating Agreement, dated November 24, 2016, by and among Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc., as joint and several borrowers, Box Ships Inc., as corporate guarantor, Allseas Marine S.A., as approved manager, the banks and financial institutions listed in schedule 1, as lenders, ABN Amro Bank N.V., as agent, underwriter and security trustee, ABN Amro Bank N.V. and HSH Nordbank AG, as swap banks, and Azul Shipping Co., Mist Shipping Co. and Great Wave Shipping Co., as shareholders, incorporated by reference to Exhibit 99.1 to the Company's Form 6-K filed on November 30, 2016.
- 4.44 Form of Share Purchase Agreement, dated November 24, 2016, incorporated by reference to Exhibit 99.2 to the Company's Form 6-K filed on November 30, 2016.
- 4.45 Form of Settlement and Release Agreement, dated November 29, 2016, by and among the Company, Tacita Oceanway Carrier, Alaqua Marine Limited and Credit Suisse AG, incorporated by reference to Exhibit 99.2 to the Company's Form 6-K filed on December 20, 2016.
- 8.1 Subsidiaries of Box Ships Inc.
- 12.1 Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
- 12.2 Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
- 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.
- 101 The following materials from the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2015 and 2016; (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2015 and 2016; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2014, 2015 and 2016; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2015 and 2016; and (v) Notes to Consolidated Financial Statements.

SIGNATURES

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

BOX SHIPS INC.

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

Dated: March 13, 2017

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BOX SHIPS INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Box Ships Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income/ (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Box Ships Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company's recurring losses from operations and expected cash deficit to be generated from operating activities raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 3 to the consolidated financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Athens, Greece
March 13, 2017

BOX SHIPS INC.
CONSOLIDATED BALANCE SHEETS
(Expressed in United States Dollars, except for share data)

	Notes	December 31, 2015	December 31, 2016
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 5,873,122	\$ 36,764
Restricted cash		7,990,000	-
Trade receivables, net		777,979	-
Prepaid expenses and other receivables		1,178,375	112,633
Due from related parties	4	3,322,946	2,712,303
Inventories		1,844,306	-
Interest rate swaps	10	38,193	-
Total current assets		21,024,921	2,861,700
FIXED ASSETS:			
Vessels, net	6	334,236,238	-
Other fixed assets, net	6	42,416	-
Total fixed assets		334,278,654	-
OTHER NON-CURRENT ASSETS:			
Intangible assets, net	7	446,401	-
Other assets, net		4,005	4,005
Restricted cash		10,000	10,000
Total Assets		\$ 355,763,981	\$ 2,875,705
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade accounts payable		\$ 1,313,768	\$ 247,423
Accrued expenses	8	2,127,536	320,016
Interest rate swaps	10	42,479	-
Due to related parties	4	443,939	68,149
Deferred income		364,217	-
Current portion of long-term debt	9	122,763,076	-
Dividends on preferred shares payable	11	515,437	1,994,812
Total current liabilities		127,570,452	2,630,400
LONG-TERM LIABILITIES:			
Warrant liability	10	3,388	960
Total long-term liabilities		3,388	960
Total liabilities		127,573,840	2,631,360
COMMITMENTS AND CONTINGENCIES			
19			
STOCKHOLDERS' EQUITY:			
Common stock, par value \$0.01; 475,000,000 shares authorized; 629,775 and 2,912,257 shares issued and 625,611 and 2,912,257 shares outstanding at December 31, 2015 and 2016, respectively	11	6,298	29,123
Preferred stock, par value \$0.01; 25,000,000 shares authorized, of which:	11		
Series A Participating Preferred Stock: 1,000,000 designated, none issued and outstanding		-	-
Series B Preferred Shares: 2,500,000 designated, none issued and outstanding		-	-
Series B-1 Preferred Shares: 2,500,000 designated, none issued and outstanding		-	-
Series C Preferred Shares: 2,500,000 designated, 916,333 and 879,833 shares issued and outstanding at December 31, 2015 and 2016, respectively		9,163	8,798
Additional paid-in capital	11	250,578,058	248,597,051
Treasury stock	11	(113,667)	-
Accumulated other comprehensive income	10, 12	37,710	-
Accumulated deficit		(22,327,421)	(248,390,627)
Total stockholders' equity		228,190,141	244,345
Total Liabilities and Stockholders' Equity		\$ 355,763,981	\$ 2,875,705

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

BOX SHIPS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(Expressed in United States Dollars)

	Notes	2014	2015	2016
REVENUES:				
Commercial services fees – related party	4	\$ -	\$ -	\$ 11,542
Time charter revenues	7	51,178,586	45,699,753	18,267,650
Commissions		(628,764)	(1,057,456)	(551,676)
Commissions – related party	4	(685,148)	(597,759)	(229,827)
Net Revenues		49,864,674	44,044,538	17,497,689
EXPENSES / (INCOME):				
Voyage expenses		1,604,439	2,340,799	2,175,071
Vessels operating expenses	7, 14	16,936,183	15,646,896	12,719,685
Vessels operating expenses – related party	4, 14	1,334,173	901,909	535,645
Dry-docking expenses		2,218,675	2,389,679	37,481
Dry-docking expenses, related party	4	95,342	122,171	-
Management fees charged by a related party	4	2,829,632	2,375,054	2,163,097
Depreciation	6	15,135,897	15,135,897	7,650,612
General and administrative expenses	15	3,636,035	1,883,075	1,181,861
General and administrative expenses – related party	4, 15	3,596,354	3,340,006	2,708,963
Impairment loss	6	-	21,642,089	239,998,290
Loss on sale of vessels	6	-	-	14,397,597
Loss on sale of vessels – related party	4	-	-	385,337
Other operating (income) / expenses, net	16	510,997	167,253	(1,716,604)
Total Expenses		47,897,727	65,944,828	282,237,035
Operating income / (loss)		1,966,947	(21,900,290)	(264,739,346)
OTHER INCOME / (EXPENSES):				
Interest and finance costs		(7,040,208)	(5,455,226)	(4,482,254)
Interest income		696	282	1,866
(Loss) / gain on derivatives	10	(82,160)	17,053	29,761
Gain from debt extinguishment	9	6,435,000	-	24,716,766
Gain from deconsolidation of subsidiaries	5	-	-	18,268,964
Loss from deconsolidation of subsidiaries – related party	4	-	-	(403,090)
Fair value change of warrants	10	1,274,100	278,987	2,428
Foreign currency gain / (loss), net		69,140	90,443	(23,957)
Total other income / (expenses), net		656,568	(5,068,461)	38,110,484
NET INCOME / (LOSS)		\$ 2,623,515	\$ (26,968,751)	\$ (226,628,862)
Other Comprehensive Income / (Loss)				
Gain / (loss) on cash flow hedges, net	12	146,159	(24,299)	(37,710)
Total Other Comprehensive Income / (Loss)		146,159	(24,299)	(37,710)
COMPREHENSIVE INCOME / (LOSS)		\$ 2,769,674	\$ (26,993,050)	\$ (226,666,572)
Reconciliation of Net Income / (Loss) to Net Income / (Loss) available to common shareholders				
Net Income / (Loss)		\$ 2,623,515	\$ (26,968,751)	\$ (226,628,862)
Income allocated to preferred shares	17	(2,061,749)	(2,061,749)	(1,994,812)
Discount on partial redemption of preferred shares	17	-	-	565,656
Net Income / (Loss) available to common shareholders		\$ 561,766	\$ (29,030,500)	\$ (228,058,018)
Earnings / (loss) per common share, basic and diluted	17	\$ 0.96	\$ (46.55)	\$ (154.98)

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

BOX SHIPS INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(Expressed in United States Dollars, except for share data)

	<u>Common Stock</u>		<u>Preferred Stock</u>		<u>Treasury Stock</u>						
	<u>Number of shares</u>	<u>Par Value</u>	<u>Number of shares</u>	<u>Par Value</u>	<u>Number of shares</u>	<u>Par Value</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Income / (Loss)</u>	<u>Retained Earnings/ (Accumulated Deficit)</u>	<u>Total</u>
BALANCE, January 1, 2014	505,835	\$ 5,058	916,333	\$ 9,163	-	\$ -	\$ -	\$ 239,163,422	\$ (84,150)	\$ 5,625,876	\$ 244,719,369
Issuance of common shares, net of issuance costs (Note 11)	110,000	1,100	-	-	-	-	-	9,004,490	-	-	9,005,590
Share based compensation (Note 13)	6,800	68	-	-	-	-	-	2,246,934	-	-	2,247,002
Cancellation of non-vested shares (Note 13)	(20)	(0)	-	-	-	-	-	0	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	146,159	2,623,515	2,769,674
Dividends on preferred shares (Note 11)	-	-	-	-	-	-	-	-	-	(2,061,749)	(2,061,749)
BALANCE, December 31, 2014	622,615	\$ 6,226	916,333	\$ 9,163	-	\$ -	\$ -	\$ 250,414,846	\$ 62,009	\$ 6,187,642	\$ 256,679,886
Share based compensation (Note 13)	7,600	76	-	-	-	-	-	678,645	-	-	678,721
Cancellation of non-vested shares (Note 13)	(440)	(4)	-	-	-	-	-	4	-	-	-
Treasury stock (Note 11)	-	-	-	-	(4,164)	(42)	(113,625)	-	-	-	(113,667)
Total comprehensive loss	-	-	-	-	-	-	-	-	(24,299)	(26,968,751)	(26,993,050)
Dividends on preferred shares (Note 11)	-	-	-	-	-	-	-	(515,437)	-	(1,546,312)	(2,061,749)
BALANCE, December 31, 2015	629,775	\$ 6,298	916,333	\$ 9,163	(4,164)	\$ (42)	\$ (113,625)	\$ 250,578,058	\$ 37,710	\$ (22,327,421)	\$ 228,190,141
Share based compensation (Note 13)	-	-	-	-	-	-	-	200,205	-	-	200,205
Cancellation of treasury stock (Note 11)	(4,164)	(42)	-	-	4,164	42	113,625	(113,625)	-	-	-
Issuance of common shares (Note 11)	2,286,646	22,867	-	-	-	-	-	812,230	-	-	835,097
Redemption of preferred stock (Note 11)	-	-	(36,500)	(365)	-	-	-	(885,005)	-	565,656	(319,714)
Total comprehensive loss	-	-	-	-	-	-	-	-	(37,710)	(226,628,862)	(226,666,572)
Dividends on preferred shares (Note 11)	-	-	-	-	-	-	-	(1,994,812)	-	-	(1,994,812)
BALANCE, December 31, 2016	2,912,257	\$ 29,123	879,833	\$ 8,798	-	\$ -	\$ -	\$ 248,597,051	\$ -	\$ (248,390,627)	\$ 244,345

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

BOX SHIPS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(Expressed in United States Dollars)

	2014	2015	2016
Cash Flows from Operating Activities:			
Net income / (loss)	\$ 2,623,515	\$ (26,968,751)	\$ (226,628,862)
Adjustments to reconcile net income / (loss) to net cash provided by operating activities:			
Depreciation	15,135,897	15,135,897	7,650,612
Impairment loss	-	21,642,089	239,998,290
Loss on sale of vessels	-	-	14,782,934
Amortization of intangibles	5,801,664	3,406,668	446,401
Amortization of financing costs	767,298	427,312	308,960
Share-based compensation	2,247,002	678,721	200,205
Unrealized loss / (gain) on derivatives	59,049	(17,053)	(29,761)
Fair value change of warrants	(1,274,100)	(278,987)	(2,428)
Interest on convertible note	-	-	9,903
Gain from debt extinguishment	(6,435,000)	-	(24,724,166)
Gain from deconsolidation of subsidiaries	-	-	(18,273,957)
Changes in assets and liabilities:			
Trade receivables, net	(447,263)	26,741	497,349
Prepaid expenses and other receivables	(290,464)	258,038	775,793
Due from related parties	(367,948)	104,452	(2,416,232)
Inventories	817,659	(142,272)	1,289,247
Trade accounts payable	867,133	(600,439)	(1,125,471)
Accrued expenses	79,398	(155,088)	(1,411,644)
Due to related parties	2,223	401,450	(375,790)
Deferred income	236,318	(705,166)	(271,306)
Net Cash from / (used in) Operating Activities	19,822,381	13,213,612	(9,299,923)
Cash Flows from Investing Activities:			
Vessel improvements / modifications	-	-	(134,140)
Net proceeds from sale of vessels	-	-	32,392,879
Decrease in restricted cash	2,000,000	-	7,990,000
Net Cash from Investing Activities	2,000,000	-	40,248,739
Cash Flows from Financing Activities:			
Repayment of long-term debt	(38,165,000)	(11,700,000)	(36,732,237)
Payment of financing costs	(75,000)	(30,681)	(37,500)
Proceeds from convertible notes	-	-	500,000
Proceeds from the issuance of common shares and warrants	10,759,475	-	-
Payment of other offering costs	(226,390)	-	-
Repurchase of common shares	-	(113,667)	-
Dividends paid on preferred shares	(2,061,749)	(2,061,749)	(515,437)
Net Cash used in Financing Activities	(29,768,664)	(13,906,097)	(36,785,174)
Net decrease in cash and cash equivalents	(7,946,283)	(692,485)	(5,836,358)
Cash and cash equivalents at the beginning of the year	14,511,890	6,565,607	5,873,122
Cash and cash equivalents at the end of the year	\$ 6,565,607	\$ 5,873,122	\$ 36,764
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	\$ 5,820,588	\$ 4,902,764	\$ 4,059,895
Non-cash Financing and Investing activities:			
Dividends on preferred shares	\$ 515,437	\$ 515,437	\$ 1,994,812
Non-cash financing activities (represent offering costs and financing fees)	\$ 80,681	\$ -	\$ -

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

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

1. Basis of Presentation and General Information

Box Ships Inc. ("Box Ships") was incorporated on May 19, 2010, under the laws of the Republic of the Marshall Islands, as a wholly owned subsidiary of Paragon Shipping Inc. (OTCQB: PRGNF) ("Paragon"). Box Ships has a fiscal year end of December 31, and was formed to own and employ containerhips. On April 19, 2011, Box Ships completed its initial public offering ("IPO") of its common stock on the New York Stock Exchange ("NYSE"). Since November 2015, its common and preferred stock stopped trading on NYSE and commenced trading on the OTCQX and Other OTC Markets under the symbols "TEUFF" and "TEUCF", respectively. Effective January 3, 2017, the Company's common stock commenced trading on OTCQB Venture Market under the same symbol.

On February 12, 2016, the shareholders of the Company authorized the Company's Board of Directors to effect one or more reverse splits of the Company's issued and outstanding common stock at a ratio within the range from 1-for-2 up to 1-for-50, at any time prior to February 12, 2017, at the discretion of the Board of Directors. On January 4, 2017, the Board of Directors authorized a reverse stock split at a ratio of 1-for-50 (the "Reverse Split"). On January 26, 2017, the Company filed an amendment to its Amended and Restated Articles of Incorporation to effectuate a reverse stock split of the Company's issued and outstanding shares of common stock, par value \$0.01 per share. The Reverse Split became effective with the OTC Markets at the open of business on January 31, 2017. As a result of the Reverse Split, every 50 shares of the Company's pre-reverse split common stock were combined and reclassified into one share of the Company's common stock. No fractional shares of common stock were issued as a result of the Reverse Split. Stockholders who otherwise would be entitled to a fractional share received the next higher number of whole shares. All share and per share amounts disclosed in the consolidated financial statements give effect to the respective stock split retroactively, for all the periods presented.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and present the consolidated financial statements of Box Ships Inc. and its wholly-owned subsidiaries listed below:

Company	Vessel Acquisition Date	Vessel Sale Date	Vessel's Name	Built	TEU ⁴
Polyaristi Navigation Co. ^{1, 6}	April 29, 2011	November 24, 2016	<i>Box Voyager</i>	2010	3,426
Efploias Shipping Co. ^{1, 6}	April 29, 2011	November 24, 2016	<i>Box Trader</i>	2010	3,426
Tacita Oceanway Carrier Co. ¹	May 19, 2011	December 13, 2016	<i>Box Kingfish</i>	2007	5,095
Alaqua Marine Ltd. ¹	May 31, 2011	December 9, 2016	<i>Box Marlin</i>	2007	5,095
Aral Sea Shipping S.A. ¹	May 19, 2011	October 31, 2016	<i>Box Queen</i>	2006	4,546
Amorita Development Inc. ^{1, 6}	May 9, 2011	November 24, 2016	<i>Maule</i>	2010	6,589
Lawry Shipping Ltd ²	August 3, 2011	September 22, 2016	<i>Box Emma</i>	2004	5,060
Triton Shipping Limited ³	June 25, 2012	August 9, 2016	<i>Box Hong Kong</i>	1995	5,344
Rosetta Navigation Corp. Limited ³	July 5, 2012	August 11, 2016	<i>Box China</i>	1996	5,344
Ardal International Co. ⁵					

¹ Incorporated in Liberia.

² Incorporated in Marshall Islands.

³ Incorporated in Hong Kong.

⁴ TEU: A 20-foot equivalent unit, the international standard measure for containers and containership capacity.

⁵ Non-vessel owning subsidiary.

⁶ The issued and outstanding capital stock of the company was sold on November 24, 2016 to entities affiliated to Mr. Michael Bodouroglou, the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer (Notes 4 and 5).

The Company is an international shipping company specializing in the transportation of containers and the provision of commercial management services to shipping companies. The Company outsourced the technical and commercial management of its vessels to Allseas Marine S.A. ("Allseas") and Seacommercial Shipping Services S.A. ("Seacommercial"), both related parties wholly owned by Mr. Michael Bodouroglou, the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

1. Basis of Presentation and General Information - Continued

The following charterers individually accounted for more than 10% of the Company's time charter revenue for the years ended December 31, 2014, 2015 and 2016:

Charterer	% of time charter revenue		
	2014	2015	2016
Compania Sud Americana De Vapores S.A.	25%	-	-
CMA CGM	14%	29%	24%
Chenglie Navigation Co.	-	-	20%
Mediterranean Shipping Co. S.A.	16%	11%	26%
Orient Overseas Container Line Limited	35%	17%	-
Hapag Lloyd	-	25%	21%

2. Significant Accounting Policies

- (a) **Principles of Consolidation:** The consolidated financial statements incorporate the financial statements of the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income / (loss) from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany balances and transactions have been eliminated.
- (b) **Use of Estimates:** The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include residual value of vessels, useful life of vessels, fair value of warrants and the fair value of derivative instruments. Actual results could differ from those estimates.
- (c) **Foreign Currency Translation:** The functional currency of the Company is the U.S. Dollar. For other than derivative instruments, each asset, liability, revenue, expense, gain or loss arising from a foreign currency transaction is measured and recorded in the functional currency using the exchange rate in effect at the date of the transaction. As of balance sheet date, monetary assets and liabilities that are denominated in a currency other than the functional currency are adjusted to reflect the exchange rate prevailing at the balance sheet date and any gains or losses are included in the consolidated statement of comprehensive income / (loss). As of December 31, 2015 and 2016, the Company had no foreign currency derivative instruments.
- (d) **Cash and cash equivalents:** The Company considers highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.
- (e) **Restricted Cash:** Restricted cash represents pledged cash deposits or minimum liquidity required to be maintained under the Company's borrowing arrangements. Unless the total debt is presented as current, the minimum liquidity requirements per vessel with an obligation to retain such funds with a specific bank and pledged accounts which are not expected to be terminated within the next twelve months are classified as non-current assets, whereas the remaining portion of the minimum liquidity on a group level, and amounts held in retention accounts for short-term debt service purposes, are classified as current assets.
- (f) **Trade Receivables, net:** Trade receivables, net reflect receivables from time charters and commercial services net of an allowance for doubtful accounts. At the balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. As of December 31, 2015 and 2016, the provision for doubtful accounts was \$149,510 and \$133,010, respectively.
- (g) **Inventories:** Inventories consist of lubricants and stores on board the vessels. Inventories may also consist of bunkers when vessels are unemployed or are operating in the spot market. Inventories are stated at the lower of cost or market. Cost is determined by the first in, first out method.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

2. Significant Accounting Policies – Continued

- (h) **Vessel Cost:** Vessels are stated at cost, which consists of the contract price, less discounts, plus any direct expenses incurred upon acquisition, including improvements, commission paid, delivery expenses and other expenditures to prepare the vessel for her initial voyage. Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Repairs and maintenance are expensed as incurred.
- (i) **Impairment of Long-Lived Assets:** The Company reviews its long-lived assets "held and used" for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When the estimate of future undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, the Company evaluates the asset for an impairment loss. The Company measures an impairment loss as the difference between the carrying value of the asset and its fair value. In this respect, management regularly reviews the carrying amount of the vessels in connection with the estimated recoverable amount for each of the Company's vessels.
- (j) **Vessel Depreciation:** Depreciation is computed using the straight-line method over the estimated useful life of the vessels, after considering the estimated salvage value. Each vessel's salvage value is equal to the product of its lightweight tonnage and estimated scrap rate, estimated to be \$300 per lightweight ton. Management estimates the useful life of the Company's vessels to be 30 years from the date of initial delivery from the shipyard, including secondhand vessels. Secondhand vessels are depreciated from the date of their acquisition through their remaining estimated useful life.
- (k) **Dry-Docking and Special Survey Costs:** Dry-docking and special survey costs are expensed in the period incurred.
- (l) **Above / Below Market Acquired Time Charters / Other Intangible Assets :** When vessels are acquired with time charters attached and the charter rate on such charters is above or below the prevailing market rates at the time of acquisition, or in certain instances with attached manning agreements below prevailing market rates, the Company allocates the purchase price of the vessel and the attached time charter / manning agreement on a relative fair value basis.
- The fair value of the attached time charter is computed as the present value of the difference between the contractual amount to be received over the term of the time charter and management's estimate of the then current market charter rate for an equivalent vessel at the time of acquisition. The asset or liability recorded is amortized or accreted over the remaining period of the time charter as a reduction or addition, respectively, to time charter revenue.
- Other intangible assets relate to attached crew manning agreements providing that the charterer will be responsible for the crew cost during the term of the charter. The fair value of the attached manning agreements is computed as the present value of the crew cost savings. The asset recorded is amortized over the remaining period of the time charters as an addition to vessels operating expenses.
- (m) **Trouble Debt Restructuring:** A restructuring of a debt constitutes a troubled debt restructuring if the lender or creditor for economic or legal reasons related to the Company's financial difficulties grants a concession to the Company that it would not otherwise consider. Troubled debt, that is fully satisfied by foreclosure, repossession, or other transfer of assets or by grant of equity securities by the Company, is included in the term troubled debt restructuring and it is accounted for as such. The difference between the fair value of the assets granted and the carrying amount of debt settled is recognized as a gain on restructuring of debt.
- (n) **Financing Costs:** Financing fees incurred for obtaining new loans and credit facilities are deferred and amortized to interest expense over the respective loan or credit facility using the effective interest rate method. Any unamortized balance of costs relating to loans repaid or refinanced is expensed in the period the repayment or refinancing is made, subject to the accounting guidance regarding Debt – Modifications and Extinguishments. Any unamortized balance of costs related to credit facilities repaid is expensed in the period. Any unamortized balance of costs relating to credit facilities refinanced are deferred and amortized over the term of the respective credit facility in the period the refinancing occurs, subject to the provisions of the accounting guidance relating to Debt – Modifications and Extinguishments. The unamortized financing costs are reflected in Other Assets in the consolidated balance sheets.
- (o) **Pension and Retirement Benefit Obligations—Crew:** The vessel owning companies employ the crew on board under short-term contracts (usually up to nine months) and, accordingly, they are not liable for any pension or post-retirement benefits.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

2. Significant Accounting Policies – Continued

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

Time Charter Revenues: Time charter revenues are recorded ratably over the term of the charter as service is provided, including the amortization/accretion of the above/below market acquired time charters where applicable. Time charter revenues received in advance of the provision of charter service are recorded as deferred income, and recognized when the charter service is rendered.

Commissions: Charter hire commissions are deferred and amortized over the related charter period and are presented as a separate line item in revenues to arrive at net revenues.

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

- (q) **Share Based Compensation:** Share based payments to employees and directors are determined based on their grant date fair values and are amortized against income over the requisite service period.
- (r) **Segment Reporting:** The Company reports financial information and evaluates its operations by charter revenues and not by the length of ship employment for its customers (i.e., spot vs. time charters) or by geographical region as the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographical information is impracticable. The Company does not have discrete financial information to evaluate the operating results for each type of charter. Although revenue can be identified for these types of charters, management cannot and does not identify expenses, profitability or other financial information for these charters. As a result, management, including the Chief Executive Officer being the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet, and thus the Company has determined that it operates under one reportable segment.
- (s) **Derivatives:** All derivatives are recognized at their fair value.

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

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

Warrants which do not qualify as equity instruments, are accounted for as derivative instruments if the warrant holders, could require settlement in cash under certain conditions, that are not solely within the control of the Company. Changes in fair value of the warrants are recorded in current period earnings.

- (t) **Earnings per Share (EPS):** Basic earnings per share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period determined using the two-class method of computing earnings per share. Dividends on cumulative perpetual preferred shares reduce the income available to common shareholders, even if not declared. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised. Such dilutive securities are excluded when the effect would be anti-dilutive.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

2. Significant Accounting Policies – Continued

- (u) **Dividends:** The Company records dividends to common shareholders on the date the dividends are declared. Dividends on cumulative preferred shares are recorded on an accrual basis. Dividends are recorded in equity against retained earnings to the extent there are retained earnings on the date of recording, while any shortfall is recorded in additional paid-in capital.
- (v) **Deconsolidation of Subsidiaries:** The Company deconsolidates a subsidiary or derecognizes a group of assets as of the date the Company ceases to have a controlling financial interest in that subsidiary or group of assets. The Company accounts for the deconsolidation of a subsidiary or de-recognition of a group of assets by recognizing a gain or loss in net income attributable to the Company, measured as the difference between (a) the aggregate of all of the following: (i) the fair value of any consideration received; (ii) the fair value of any retained noncontrolling investment in the former subsidiary or group of assets at the date the subsidiary is deconsolidated or the group of assets is derecognized; (iii) the carrying amount of any noncontrolling interest in the former subsidiary (including any accumulated other comprehensive income attributable to the noncontrolling interest) at the date the subsidiary is deconsolidated and (b) the carrying amount of the former subsidiary's assets and liabilities or the carrying amount of the group of assets.

(W) Recent Accounting Pronouncements:

Revenue from Contracts with Customers: In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, and shall be applied either retrospectively to each period presented or as a cumulative effect adjustment as of the date of adoption. On July 9, 2015, the FASB voted to defer the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. The FASB also permitted early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is evaluating the potential impact of this adoption on its consolidated financial statements. Subsequent to the issuance of ASU 2014-09, the FASB issued the following ASU's which amend or provide additional guidance on topics addressed in ASU 2014-09. In March 2016, the FASB issued ASU No. 2016-08, "Revenue Recognition - Principal versus Agent" (reporting revenue gross versus net). In April 2016, the FASB issued ASU No. 2016-10, "Revenue Recognition - Identifying Performance Obligations and Licenses." Lastly, in May 2016, the FASB issued No. ASU 2016-12, "Revenue Recognition - Narrow Scope Improvements and Practical Expedients." The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

Going Concern: In August 2014, the FASB issued ASU No 2014-15 "Presentation of Financial Statements – Going Concern (Sub-Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date that the financial statements are issued. The ASU applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

Debt Issuance Costs: In April 2015, an accounting pronouncement was issued by the FASB to update the guidance related to the presentation of debt issuance costs, which the Company adopted in January 2016. This guidance requires debt issuance costs, related to a recognized debt liability, be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability rather than being presented as an asset. The reclassification does not impact net income as previously reported or any prior amounts reported on the consolidated statements of comprehensive income / (loss), or the consolidated statements of cash flows. The effect of the retrospective application of this change in accounting principle on the consolidated balance sheets as of December 31, 2015 resulted in a reduction of "Other assets, net" and "Total assets" in the amount of \$486,924 with a corresponding reduction of "Current portion of long-term debt" and "Total long-term liabilities."

Inventories : In July 2015, the FASB issued ASU No 2015-11, *Simplifying the Measurement of Inventory* to simplify the measurement of inventory using first-in, first out (FIFO) or average cost method. According to this ASU an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices less reasonably predictable costs of completion, disposal and transportation. This update is effective for public entities with reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company believes that the implementation of this update will not have any significant impact on its consolidated financial statements and has not elected the early adoption.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

2. Significant Accounting Policies – Continued

Leases: In February 2016, the FASB issued ASU No 2016-02, *Leases*. The standard amends the existing accounting standards for lease accounting and adds additional disclosures about leasing arrangements. The ASU requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by most leases, while lessor accounting remains largely unchanged. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. This update is effective for public entities with reporting periods beginning after December 15, 2018. Early adoption is permitted for all entities. The Company has not yet evaluated the impact, if any, of the adoption of this new standard.

Stock Compensation: In March 2016, the FASB issued ASU No 2016-09, *Stock Compensation*, which is intended to simplify several aspects of the accounting for share-based payment award transactions. The guidance will be effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. The Company believes that the implementation of this update will not have any material impact on its financial statements.

Statement of Cash Flows: In August 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. This Update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted for all entities. The Company believes that the implementation of this update will not have any material impact on its financial statements. The Company has not elected early adoption.

Restricted cash: In November 2016 the FASB issued the ASU 2016-18 – *Restricted cash*. This ASU requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted, including adoption in an interim period. The Company believes that the implementation of this update will not have any material impact on its financial statements.

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

3. Going Concern

As of December 31, 2016, the Company had no vessels and related debt outstanding and had net equity of \$244,345, inclusive of accumulated deficit of \$248,390,627, mainly due to the losses suffered in the years ended December 31, 2015 and 2016, amounting to \$26,968,751 and \$226,628,862, respectively. Following the sale of vessels, the Company entered into commercial services agreements with ship-owning companies affiliated with Mr. Michael Bodouroglou which currently constitute its revenue generating operations. General and administrative expenses are expected to exceed revenues from commercial services agreements which are expected to approximate \$140,000 over the next 12 months from the date of issuance of the financial statements, resulting in an operating cash deficit.

Furthermore, the Company has not paid dividends to holders of its Series C Preferred Shares, commencing on April 1, 2016, and does not expect to pay cash dividends within the next 12 months from date of issuance of the financial statements. In addition, as of December 31, 2016, the Company was not in compliance with the net worth covenant requiring the Company to have a net worth to preferred stock ratio of not less than 1.50, as described in the Statement of Designation of the Rights, Preferences and Privileges of the Series C Preferred Shares. As further described in Note 11, under certain circumstances, the Company will be faced with an increased dividend rate, thereby further increasing its short-term liabilities, but it does not expect that any further actions can be brought against it. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

The Company intends to reorganize its capital and actively seek to secure new vessel acquisitions, by obtaining new equity and debt. Furthermore, the Company intends to keep its general and administrative expenses at low levels. The continuation of the Company as a going concern is therefore dependent upon the outcome of these plans.

These financial statements do not include any adjustments to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

4. Transactions with Related Parties

On November 24, 2016, the Company proceeded with the sale of all of the issued and outstanding capital stock of each of the subsidiaries owning the vessels *Box Voyager*, *Box Trader* and *Maule* to entities controlled by Mr. Michael Bodourogrou, the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer based on a mutually agreed value of \$0.50 per company (Note 5).

Further to the above transaction, which is analyzed in detail in Note 5, the following transactions with related parties occurred during the years ended December 31, 2014, 2015 and 2016:

- (a) **Granitis Glyfada Real Estate Ltd. ("Granitis") - Leasing:** On June 1, 2011, the Company entered into a rental agreement to lease office space in Athens, Greece, with Granitis, a company beneficially owned by the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer. The term of the lease, which commenced in June 2011, was 1 year, and has been renewed annually. Rent expense under this lease for the years ended December 31, 2014, 2015 and 2016 amounted to \$24,924, \$20,709 and \$32,784, respectively, and is included in General and administrative expenses – related party in the statements of comprehensive income / (loss). The remaining rental commitment, as of December 31, 2016, amounts to \$16,356.
- (b) **Allseas Marine S.A.:**

A. Ship-Ownning Companies Management Agreements: The Company outsourced the technical and commercial management of its vessels to Allseas, pursuant to management agreements with each vessel owning subsidiary. Mr. Michael Bodourogrou, the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, is the sole shareholder and Managing Director of Allseas. Effective January 2, 2015, the Company and Allseas mutually agreed to terminate a portion of the services provided by Allseas under the terms of the original management agreements, which were taken over by Seacommercial Shipping Services S.A., on substantially similar terms, as discussed further below. Following the sale of vessels discussed in Notes 5 and 6, the management agreements were terminated. The management agreements, as amended, provided for the following:

- (i) **Management Fees** – A fixed monthly technical management fee, adjusted annually on June 1 in accordance with the official Eurozone inflation rate, of €646.99, €648.93 and €648.28 per vessel per day, (or \$704, \$706 and \$682 per vessel, per day, respectively, using an exchange rate of \$1.0525:€1.00, the \$/€ exchange rate as of December 30, 2016, according to Bloomberg) was payable by the Company to Allseas during 2014, 2015 and 2016, respectively.
- (ii) **Pre-Delivery Services** – A lump sum fee of \$15,000 was payable to Allseas, for pre-delivery services provided, during the period from the date of the Memorandum of Agreement for the purchase of the vessel, until the date of delivery.
- (iii) **Superintendent Fees** – A fee of €500 per day (or \$526 per day using an exchange rate of \$1.0525:€1.00, the \$/€ exchange rate as of December 30, 2016, according to Bloomberg) was payable to Allseas for each day in excess of 5 days per calendar year for which a superintendent performed on-site inspection.

Each month, the Company made an advance payment to Allseas to cover working capital equal to one month of estimated operating expenses. At each balance sheet date, the excess of the amount advanced to Allseas over payments made by Allseas for the Company's operating expenses was included in Due from related parties in the consolidated balance sheets.

B. Administrative Services Agreement: The Company entered into an administrative services agreement with Allseas on April 19, 2011. The agreement shall continue for as long as Allseas remains in the premises of 15 Karamanli Ave. in Voula, Greece as tenant, or under any other capacity. Under the agreement, Allseas will provide telecommunication services, secretarial and reception personnel and equipment, security facilities and cleaning for the Company's offices, and information technology services. The agreement provides that all costs and expenses incurred in connection with the provision of the above services by Allseas to be reimbursed on a quarterly basis.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

4. Transactions with Related Parties – Continued

C. Executive Services Agreement: The Company entered into an executive services agreement with Allseas on April 19, 2011, pursuant to which Allseas provides the services of the executive officers, who report directly to the Company's Board of Directors. Pursuant to the amended and restated Executive Services Agreement, dated May 19, 2015, the agreement shall remain in full force and effect unless terminated in accordance with the provisions of the agreement. Under the terms of the agreement, the agreement may not be amended or otherwise modified without the written consent of both parties. The Company's obligations under the agreement will cease immediately and Allseas will not be entitled to any further payments of any kind in the event Allseas engagement is terminated by the Company for Cause (as defined in the agreement) or by Allseas other than for Good Reason (as defined in the agreement). In the event Allseas engagement is terminated by the Company without Cause or by Allseas for Good Reason (as such terms are defined in the agreement) or as a result of a Change of Control (as defined in the agreement), Allseas will be entitled to receive (i) its annual fee payable under the agreement through the Termination Date (as defined in the agreement); (ii) a compensation equal to three years annual executive services fee; and (iii) 60,000 fully vested shares of the Company's common stock issued cash free on the date of termination. In addition, either party has the option to terminate the agreement within six months following a Change of Control (as defined in the agreement). Effective from January 1, 2013, the executive services fee amounted to \$2,200,000 per annum, payable in twelve monthly instalments. Effective from January 1, 2017, the executive services fee was reduced to \$500,000 per annum. The executive services fee shall be reviewed annually or occasionally by the Company's Board of Directors. For the years ended December 31, 2014 and 2015, the Company's Board of Directors granted an incentive compensation to Allseas for executive services amounting to \$739,560 and \$543,150, respectively.

D. Accounting Agreement: On September 12, 2012, the Company entered into an accounting agreement with Allseas, effective from September 1, 2012, pursuant to which Allseas provides financial, accounting and financial reporting services. Pursuant to the amended and restated accounting agreement, dated May 19, 2015, the agreement shall remain in full force and effect, unless terminated in accordance with the provisions of the agreement. The Company's obligations under the agreement will immediately cease, and Allseas will not be entitled to any further payments of any kind in the event Allseas engagement is terminated by the Company for Cause (as defined in the agreement) or by Allseas other than for Good Reason (as defined in the agreement). In the event Allseas engagement is terminated by the Company without Cause or by Allseas for Good Reason (as such terms are defined in the agreement) or as a result of a Change of Control (as defined in the agreement), Allseas will be entitled to receive (i) its fee through the Termination Date (as defined in the agreement); and (ii) a compensation equal to three years annual financial accounting services fee and financial reporting fee. In addition, either party may terminate the agreement within six months following a Change of Control (as defined in the agreement). Effective from January 1, 2016, in connection with the provision of financial and accounting services under the agreement, Allseas is entitled to a financial and accounting services fee amounting to €200,000 per annum (or \$210,500 per annum using an exchange rate of \$1.0525:€1.00, the \$/€ exchange rate as of December 30, 2016, according to Bloomberg), payable quarterly in arrears. Effective from January 1, 2017, the financial and accounting services fee was reduced to €60,000 per annum. In connection with the provision of the financial reporting services under the agreement, Allseas is entitled to a financial reporting fee of \$30,000 per vessel per annum, payable quarterly in arrears. The financial and accounting services fee and the financial reporting fee shall be reviewed annually by the Company's Board of Directors.

E. Compensation Agreement: On September 12, 2012, as further amended and restated on January 2, 2015, the Company entered into a compensation agreement with Allseas, whereby in the event that Allseas is involuntarily terminated as the manager of its fleet without cause (including the termination by Allseas of the management agreements for cause), it shall compensate Allseas with an amount equal to the sum of (i) three years of the most recent management fees, based on the fleet at the time of termination, and (ii) €3,000,000 (or \$3,157,500 using an exchange rate of \$1.0525:€1.00, the \$/€ exchange rate as of December 30, 2016, according to Bloomberg). Following the sale of vessels discussed in Notes 5 and 6, the compensation agreement was terminated.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

4. Transactions with Related Parties – Continued

The following amounts charged by Allseas are included in the consolidated statements of comprehensive income / (loss):

	2014	2015	2016
A – Charter hire commissions	\$ 685,148	\$ -	\$ -
A – Management fees	\$ 2,829,632	\$ 2,375,054	\$ 2,163,097
A – Superintendent fees (included in Vessels operating expenses – related party)	\$ 972,852	\$ 479,463	\$ 310,211
A – Superintendent fees (included in Dry-docking expenses – related party)	\$ 95,342	\$ 122,171	\$ -
A – Superintendent fees (included in Loss on sale of vessels – related party)	\$ -	\$ -	\$ 31,605
A – Superintendent fees (included in Gain from deconsolidation of subsidiaries – related party)	\$ -	\$ -	\$ 5,590
B – Administrative fees (included in General and administrative expenses – related party)	\$ 35,520	\$ 30,985	\$ 34,754
C – Executive services fees (included in General and administrative expenses – related party)	\$ 2,939,560	\$ 2,743,150	\$ 2,200,000
D – Financial, accounting and financial reporting services fee (included in General and administrative expenses – related party)	\$ 596,350	\$ 545,162	\$ 441,425

As of December 31, 2015 and 2016, the amounts due from Allseas were \$3,322,946 and \$2,700,761, respectively, and are included in Due from related parties in the consolidated balance sheets.

- (c) **Seacommercial Shipping Services S.A. ("Seacommercial" or "Broker")** : On January 2, 2015, the Company entered into a Sale & Purchase ("S&P") and Charter Brokerage Services Agreement with Seacommercial, a Liberian company, pursuant to agreements with each vessel owning subsidiary. Mr. Michael Bodouroglou, the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, is the sole shareholder and Managing Director of Seacommercial. Following the sale of vessels discussed in Notes 5 and 6, the S&P and Charter Brokerage Services Agreements were terminated. The agreements provided for the following:

(i) **Charter Hire Commissions** – The Company paid Seacommercial 1.25% of the gross freight, demurrage and charter hire collected from the employment of the vessels.

(ii) **Vessel Commissions** – A commission equal to 1% of the contract price, calculated in accordance with the relevant memorandum of agreement, of any vessel bought or sold on behalf of the Company, was paid to Seacommercial.

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

Charter hire commissions charged by Seacommercial for the years ended December 31, 2015 and 2016 amounted to \$597,759 and \$229,827, respectively, and are separately reflected in Commissions – related party in the consolidated statements of comprehensive income / (loss). As of December 31, 2015 and 2016, the amounts due to Seacommercial were \$46,402 and \$0, respectively, and are included in Due to related parties in the consolidated balance sheets. During 2016, six of the Company's vessels were sold to unrelated third parties (Note 6). Vessel commissions charged by Seacommercial amounted to \$353,732 and are included in Loss on sale of vessels – related party in the consolidated statements of comprehensive income / (loss). Vessel commissions charged by Seacommercial in relation to the sale of all of the issued and outstanding capital stock of each of the subsidiaries owning the vessels *Box Voyager*, *Box Trader* and *Maule* amounted to \$397,500 and are included in Gain from deconsolidation of subsidiaries – related party in the consolidated statements of comprehensive income / (loss).

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

4. Transactions with Related Parties – Continued

(d) Crewcare Inc.:

A. Manning Agency Agreements: Each ship-owning company had a manning agency agreement with Crewcare Inc. ("Crewcare"), a company beneficially owned by the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, based in Manila, Philippines. Manning services were provided in exchange for a fixed monthly fee of \$95 per seaman for all officers and crew who served on board each vessel, and \$120 per seaman one-time recruitment fee, increased to \$140 per seaman effective from August 1, 2016. In addition, the agreement also provided for a fee of \$30 per seaman for in-house training, increased to \$50 per seaman effective from August 1, 2016, and a fee of \$50 per seaman for extra in-house training. The expenses incurred for the years ended December 31, 2014, 2015 and 2016, amounted to \$196,321, \$252,446 and \$210,434, respectively, and are included in Vessels operating expenses – related party in the consolidated statements of comprehensive income / (loss). As of December 31, 2015 and 2016, the amounts due to Crewcare Inc. were \$397,537 and \$68,149, respectively, and are included in Due to related parties in the consolidated balance sheets. Following the sale of vessels discussed in Notes 5 and 6, the manning agency agreements were terminated.

B. Cadetship Program Agreements: Each ship-owning company had a cadetship program agreement with Crewcare, pursuant to which Crewcare, at its own cost, was responsible for recruiting and training cadets to be assigned to the vessels. These services were provided in exchange for a lump sum fee of \$5,000 per cadet employed on board the vessel for his one year training. The expenses incurred for the years ended December 31, 2014, 2015 and 2016, amounted to \$165,000, \$170,000 and \$15,000, and are included in Vessels operating expenses – related party in the consolidated statements of comprehensive income / (loss). Following the sale of vessels discussed in Notes 5 and 6, the cadetship program agreements were terminated.

(e) Mone Shipping Co. ("Mone") & Venet Shipping Co. ("Venet"): On December 1, 2016, the Company entered into commercial services agreements with Mone and Venet, both incorporated in Liberia in September 2012, which are the owners of the Liberia flag drybulk vessels M/V Kavala Seas and M/V Paros Seas, respectively, and are beneficially owned by Mr. Michael Bodouroglou. These agreements have an initial term of five years and automatically extend for successive five year term, unless, in each case, at least 30 days advance written notice of termination is given by either party. In addition, the agreements may be terminated by either party for cause, as set forth in the agreements, on at least 30 days advance written notice. The agreements provide for the following:

(i) Chartering Commissions – The Company receives a commission fee of 2% on the gross freight, demurrage and charter hire collected from the employment of the vessels.

(ii) Sale & Purchase Commissions – A commission equal to 1% of the contract price, calculated in accordance with the relevant memorandum of each agreement, of any vessel bought or sold on behalf of Mone and Venet, is payable to the Company.

Commercial services fees charged by the Company for the year ended December 31, 2016 amounted to \$11,542 and are separately reflected in Commercial services fees – related party in the consolidated statements of comprehensive income / (loss). As of December 31, 2016, the amounts due from Mone and Venet were \$11,542 and are included in Due from related parties in the consolidated balance sheets.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

5. Deconsolidation of Subsidiaries

The Company experienced difficulties to serve its debt obligations under the \$100 million loan agreement with ABN AMRO Bank N.V and in November 2016, a special committee consisting of the Company's independent directors ("Special Committee") was established to evaluate the potential transfer of ownership of the companies owning the vessels *Box Voyager*, *Box Trader* and *Maule* to entities affiliated with Mr. Michael Bodouroglou, the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer. The Special Committee determined it was in the best interest of the Company and its shareholders to sell the vessel-owning subsidiaries to entities controlled by Mr. Michael Bodouroglou, and the Company was released from its obligations under the loan agreement in connection therewith.

On November 24, 2016 (the "Closing Date"), the Company (the "Seller") sold of all of the issued and outstanding capital stock of the companies owning the vessels *Box Voyager*, *Box Trader* and *Maule* at a sale price of \$0.50 per company to entities affiliated with Mr. Michael Bodouroglou (the "Buyer"). The sale price was determined based on a financial analysis performed by an independent third party. The transaction included the transfer of all assets and liabilities, while any revenues generated and expenses incurred prior to that date are included in the consolidated statements of comprehensive income / (loss). Pursuant to the share purchase agreement the Buyer granted to the Seller a right to buy back the shares ("Call Option") at the same consideration for a period of 90 days from the Closing Date, subject to lender's approval and reimbursement by the Seller of all payments and/or repayments under the loan agreement (including but not limited to any principal and accrued interest) from the Closing Date until the Call Option date.

The above transaction resulted in a gain from deconsolidation of subsidiaries of \$17,865,874, net of \$403,090 related party fees discussed in Note 4, which is separately reflected in the consolidated statements of comprehensive income / (loss).

6. Vessels, Net and Other Fixed Assets, Net

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

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance, January 1, 2015	\$ 424,105,871	\$ (53,151,629)	\$ 370,954,242
Depreciation	-	(15,075,915)	(15,075,915)
Impairment loss	(30,879,525)	9,237,436	(21,642,089)
Balance, December 31, 2015	\$ 393,226,346	\$ (58,990,108)	\$ 334,236,238
Improvements	134,140	-	134,140
Depreciation	-	(7,611,425)	(7,611,425)
Impairment loss	(306,239,306)	66,241,016	(239,998,290)
Disposals	(87,121,180)	360,517	(86,760,663)
Balance, December 31, 2016	\$ -	\$ -	\$ -

During 2016, six of the Company's vessels were sold to unrelated third parties for demolition purposes, while the companies owning the vessels *Box Voyager*, *Box Trader* and *Maule* were sold to entities affiliated with Mr. Michael Bodouroglou, as mentioned in Note 5 above.

The vessels were sold at the sale prices presented below. The loss on sales which was recognized and is separately reflected in the consolidated statements of comprehensive income / (loss) and the vessels' delivery dates to their new owners are analyzed as follows:

Vessel	Sale Price (Gross)	Loss on Sale of Vessels	Delivery Date
<i>Box Hong Kong</i>	6,275,462	767,039	August 9, 2016
<i>Box China</i>	6,278,592	804,676	August 11, 2016
<i>Box Emma</i>	5,461,954	3,930,277	September 22, 2016
<i>Box Queen</i>	5,927,866	2,501,509	October 31, 2016
<i>Box Marlin</i>	5,718,140	3,399,675	December 9, 2016
<i>Box Kingfish</i>	5,711,213	3,379,758	December 13, 2016
	35,373,227	14,782,934	

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

6. Vessels, Net and Other Fixed Assets, Net – Continued

Following the sale of vessels, the carrying amount of other fixed assets was written-off. Depreciation charged for each of the years ended December 31, 2014, 2015 and 2016 amounted to \$59,982, \$59,982 and \$39,187.

7. Above / Below Market Acquired Time Charters / Other Intangible Assets

The Company acquired five vessels with attached time charter contracts having rates, which were above the market rates, while another two vessels were acquired with attached time charter contracts having rates which were below the market rates. The above and below market acquired time charters were amortized / accreted over the remaining period of the time charters as a reduction or addition, respectively, to time charter revenues. Such amortization and accretion to time charter revenues for the above and below market acquired time charters amounted to \$5,198,574 and \$453,248, for the year ended December 31, 2014, \$2,886,080 and \$0, for the year ended December 31, 2015, and \$446,401 and \$0, for the year ended December 31, 2016, respectively.

The carrying value of the above market acquired time charters amounting to \$446,401 as of December 31, 2015 was fully amortized in 2016. The carrying value of the below market acquired time charters was fully amortized in 2014.

In addition, in relation to the acquisition of *Box Hong Kong* and *Box China*, the Company recorded other intangible assets relating to the attached manning agreements at below market rates. Such amortization for the years ended December 31, 2014, 2015 and 2016 amounted to \$1,056,338, \$520,588 and \$0, respectively. Other intangible assets were amortized over the three-year time charter period as an addition, to crew costs, which are included in Vessels Operating Expenses in the consolidated statements of comprehensive income / (loss).

8. Accrued Expenses

	December 31,	
	2015	2016
Accrued loan and swap interest	\$ 665,707	\$ -
Accrued vessel voyage and operating expenses	1,135,747	112,243
Accrued professional fees	226,963	154,565
Accrued finance expenses	50,000	-
Other sundry liabilities and accruals	49,119	53,208
Total	\$ 2,127,536	\$ 320,016

9. Long-term Debt

During 2016, the Company entered into agreements with all of its lenders for the full and final satisfaction of all amounts outstanding under the loan agreements in exchange for the net sale proceeds of the mortgaged vessels. A gain from debt extinguishment of \$24,716,766 or approximately \$16.91 per common share, was recognized and is separately reflected in the consolidated statements of comprehensive income / (loss).

The weighted average interest rates for the years ended December 31, 2014, 2015 and 2016 were 3.50%, 3.55% and 3.39%, respectively.

On April 7, 2016, the Company entered into a securities purchase agreement with an unrelated third party, pursuant to which it authorized and issued a convertible note in the original principal amount of \$250,000, which was convertible into common shares at the option of the holder at a conversion price equal to 65% of the lowest volume weighted average price of the common shares during the 21 trading days prior to the conversion date. The note bore interest at the rate of 8% per annum. The original principal amount along with accrued interest was converted in full into 1,171,769 shares of common stock.

On August 5, 2016, the Company entered into a securities purchase agreement with an unrelated third party, pursuant to which it authorized and issued a convertible note in the original principal amount of \$250,000, which was convertible into common shares at the same terms discussed above. The original principal amount along with accrued interest was converted in full into 870,758 shares of common stock.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. Fair Value Disclosures

The principal financial assets of the Company consist of cash and cash equivalents, restricted cash, amounts due from related parties, and prepaid expenses and other receivables. The principal financial liabilities of the Company consist of accounts payable, amounts due to related parties, accrued liabilities, warrant liability and dividends on preferred shares payable.

(a) Interest rate risk: Following the settlement agreements with all lenders, the Company is not exposed to interest rate fluctuations.

(b) Concentration of credit risk: Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of trade accounts receivable, amounts due from related parties and cash and cash equivalents. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its trade accounts receivable. The amounts due from related parties mainly relate to advance payments to Allseas to cover working capital equal to one month of estimated operating expenses, which will be either be refunded to the Company after settlement of all remaining liabilities or will be used to settle any fees payable to Allseas under the contractual agreements. The Company places its cash and cash equivalents, with high credit quality financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions.

(c) Fair value: In accordance with the requirements of accounting guidance relating to Fair Value Measurements, the Company classifies and discloses its assets and liabilities carried at fair value in one of the following three categories:

- (i) Level 1: Quoted market prices in active markets for identical assets or liabilities;
- (ii) Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data; and
- (iii) Level 3: Unobservable inputs that are not corroborated by market data.

The carrying values of cash and cash equivalents, restricted cash, prepaid expenses and other receivables, due from related parties, trade accounts payable, accrued expenses and amounts due to related parties are reasonable estimates of their fair value due to the short-term nature of these financial instruments. Cash and cash equivalents and restricted cash are considered Level 1 items as they represent liquid assets with short-term maturities. The warrant liability, discussed below, is stated at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Interest rate swap agreements: Following the settlements agreements with all lenders, discussed in Note 9 above, all interest rate swap agreements were terminated.

Warrant liability

On April 15, 2014, the Company completed the public offering of 100,000 units, each consisting of one common share and one warrant to purchase 0.40 common shares (the "Units") at a public offering price of \$102.5 per unit (Note 11), of which \$15.5 was allocated to each warrant, based on its estimated fair value. Additionally, a portion of the over-allotment option was exercised for 12,950 warrants at a price of \$0.5 per warrant. The warrants have an exercise price of \$132.5 per share, are exercisable immediately upon issuance, and will expire on April 10, 2019. In addition, the Company has the right, commencing one year after issuance of the warrants, to call all of the outstanding warrants for redemption at a price of \$0.5 for each warrant and upon not less than 30 days prior written notice of redemption to each warrant holder, subject to certain conditions, including that the reported last sale price of the Company's common shares is at least \$250.00 for any 20 trading days within a 30 consecutive trading day period ending on the third business day prior to the notice of redemption to warrant holders.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. Fair Value Disclosures – Continued

As of December 31, 2015 and 2016, the Company had 112,950 warrants outstanding that are exercisable into 45,180 common shares. Under certain circumstances that are not solely within the control of the Company, the Company may be required to settle these warrants by delivering cash to the holder and hence based on the guidance contained in ASC 815 "Derivatives and Hedging", management has classified these warrants as a derivative liability and has recorded the liability at fair value. There was no warrant activity during the period from April 15, 2014 to December 31, 2016.

Information on the location and amounts of derivative fair values in the consolidated balance sheets and derivative gains / (losses) in the Consolidated Statement of Stockholders' Equity or Consolidated Statement of Comprehensive Income / (Loss) are shown below:

Derivative Instruments designated as hedging instruments

	Balance Sheet Location	December 31,	
		2015	2016
		Fair Value	Fair Value
Interest rate swaps	Current assets – Interest rate swaps	(37,710)	-
Total derivatives		\$ (37,710)	\$ -

Derivative Instruments not designated as hedging instruments

	Balance Sheet Location	December 31,	
		2015	2016
		Fair Value	Fair Value
Interest rate swaps	Current liabilities – Interest rate swaps	\$ 42,479	\$ -
Interest rate swaps	Current assets – Interest rate swaps	(483)	-
Warrant liability	Long-term liabilities – Warrant liability	3,388	960
Total derivatives		\$ 45,384	\$ 960

The following table presents the impact of derivative instruments and their location within the consolidated statements of comprehensive income / (loss):

Derivative Instruments designated as hedging instruments

	Location of Gain/(Loss) Recognized	Year Ended December 31,		
		2014	2015	2016
Interest rate swaps	Interest and finance costs	\$ (374,843)	\$ (105,058)	\$ (10,566)

Derivative Instruments not designated as hedging instruments

	Location of Gain/(Loss) Recognized	Year Ended December 31,		
		2014	2015	2016
Interest rate swaps	(Loss) / gain on derivatives	\$ (82,160)	\$ 17,053	\$ 29,761
Warrant liability	Fair value change of warrants	1,274,100	278,987	2,428
		\$ 1,191,940	\$ 296,040	\$ 32,189

The fair value of the interest rate swaps was determined using a discounted cash flow approach based on market-based LIBOR swap yield rates. LIBOR swap rates are observable at commonly quoted intervals for the full terms of the swaps and therefore are considered Level 2 items in accordance with the fair value hierarchy. The fair value of the interest rate swap agreements approximates the amount that the Company would have to pay for the early termination of the agreements.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. Fair Value Disclosures – Continued

The Company uses the Cox-Rubinstein Trinomial methodology to measure the warrant liability. The assumptions used to calculate the fair value of the warrants on December 31, 2014, 2015 and 2016, were as follows:

- Underlying stock price of \$43.00, \$8.0 and \$0.5 being the closing share prices on December 31, 2014, 2015 and 2016, respectively
- Exercise price of \$132.5 based upon agreement
- Volatility of 54.84%, 62.43% and 151.67% on December 31, 2014, 2015 and 2016, respectively based on the Company's share price performance
- Time to expiration based upon the contractual life or expected term if applicable
- Short-term (risk-free) interest rate based on the treasury securities with a similar expected term
- No dividend distributions

The Company considers the warrant liability to be Level 3 because the share price volatility and the expected life of the contract are neither directly nor indirectly observable. At December 31, 2015 and 2016, a 10% increase in the share price volatility would increase the warrant liability by approximately 100% and 65%, respectively, while a 10% decrease in the share price volatility would decrease the warrant liability by approximately 67% and 59%, respectively. A 10% decrease in the expected life of the contract would decrease the warrant liability by approximately 33% and 29% at December 31, 2015 and 2016, respectively. The Company did not perform a sensitivity analysis for an increase in the expected life of the contract, since the fair value was determined assuming the warrants are held until expiration.

The following table sets forth a summary of changes in fair value of the Company's Level 3 fair value measurements for the years ended December 31, 2014, 2015 and 2016:

Beginning balance	\$ -
Issuances	1,556,475
Fair value change of warrants, included in earnings	(1,274,100)
Balance, December 31, 2014	282,375
Fair value change of warrants, included in earnings	(278,987)
Balance, December 31, 2015	3,388
Fair value change of warrants, included in earnings	(2,428)
Balance, December 31, 2016	\$ 960

Assets Measured at Fair Value on a Non-recurring Basis

During 2016, the Company reviewed the carrying amount in connection with the estimated recoverable amount for each of its vessels. Mainly due to the continued poor performance of the containership charter market, the review indicated that such carrying amount was not recoverable. The Company recorded an impairment loss, which is separately reflected in the consolidated statements of comprehensive income / (loss), as presented in the table below:

Vessel	Significant Other Observable Inputs (Level 2)	Loss
<i>Box Hong Kong</i>	\$ 6,496,470	\$ 2,532,694
<i>Box China</i>	\$ 6,499,710	\$ 2,770,036
<i>Box Emma</i>	\$ 8,875,000	\$ 33,208,877
<i>Box Kingfish</i>	\$ 8,750,000	\$ 32,193,244
<i>Box Marlin</i>	\$ 8,750,000	\$ 31,183,496
<i>Box Queen</i>	\$ 8,000,000	\$ 38,326,942
<i>Maule</i>	\$ 21,250,000	\$ 39,571,678
<i>Box Voyager</i>	\$ 9,250,000	\$ 30,099,912
<i>Box Trader</i>	\$ 9,250,000	\$ 30,111,411
TOTAL	\$ 87,121,180	\$ 239,998,290

The fair value was based on the Company's best estimate of the value of each vessel on a time charter free basis, and was supported by vessel valuations of independent shipbrokers, which were mainly based on recent sales and purchase transactions of similar vessels.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The Company did not have any other assets or liabilities measured at fair value on a non-recurring basis during the years ended December 31, 2014, 2015 and 2016. As of December 31, 2015 and 2016, no fair value measurements for assets or liabilities under Level 1 were recognized in the Company's consolidated balance sheets, except for cash and cash equivalents and restricted cash.

11. Capital Structure

Under the amended and restated articles of incorporation effective April 11, 2011, the Company's authorized capital stock consists of 500,000,000 registered shares, par value \$0.01 per share, of which 475,000,000 shares are designated as common shares and 25,000,000 shares are designated as preferred shares.

(a) Common Stock:

Box Ships Inc. was incorporated with authorized 100 shares of capital stock at no par value, all of which had been issued to Paragon. On April 11, 2011, the authorized share capital of the Company was increased to 500,000,000 registered shares, comprised of 475,000,000 shares of common stock and 25,000,000 shares of preferred stock, each with a par value of \$0.01 per share. The 100 shares of capital stock, no par value, held by Paragon were converted to 100 shares of common stock, par value \$0.01 per share, and were subsequently cancelled.

Each holder of common shares is entitled to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of common shares are entitled to share equally in any dividends that the Company's Board of Directors may declare from time to time, out of funds legally available for dividends. Upon dissolution, liquidation or winding-up, the holders of common shares will be entitled to share equally in all assets remaining after the payment of any liabilities and the liquidation preferences on any outstanding preferred stock. Holders of common shares do not have conversion, redemption or pre-emptive rights.

On April 15, 2014, the Company completed the public offering of 100,000 Units, as discussed in Note 10 above. In a concurrent private placement, Neige International Inc. ("Neige International"), a Company controlled by Mr. Michael Bodouoglou, the Company's Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, purchased directly from the Company 10,000 Units at the public offering price. The proceeds from the offering and the concurrent private placement of the Units, after underwriting discounts and commissions were \$10,753,000, including \$1,550,000 allocated to the warrant liability. Other offering expenses amounted to \$197,410.

On May 12, 2014, the Company's Board of Directors authorized a share buyback program of up to \$5,000,000 for a period of twelve months. No shares were repurchased by the Company during this period.

During 2016, pursuant to the securities purchase agreement, discussed above (Note 9), an amount of \$500,000 along with accrued interest was converted to 2,042,527 shares of common stock. In addition, pursuant to the securities exchange agreement, the Company entered into on March 3, 2016, discussed further below, 36,500 Series C Preferred Shares were exchanged for 244,119 shares of common stock.

During 2014 and 2015, 6,800 and 7,600 common shares, respectively, were issued under the Company's equity incentive plan (Note 13). During 2014 and 2015, 20 and 440 non-vested shares, respectively, were cancelled.

As of December 31, 2016, the Company had a total of 2,912,257 common shares outstanding, of which 2,800 shares are not vested and were issued under the Company's Equity Incentive Plan.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

11. Capital Structure – Continued

(b) Preferred Stock:

The authorized preferred stock of the Company consists of 25,000,000 preferred shares, par value \$0.01 per share, of which 1,000,000 shares are designated as Series A Participating Preferred Stock which is issuable upon exercise of the preferred stock purchase rights attached to our common shares in accordance with the terms of the Company's stockholders rights agreement, 2,500,000 shares are designated as Series B Preferred Shares, 2,500,000 shares are designated as Series B-1 Preferred Shares and 2,500,000 shares are designated as Series C Preferred Shares.

In 2013, the Company completed the public offering of 916,333 shares of its 9.00% Series C Preferred Shares at a public offering price of \$24.00 per share. Neige International purchased 208,333 shares, sold in the offering, at the public offering price. The Series C Preferred Shares are trading on the Other OTC Market under the symbol "TEUCF".

Holders of the Series C Preferred Shares are entitled to receive cumulative dividends from the original date of issuance, or for any subsequently issued and newly outstanding shares, from the dividend payment date immediately preceding the issue date of such shares. Dividends on Series C Preferred Shares shall accrue and be cumulative, on a 30/360 day count basis, at a rate of 9.00% per annum per \$25.00 liquidation preference per Series C Preferred Share, subject to adjustment under certain circumstances as described in the Statement of Designation of the Rights, Preferences and Privileges of the Series C Preferred Shares, and are payable quarterly on January 1, April 1, July 1 and October 1 of each year, when, as and if declared by the Company's Board of Directors, commencing on October 1, 2013.

The Series C Preferred Shares are not subject to mandatory redemption. At any time on or after July 29, 2016 and prior to July 29, 2018, the Company, at its option, may redeem, in whole or in part, the Series C Preferred Shares at a redemption price equal to 101% of the liquidation preference of \$25.00 per share and at any time thereafter at a redemption price equal to the liquidation preference of \$25.00 per share, in each case plus an amount equal to all accumulated and unpaid dividends. The Series C Preferred Shares are not convertible into common shares, except under certain conditions upon a change of control of the Company.

On March 3, 2016, the Company entered into a securities exchange agreement (the "Exchange Agreement") with an unrelated third party (the "Buyer"). Pursuant to the Exchange Agreement, the Buyer had the option to purchase shares of the Company's Series C Preferred Shares with an aggregate purchase price of up to \$350,000. The Company agreed with the Buyer to exchange any of such Series C Preferred Shares for a number of shares of the Company's common stock pursuant to a formula set forth in the Exchange Agreement. The Exchange Agreement expired on June 30, 2016. During the six months ended June 30, 2016, the Company exchanged 36,500 Series C Preferred Shares for 244,119 common shares.

During 2014, 2015 and 2016, the Company paid to holders of the Series C Preferred Shares, dividends of \$2,061,749, \$2,061,749 and \$515,437, respectively, and declared and accrued dividends of \$1,994,812, which remain unpaid. The Company's Board of Directors, considering the Company's liquidity needs decided to refrain from paying the dividends on Series C Preferred Shares, originally due on April 1, July 1, October 1, 2016 and January 2, 2017. In the event the Company is unable to make dividend payments to the holders of the Series C Preferred Shares for six quarters, whether consecutive or not, it will constitute a dividend payment default (the "Dividend Payment Default"). Upon occurrence of a Dividend Payment Default, the dividend rate shall increase to a number that is 1.25 times the dividend rate payable on the day immediately preceding the date of such default and shall continue to increase until no default exists, but in no event dividends shall accrue at a rate greater than 25% per annum. As of December 31, 2016, the Company was not in compliance with the net worth covenant, requiring the Company to have a net worth to preferred stock ratio of not less than 1.50, as described in the Statement of Designation of the Rights, Preferences and Privileges of the Series C Preferred Shares. The failure to comply with such covenant, if such failure continues unremedied for 120 days, constitutes a covenant default (the "Covenant Default"). Upon occurrence of a Covenant Default, the dividend rate shall increase to a number that is 1.25 times the dividend rate payable on the day immediately preceding the date of such default and shall continue to increase until no default exists, but in no event dividends shall accrue at a rate greater than 25% per annum, without duplication if more than one default has occurred.

As of December 31, 2016, the Company had a total of 879,833 Series C Preferred Shares outstanding.

BOX SHIPS INC.
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11. Capital Structure – Continued

(c) Warrants:

The 10,000 warrants issued in April 2014 and purchased directly by Neige International in the concurrent private placement discussed above, have an exercise price of \$132.5 per share, are exercisable immediately upon issuance, and will expire on April 10, 2019. In addition, the Company has the right, commencing one year after issuance of the warrants, to call all of the outstanding warrants for redemption at a price of \$0.5 for each warrant and upon not less than 30 days prior written notice of redemption to each warrant holder, subject to certain conditions, including that the reported last sale price of the Company's common shares is at least \$250.00 for any 20 trading days within a 30 consecutive trading day period ending on the third business day, prior to the notice of redemption to warrant holders.

The fair value of the warrants at inception, was estimated at \$15.50, using the Cox-Rubinstein Trinomial methodology. The assumptions used to calculate the fair value of the warrants at inception were as follows:

- a. Underlying stock price of \$119.00 being the closing share prices on April 9, 2014
- b. Exercise price of \$132.5 based upon agreement
- c. Volatility of 54.05% on April 9, 2014 based on the Company's share price performance
- d. Time to expiration based upon the contractual life or expected term if applicable
- e. Short-term (risk-free) interest rate based on the treasury securities with a similar expected term
- f. No dividend distributions

The warrants attached to the Units issued to Neige International, provide for physical settlement requiring the Company to deliver shares to the holder of the warrants in exchange of cash and do not contain any provisions requiring settlement in cash. As a result, the fair value of the warrants issued to Neige International, was classified into permanent equity and subsequent changes in fair value are not recognized in the consolidated financial statements.

(d) Treasury Stock:

In September 2015, the Company's Board of Directors approved a share repurchase program for up to 10% of the Company's common shares outstanding during the twelve-month period ending on September 29, 2016 in open market transactions at prevailing market rates. Under the share repurchase program, during the fourth quarter of 2015, the Company repurchased 4,164 shares of its common stock for a total consideration of \$113,667, which were cancelled in January 2016.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. Accumulated Other Comprehensive Income / (Loss)

The components of AOCI included in the consolidated balance sheets consist of unrealized gain / (loss) on cash flow hedges and are analyzed as follows:

Changes in AOCI by Component

	Unrealized Gain / (Loss) on cash flow hedges
AOCI — Balance, January 1, 2014	\$ (84,150)
OCI before reclassifications	521,002
Amounts reclassified from AOCI	(374,843)
Net current-period OCI	146,159
AOCI — Balance, December 31, 2014	\$ 62,009
OCI before reclassifications	80,759
Amounts reclassified from AOCI	(105,058)
Net current-period OCI	(24,299)
AOCI — Balance, December 31, 2015	\$ 37,710
OCI before reclassifications	(27,144)
Amounts reclassified from AOCI	(10,566)
Net current-period OCI	(37,710)
AOCI — Balance, December 31, 2016	\$ -

Reclassifications out of AOCI

Details about AOCI Components	Amount Reclassified from AOCI	Affected Line Item in the Statement Where Net Income is Presented
Gains and losses on cash flow hedges		
Interest rate contracts	\$ 374,843	Interest and finance costs
Total reclassifications for 2014	\$ 374,843	
Interest rate contracts	\$ 105,058	Interest and finance costs
Total reclassifications for 2015	\$ 105,058	
Interest rate contracts	\$ 10,566	Interest and finance costs
Total reclassifications for 2016	\$ 10,566	

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. Share Based Compensation

Equity incentive plan

On April 19, 2011, the Company adopted an equity incentive plan, under which the officers, key employees and directors of the Company will be eligible to receive awards in the form of (a) stock options, (b) stock appreciation rights, (c) restricted stock, (d) restricted stock units and (e) unrestricted stock. A total of 40,000 shares, as amended in February 2013, were reserved for issuance under the plan. The Board of Directors administers the plan. Under the terms of the plan, the Board of Directors is able to grant options exercisable at a price per common share to be determined by the Board of Directors but in no event less than fair market value as of the date of grant. As of December 31, 2016, there were 5,940 shares of common stock available for issuance under the equity incentive plan.

Non-vested share awards

Until the forfeiture of any non-vested share awards, all non-vested share awards give the grantee the right to vote such non-vested share awards and to receive and retain all regular cash dividends paid on such non-vested share awards with no obligation to return the dividend if employment ceases and to exercise all other rights provided that the Company will retain custody of all distributions other than regular cash dividends made or declared with respect to the non-vested share awards. All share awards are conditioned upon the option holder's continued service as an employee of the Company, or a director through the applicable vesting date. The Company estimates the forfeitures of non-vested share awards to be immaterial and hence the Company accounts for forfeitures as they occur.

The accounting guidance relating to the share based payments describes two generally accepted methods of accounting for non-vested share awards with a graded vesting schedule for financial reporting purposes: 1) the "accelerated method", which treats an award with multiple vesting dates as multiple awards and results in a front-loading of the costs of the award and 2) the "straight-line method" which treats such awards as a single award. Management has selected the straight-line method with respect to the non-vested share awards because it considers each non-vested share award to be a single award and not multiple awards, regardless of the vesting schedule. Additionally, the "front-loaded" recognition of compensation cost that results from the accelerated method implies that the related employee services become less valuable as time passes, which management does not believe to be the case.

The details of the non-vested share awards granted are outlined as follows:

	Grant date	Final vesting date	Total shares granted	Grant Date Fair Value
A.	April 19, 2011	April 19, 2014	2,000	\$ 552.50
B.	July 14, 2011	April 19, 2014	160	\$ 536.75
C.	December 5, 2011	December 31, 2014	4,180	\$ 511.50
D.	January 2, 2012	December 31, 2014	160	\$ 433.00
E.	February 3, 2012	December 31, 2014	20	\$ 413.75
F.	November 14, 2012	December 31, 2014	6,300	\$ 267.25
G.	February 4, 2013	December 31, 2014	680	\$ 305.50
H.	November 22, 2013	December 31, 2015	6,300	\$ 158.75
I.	December 19, 2013	December 31, 2015	320	\$ 145.50
J.	November 10, 2014	December 31, 2016	6,800	\$ 45.50
K.	February 26, 2015	December 31, 2016	1,400	\$ 42.25
L.	March 17, 2015	December 31, 2016	600	\$ 41.75
M.	December 15, 2015	December 31, 2017	5,600	\$ 9.25

A summary of the activity for non-vested share awards for the year ended December 31, 2016, is as follows:

	Number of shares	Weighted Average Fair Value
Non-vested, January 1, 2016	9,780	\$ 37.20
Granted	-	-
Cancelled	-	-
Vested	(6,980)	40.55
Non-vested, December 31, 2016	2,800	\$ 9.25

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

13. Share Based Compensation – Continued

The non-vested share awards under M above, vest ratably in annual instalments over a two-year period commencing on December 31, 2016 and ending on December 31, 2017. The remaining unrecognized compensation cost amounting to \$25,310 as of December 31, 2016, is expected to be recognized over the remaining period of 1 year, according to the contractual terms of those non-vested share awards.

The total fair value on the vesting date of shares that vested under the equity incentive plan during the years ended December 31, 2014, 2015 and 2016, was \$423,316, \$61,793 and \$3,490, respectively.

Share based compensation for the years ended December 31, 2014, 2015 and 2016, amounted to \$2,247,002, \$678,721 and \$200,205, respectively, and is included in general and administrative expenses in the consolidated statements of comprehensive income / (loss).

14. Vessels Operating Expenses

Vessels operating expenses, including related party amounts, are comprised as follows:

	2014	2015	2016
Crew wages and related costs	\$ 8,566,126	\$ 8,572,724	\$ 6,701,550
Insurance	1,643,196	1,399,727	936,560
Repairs and maintenance	1,056,599	705,225	966,543
Spares and consumable stores	5,867,906	5,011,717	3,970,350
Tonnage taxes	232,517	290,477	258,952
Miscellaneous expenses	904,012	568,935	421,375
Total	\$ 18,270,356	\$ 16,548,805	\$ 13,255,330

15. General and Administrative Expenses

General and administrative expenses, including related party amounts, are comprised as follows:

	2014	2015	2016
Share based compensation	\$ 2,247,002	\$ 678,721	\$ 200,205
Executive services	2,939,560	2,743,150	2,200,000
Non-executive directors' remuneration	210,637	211,031	120,000
Office rent	24,924	20,709	32,784
Travel expenses	61,114	47,132	65,441
Personnel and other expenses	89,031	46,284	114,166
Professional services	1,227,830	1,114,104	868,804
Directors and officers insurance	84,405	69,011	93,169
Stock market annual fees	123,216	128,438	45,439
Other expenses	224,670	164,501	150,816
Total	\$ 7,232,389	\$ 5,223,081	\$ 3,890,824

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

16. Other operating (income) / expenses, net

Other operating income in 2016 includes: (a) settlement of insurance claims of \$1,780,057, in relation to the *Box China* and *Box Kingfish*, (b) special solidarity contribution to the Greek economy of \$235,952 and (c) other operating income of \$172,499 due to partial reversal of the provision recognized in 2014 for damages made in relation to Box Hong Kong, discussed below. Other operating expenses in 2015 relate to special solidarity contribution to the Greek economy. Other operating expenses in 2014 include: (a) in October 2014, the *Box Hong Kong* while carrying out cargo operations at Sydney Container Terminal ("Terminal") collided with another vessel. The collision caused several damages to the *Box Hong Kong* and the Terminal, for which a provision of \$315,498 was made, (b) special solidarity contribution to the Greek economy of \$195,499.

17. Earnings / (Loss) Per Share (EPS)

Basic and Diluted EPS – Common Shares:

Numerator	2014	2015	2016
Net income / (loss)	\$ 2,623,515	\$ (26,968,751)	\$ (226,628,862)
Less: Series C Preferred Shares dividends	(2,061,749)	(2,061,749)	(1,994,812)
Plus: Partial Redemption of Series C Preferred Shares	-	-	565,656
Less: (Income) / loss attributable to non-vested share awards	(12,208)	556,088	1,512,734
Net income / (loss) available to common shareholders	\$ 549,558	\$ (28,474,412)	\$ (226,545,284)
Denominator			
Weighted average number of common shares outstanding, basic and diluted	572,738	611,746	1,461,786
Net income / (loss) per common share, basic and diluted	\$ 0.96	\$ (46.55)	\$ (154.98)

Weighted Average Number of Shares – Basic - In calculating basic EPS, the Company includes the effect of vested share awards from their vesting date.

Weighted Average Number of Common Shares – Diluted - In calculating diluted EPS the Company includes the potential dilution that could occur if securities or other contracts to issue common stock were exercised. In calculating diluted EPS for the common shares, the unvested share awards outstanding under the Company's Stock Incentive Plan, common shares issuable upon exercise of the Company's outstanding warrants and common shares issuable upon conversion of all outstanding convertible preferred shares, are included in the shares outstanding under the treasury stock method, unless their effect is anti-dilutive.

The Company excluded the dilutive effect of 2,800 (2015: 9,780, 2014: 10,110) non-vested share awards and 149,617 (2015: 149,617, 2014: 149,617) warrants in calculating dilutive EPS for its common shares as of December 31, 2016, as they were anti-dilutive.

18. Income Taxes

Box Ships and certain of its subsidiaries are incorporated either in the Marshall Islands or Liberia and under the laws of the Marshall Islands and Liberia, are not subject to income taxes.

Two of the subsidiaries are incorporated in Hong Kong and their vessels were flying a Liberian flag. Pursuant to the relevant provisions of the Hong Kong Inland Revenue Ordinance, the related charter hire income should not be subject to Hong Kong profits tax since the vessels did not navigate solely or mainly within Hong Kong waters during 2014, 2015 and 2016.

For the years ended December 31, 2014, 2015 and 2016, the Company was not subject to United States federal income taxation in respect of income that was derived from the international operation of ships and the performance of services directly related as it qualified for the exemption of Section 883.

BOX SHIPS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars, except for share data)

19. Commitments and Contingencies

From time to time the Company expects to be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. Such claims, even if lacking in merit, could result in the expenditure of significant financial and managerial resources. The Company is not aware of any claim or contingent liability, which is reasonably possible and should be disclosed, or probable and for which a provision should be established in the financial statements.

SUPPLEMENTAL LETTER

**To: POLYARISTI NAVIGATION CO.
EFPLOIAS SHIPPING CO. and
AMORITA DEVELOPMENT INC.**
each of 80 Broad Street
Monrovia
Republic of Liberia

From: ABN AMRO BANK N.V.
93 Coolsingel
3012 AE Rotterdam
Netherlands

HSH NORDBANK AG
Gerhart Hauptmann Platz 50
D-20095 Hamburg
Germany

ITF INTERNATIONAL TRANSPORT FINANCE SUISSE AG
Wasserwerkstrasse 12
CH-8006 Zurich
Switzerland

6 May 2016

Dear Sirs

We refer to a loan agreement dated 6 May 2011 (as amended and restated by two amending and restating agreements dated 9 August 2012 and 9 August 2013, respectively and as further amended and supplemented by a supplemental agreement dated 25 November 2014 and a supplemental and release agreement dated 25 June 2015, the "**Loan Agreement**") and made between (i) Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc. as joint and several borrowers (the "**Borrowers**"), (ii) the banks and financial institutions listed in schedule 1 therein as lenders (the "**Lenders**"), (iii) ABN AMRO Bank N.V. as agent (in such capacity, the "**Agent**"), first swap bank, underwriter and security trustee and (iv) HSH Nordbank AG as second swap bank, to in respect of a loan facility in an amount of (originally) up to US\$100,000,000.

Words and expressions defined in the Loan Agreement shall have the same meanings when used in this letter.

We also refer to the recent discussions between us in which you have requested that the Creditor Parties consent to the deferral of the repayment instalments in respect of the Tranches used to finance "MAULE", "BOX VOYAGER" and "BOX TRADER" payable on 6 May 2016 in the aggregate amount of \$1,925,000 in accordance with clauses 8.1 and 8.2 of the Loan Agreement to 20 May 2016 (the "**Request**").

1 AGREEMENT

In consideration of the sum of US\$1 and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged), the Creditor Parties hereby agree to the Request subject to:

- (a) the conditions set out in paragraph 3 below; and
- (b) the Borrowers executing the acknowledgement to this letter confirming their agreement to the terms and conditions of the same.

2 AMENDMENTS TO THE LOAN AGREEMENT AND THE OTHER FINANCE DOCUMENTS

In consideration of the agreement of the Creditor Parties referred to in paragraph 1 of this letter and upon and with effect from the date on which the Agent notifies the Borrowers in writing of the satisfaction of the conditions referred to in paragraph 3 below (the "**Effective Date**"), the Loan Agreement and the other Finance Documents shall be, and shall be deemed by this letter to be, amended as follows:

- (a) by construing all references in the Loan Agreement to "this Agreement", "hereunder" and the like and in the other Finance Documents to the "Loan Agreement" as references to the Loan Agreement as amended and supplemented by this letter;
- (b) by construing references in the Loan Agreement to each of the other Finance Documents as being references to each such document as the same is amended and supplemented by this letter; and
- (c) by construing references throughout each of the Finance Documents (other than the Loan Agreement) 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 letter.

3 CONDITIONS

Our agreement contained in paragraph 1 of this letter shall be expressly subject to the condition that we shall have received in form and substance as may be approved or required by us on or before the Effective Date:

- (a) an original of this letter duly executed by the parties to it; and
- (b) if the Agent so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Agent.

4 REPRESENTATIONS AND WARRANTIES

- (a) Each Borrower hereby represents and warrants to the Agent that (a) the representations and warranties contained in clause 10 of 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.
- (b) The Corporate Guarantor hereby represents and warrants to the Agent that (a) the representations and warranties contained in clause 10 of the Corporate Guarantee 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 Corporate Guarantor enforceable in accordance with its terms.

5 LOAN AGREEMENT AND OTHER FINANCE DOCUMENTS

Each Borrower hereby agrees with the Agent that the provisions of the Loan Agreement and the other Finance Documents shall be and are hereby re-affirmed and remain in full force and effect as amended and supplemented by this letter.

6 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.

7 GOVERNING LAW

This letter shall be governed by and construed in accordance with English law and Clause 31 (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

for and on behalf of
ABN AMRO BANK N.V.

for and on behalf of
ITF INTERNATIONAL TRANSPORT FINANCE SUISSE AG

for and on behalf of
HSH NORDBANK AG

Accepted and agreed

BORROWERS

for and on behalf of
POLYARISTI NAVIGATION CO.

Dated 6 May 2016

for and on behalf of
EFPLOIAS SHIPPING CO.

Dated 6 May 2016

for and on behalf of
AMORITA DEVELOPMENT INC.

Dated 6 May 2016

COLLATERAL OWNERS

for and on behalf of
ROSETTA NAVIGATION CORP. LIMITED

for and on behalf of
TRITON SHIPPING LIMITED

COUNTERSIGNED this 6th day of May 2016 for and on behalf of each Security Party which, by its execution hereof, confirms and acknowledges that it has read and understood the terms and conditions of the above letter (the " **Supplemental Letter** "), 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 Loan Agreement and the Master Agreements (each as amended and supplemented by the Supplemental Letter).

BOX SHIPS INC.

ALLSEAS MARINE S.A.

SECOND SUPPLEMENTAL LETTER

**To: POLYARISTI NAVIGATION CO.
EFPLOIAS SHIPPING CO. and
AMORITA DEVELOPMENT INC.**
each of 80 Broad Street
Monrovia
Republic of Liberia

From: ABN AMRO BANK N.V.
93 Coolsingel
3012 AE Rotterdam
Netherlands

HSH NORDBANK AG
Gerhart Hauptmann Platz 50
D-20095 Hamburg
Germany

ITF INTERNATIONAL TRANSPORT FINANCE SUISSE AG
Wasserwerkstrasse 12
CH-8006 Zurich
Switzerland

20 May 2016

Dear Sirs

We refer to a loan agreement dated 6 May 2011 (as amended and restated by two amending and restating agreements dated 9 August 2012 and 9 August 2013, respectively and as further amended and supplemented by a supplemental agreement dated 25 November 2014, a supplemental and release agreement dated 25 June 2015 and a supplemental letter dated 6 May 2016, the “ **Loan Agreement** ”) and made between (i) Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc. as joint and several borrowers (the “ **Borrowers** ”), (ii) the banks and financial institutions listed in schedule 1 therein as lenders (the “ **Lenders** ”), (iii) ABN AMRO Bank N.V. as agent (in such capacity, the “ **Agent** ”), first swap bank, underwriter and security trustee and (iv) HSH Nordbank AG as second swap bank, to in respect of a loan facility in an amount of (originally) up to US\$100,000,000.

Words and expressions defined in the Loan Agreement shall have the same meanings when used in this letter.

We also refer to the recent discussions between us in which you have requested that the Creditor Parties consent to the deferral of the repayment instalments in respect of the Tranches used to finance "MAULE", "BOX VOYAGER" and "BOX TRADER" payable on 20 May 2016 in the aggregate amount of \$1,925,000 in accordance with clauses 8.1 and 8.2 of the Loan Agreement to 10 June 2016 (the “ **Request** ”).

1 AGREEMENT

In consideration of the sum of US\$1 and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged), the Creditor Parties hereby agree to the Request subject to:

- (a) the conditions set out in paragraph 3 below; and
- (b) the Borrowers executing the acknowledgement to this letter confirming their agreement to the terms and conditions of the same.

2 AMENDMENTS TO THE LOAN AGREEMENT AND THE OTHER FINANCE DOCUMENTS

In consideration of the agreement of the Creditor Parties referred to in paragraph 1 of this letter and upon and with effect on and from the date on which the Agent notifies the Borrowers in writing of the satisfaction of the conditions referred to in paragraph 3.1 below (the "**Effective Date**") and subject to paragraph 3.2 below, the Loan Agreement and the other Finance Documents shall be, and shall be deemed by this letter to be, amended as follows:

- (a) by construing all references in the Loan Agreement to "this Agreement", "hereunder" and the like and in the other Finance Documents to the "Loan Agreement" as references to the Loan Agreement as amended and supplemented by this letter;
- (b) by construing references in the Loan Agreement to each of the other Finance Documents as being references to each such document as the same is amended and supplemented by this letter; and
- (c) by construing references throughout each of the Finance Documents (other than the Loan Agreement) 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 letter.

3 CONDITIONS

3.1 Conditions precedent

Subject to paragraph 3.2 below, our agreement contained in paragraph 1 of this letter shall be expressly subject to the condition that the Agent shall have received in form and substance as may be approved or required by it on or before the Effective Date:

- (a) an original of this letter duly executed by the parties to it; and
- (b) if the Agent so requires, in respect of any of the documents referred to above, a certified English translation prepared by a translator approved by the Agent.

3.2 Conditions subsequent

Our agreement contained in paragraph 1 of this letter shall also be expressly subject to the condition that the Agent shall have received in form and substance as may be approved or required by it, within 5 Business Days from the date of this letter, a copy of the restructuring term sheet duly signed by the parties to it by setting out the main terms agreed in respect of the restructuring of the Loan.

Failure by the Borrowers to satisfy the condition set out in this paragraph 3.2 shall render the Effective Date, and the amendments to the Loan Agreement and the other Finance Documents set out in paragraph 2 of this letter, null and void as from the date of this letter, and the provisions of the Loan Agreement and the other Finance Documents shall remain in full force and effect as if the same had not been amended or supplemented by this letter.

4 REPRESENTATIONS AND WARRANTIES

- (a) Each Borrower hereby represents and warrants to the Agent that (a) the representations and warranties contained in clause 10 of 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.

- (b) The Corporate Guarantor hereby represents and warrants to the Agent that (a) the representations and warranties contained in clause 10 of the Corporate Guarantee 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 Corporate Guarantor enforceable in accordance with its terms.

5 LOAN AGREEMENT AND OTHER FINANCE DOCUMENTS

Subject to paragraph 3.2 above, each Borrower hereby agrees with the Agent that the provisions of the Loan Agreement and the other Finance Documents shall be and are hereby re-affirmed and remain in full force and effect as amended and supplemented by this letter.

6 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.

7 GOVERNING LAW

This letter shall be governed by and construed in accordance with English law and clause 31 (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

for and on behalf of
ABN AMRO BANK N.V.

for and on behalf of
ITF INTERNATIONAL TRANSPORT FINANCE SUISSE AG

for and on behalf of
HSH NORDBANK AG

Accepted and agreed

BORROWERS

for and on behalf of
POLYARISTI NAVIGATION CO.

for and on behalf of
EFPLOIAS SHIPPING CO.

for and on behalf of
AMORITA DEVELOPMENT INC.

COLLATERAL OWNERS

for and on behalf of
ROSETTA NAVIGATION CORP. LIMITED

for and on behalf of
TRITON SHIPPING LIMITED

Dated 20 May 2016

COUNTERSIGNED this 20th day of May 2016 for and on behalf of each Security Party which, by its execution hereof, confirms and acknowledges that it has read and understood the terms and conditions of the above letter (the " **Supplemental Letter** "), 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 Loan Agreement and the Master Agreements (each as amended and supplemented by the Supplemental Letter).

for and on behalf of
BOX SHIPS INC.

for and on behalf of
ALLSEAS MARINE S.A.

DEFERRAL LETTER

To: BOXSHIPS INC.
of Trust Company House
Trust Company Complex
Ajeltake Road, Ajeltake Island
Majuro MH96960
Marshall Islands

From: CREDIT SUISSE AG
St. Alban-Graben 1-3
Basel CH-4002
Switzerland

7 June 2016

Dear Sirs

Loan Agreement dated 11 November 2014 (as amended and supplemented from time to time, the "Loan Agreement") made between (i) Box Ships Inc. as borrower (the "Borrower") and (ii) ourselves as lender (the "Lender") in respect of a loan facility of (originally) up to US\$31,650,000

We refer to:

- (a) the Loan Agreement;
- (b) our letter dated 5 April 2016 where we set out a shortfall of \$381,353.15 in the Retention Account; and
- (c) our letter dated 29 April 2016 where we set out a further shortfall of \$381,353.15 in the Retention Account.

Words and expressions defined in the Loan Agreement shall have the same meaning when used in this Letter unless the context may otherwise require and for the purposes of this Letter:

" **Amendment Documentation** " means any amending and restating documentation in respect of any contemplated restructuring of, or amendment to, the terms of the Loan Agreement in the Agreed Form.

" **Deferred Date** " means the date falling on the earlier of (i) 15 June 2016 and (ii) the date on which the Amendment Documentation is signed.

" **Deferred Repayment Instalments** " mean:

- (a) Tranche B Instalment, in the amount of \$495,000; and
 - (b) Tranche C Instalment, in the amount of \$355,000,
- each due and payable on the Effective Date.

" **Effective Date** " means 31 May 2016.

We also refer to the recent discussions between us in which you have requested that the Lender consents with retrospective effect on and from the Effective Date, to the deferral of the Deferred Repayment Instalments until the Deferred Date (the " **Deferral** ").

1 AGREEMENT

- 1.1** In consideration of the sum of US\$1 and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged), the Lender hereby agrees to the Deferral on and from the Effective Date subject to:
- (a) receipt of a copy of this Letter duly executed by the parties to it; and
 - (b) the Security Parties executing the acknowledgement to this Letter confirming their agreement to the terms and conditions of the same.
- 1.2** The failure of the Borrower to pay the Deferred Repayment Instalments on or prior to the Deferred Date shall constitute an immediate Event of Default pursuant to clause 18.1(a) of the Loan Agreement unless otherwise provided in any Amendment Documentation entered into on the Deferred Date, as the case may be.

2 REPRESENTATIONS AND WARRANTIES

- 2.1** The Borrower hereby represents and warrants to the Lender that (a) the representations and warranties contained in clause 9 of 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 Borrower enforceable in accordance with its terms.

3 RESERVATION OF RIGHTS

- 3.1** The Lender's agreement contained in this Letter is expressly without prejudice to the continuing rights of the Lender under the Loan Agreement and the other Finance Documents including, without limitation, rights in connection with any Event of Default which may have occurred or may in the future occur.

4 COUNTERPARTS

- 4.1** This Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one Letter.

5 LOAN AGREEMENT

- 5.1** The Borrower hereby agrees with the Lender that, notwithstanding our consent to the Deferral, all other provisions of the Loan Agreement and the other Finance Documents remain in full force and effect.
- 5.2** This Letter shall constitute a Finance Document for all purposes under the Loan Agreement and the other Finance Documents.

6 NOTICES

- 6.1** Clause 27 (notices) of the Loan Agreement shall extend and apply to this Letter as if the same were (mutatis mutandis) herein expressly set forth.

7 GOVERNING LAW

- 7.1** 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

for and on behalf of
CREDIT SUISSE AG
(acting as Lender)

Accepted and agreed

for and on behalf of
BOXSHIPS INC.

Dated 7 June 2016

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 as amended and supplemented by the above Letter) 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 and the other Finance Documents (each as amended and supplemented by the above Letter).

for and on behalf of
TACITA OCEANWAY CARRIER CO.

Dated 7 June 2016

for and on behalf of
ALAQUA MARINE LIMTIED

Dated 7 June 2016

for and on behalf of
LAWRY SHIPPING LTD

Dated 7 June 2016

THIRD SUPPLEMENTAL LETTER

**To: POLYARISTI NAVIGATION CO.
EFPLOIAS SHIPPING CO. and
AMORITA DEVELOPMENT INC.**
each of 80 Broad Street
Monrovia
Republic of Liberia

From: ABN AMRO BANK N.V.
93 Coolsingel
3012 AE Rotterdam
Netherlands

HSH NORDBANK AG
Gerhart Hauptmann Platz 50
D-20095 Hamburg
Germany

ITF INTERNATIONAL TRANSPORT FINANCE SUISSE AG
Wasserwerkstrasse 12
CH-8006 Zurich
Switzerland

13 June 2016

Dear Sirs

We refer to a loan agreement dated 6 May 2011 (as amended and restated by two amending and restating agreements dated 9 August 2012 and 9 August 2013, respectively and as further amended and supplemented by a supplemental agreement dated 25 November 2014, a supplemental and release agreement dated 25 June 2015 and two supplemental letters dated 6 May 2016 and 20 May 2016 respectively, the “**Loan Agreement**”) and made between (i) Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc. as joint and several borrowers (the “**Borrowers**”), (ii) the banks and financial institutions listed in schedule 1 therein as lenders (the “**Lenders**”), (iii) ABN AMRO Bank N.V. as agent (in such capacity, the “**Agent**”), first swap bank, underwriter and security trustee and (iv) HSH Nordbank AG as second swap bank, to in respect of a loan facility in an amount of (originally) up to US\$100,000,000.

Words and expressions defined in the Loan Agreement shall have the same meaning when used in this Letter unless the context may otherwise require and for the purposes of this Letter:

" **Amendment Documentation** " means the amending and supplementing documentation in respect of the restructuring of the Loan in accordance with the terms of the Indicative Term Sheet dated 27 May 2016 in the Agreed Form.

" **Deferred Date** " means the date falling on the earlier of (i) 24 June 2016 and (ii) the date on which the Amendment Documentation is signed by all parties thereto.

" **Deferred Repayment Instalments** " mean the repayment instalments in respect of the Tranches used to finance "MALE", "BOX VOYAGER" and "BOX TRADER" in the aggregate amount of \$1,925,000 due and payable on the Effective Date.

" **Effective Date** " means 10 June 2016.

We also refer to the recent discussions between us in which you have requested that the Creditor Parties consent to the deferral of the Deferred Repayment Instalments until the Deferred Date (the "**Deferral**") with effect from the Effective Date.

1 AGREEMENT

1.1 In consideration of the sum of US\$1 and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged), the Creditor Parties hereby agree to the Deferral from the Effective Date subject to:

- (a) receipt of a copy of this Letter duly executed by the parties to it; and
- (b) the Security Parties executing the acknowledgement to this Letter confirming their agreement to the terms and conditions of the same.

1.2 The failure of the Borrowers to pay the Deferred Repayment Instalments on or prior to the Deferred Date shall constitute an immediate Event of Default pursuant to clause 18.1(a) of the Loan Agreement.

2 REPRESENTATIONS AND WARRANTIES

2.1 The Borrowers hereby represent and warrant to the Agent that (a) the representations and warranties contained in clause 10 of 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.

3 COUNTERPARTS

3.1 This Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one Letter.

4 LOAN AGREEMENT

4.1 The Borrowers hereby agree with the Agent that, notwithstanding our consent to the Deferral, all other provisions of the Loan Agreement and the other Finance Documents remain in full force and effect.

4.2 This Letter shall constitute a Finance Document for all purposes under the Loan Agreement and the other Finance Documents.

5 NOTICES

5.1 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

6.1 This Letter shall be governed by and construed in accordance with English law and clause 31 (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

for and on behalf of
ABN AMRO BANK N.V.

for and on behalf of
ITF INTERNATIONAL TRANSPORT FINANCE SUISSE AG

for and on behalf of
HSH NORDBANK AG

Accepted and agreed

BORROWERS

for and on behalf of
POLYARISTI NAVIGATION CO.

for and on behalf of
EFPLOIAS SHIPPING CO.

for and on behalf of
AMORITA DEVELOPMENT INC.

COLLATERAL OWNERS

for and on behalf of
ROSETTA NAVIGATION CORP. LIMITED

for and on behalf of
TRITON SHIPPING LIMITED

Dated 13 June 2016

COUNTERSIGNED this 13th day of June 2016 for and on behalf of each Security Party which, by its execution hereof, confirms and acknowledges that it has read and understood the terms and conditions of the above letter (the " **Supplemental Letter** "), 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 Loan Agreement and the Master Agreements (each as amended and supplemented by the Supplemental Letter).

for and on behalf of
BOX SHIPS INC.

for and on behalf of
ALLSEAS MARINE S.A.

SECOND DEFERRAL LETTER

To: BOX SHIPS INC.
 of Trust Company House
 Trust Company Complex
 Ajeltake Road, Ajeltake Island
 Majuro MH96960
 Marshall Islands

From: CREDIT SUISSE AG
 St. Alban-Graben 1-3
 Basel CH-4002
 Switzerland

15 June 2016

Dear Sirs

Loan Agreement dated 11 November 2014 (as amended and supplemented from time to time, the "Loan Agreement") made between (i) Box Ships Inc. as borrower (the "Borrower") and (ii) ourselves as lender (the "Lender") in respect of a loan facility of (originally) up to US\$31,650,000

We refer to:

- (a) the Loan Agreement;
- (b) our letter dated 5 April 2016 where we set out a shortfall of \$381,353.15 in the Retention Account;
- (c) our letter dated 29 April 2016 where we set out a further shortfall of \$381,353.15 in the Retention Account; and
- (d) our letter dated 7 June 2016 where we agreed to defer the Deferred Repayment Instalments (as defined below) until the earlier of (i) 15 June 2016 and (ii) the date on which the Amendment Documentation (as defined below) is signed.

Words and expressions defined in the Loan Agreement shall have the same meaning when used in this Letter unless the context may otherwise require and for the purposes of this Letter:

" **Amendment Documentation** " means any amending and restating documentation in respect of any contemplated restructuring of, or amendment to, the terms of the Loan Agreement in the Agreed Form.

" **Deferred Repayment Instalments** " mean:

- (a) Tranche B Instalment, in the amount of \$495,000; and
 - (b) Tranche C Instalment, in the amount of \$355,000,
- each due and payable on the date of this Letter.

" **Second Deferred Date** " means the date falling on the earlier of (i) 24 June 2016 and (ii) the date on which the Amendment Documentation is signed.

We also refer to the recent discussions between us in which you have requested that the Lender consents, to the further deferral of the Deferred Repayment Instalments until the Second Deferred Date (the " **Deferral** ").

1 AGREEMENT

1.1 In consideration of the sum of US\$1 and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged), the Lender hereby agrees to the Deferral subject to:

- (a) receipt of a copy of this Letter duly executed by the parties to it; and
- (b) the Security Parties executing the acknowledgement to this Letter confirming their agreement to the terms and conditions of the same.

1.2 The failure of the Borrower to pay the Deferred Repayment Instalments on or prior to the Second Deferred Date shall constitute an immediate Event of Default pursuant to clause 18.1(a) of the Loan Agreement unless otherwise provided in any Amendment Documentation entered into on the Second Deferred Date, as the case may be.

2 REPRESENTATIONS AND WARRANTIES

2.1 The Borrower hereby represents and warrants to the Lender that (a) the representations and warranties contained in clause 9 of 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 Borrower enforceable in accordance with its terms.

3 RESERVATION OF RIGHTS

3.1 The Lender's agreement contained in this Letter is expressly without prejudice to the continuing rights of the Lender under the Loan Agreement and the other Finance Documents including, without limitation, rights in connection with any Event of Default which may have occurred or may in the future occur.

4 COUNTERPARTS

4.1 This Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one Letter.

5 LOAN AGREEMENT

5.1 The Borrower hereby agrees with the Lender that, notwithstanding our consent to the Deferral, all other provisions of the Loan Agreement and the other Finance Documents remain in full force and effect.

5.2 This Letter shall constitute a Finance Document for all purposes under the Loan Agreement and the other Finance Documents.

6 NOTICES

6.1 Clause 27 (notices) of the Loan Agreement shall extend and apply to this Letter as if the same were (mutatis mutandis) herein expressly set forth.

7 GOVERNING LAW

7.1 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

for and on behalf of
CREDIT SUISSE AG
(acting as Lender)

Accepted and agreed

for and on behalf of
BOX SHIPS INC.

Dated 15 June 2016

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 as amended and supplemented by the above Letter) 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 and the other Finance Documents (each as amended and supplemented by the above Letter).

for and on behalf of
TACITA OCEANWAY CARRIER CO.

Dated 15 June 2016

for and on behalf of
ALAQUA MARINE LIMTIED

Dated 15 June 2016

for and on behalf of
LAWRY SHIPPING LTD

Dated 15 June 2016

FOURTH SUPPLEMENTAL LETTER

**To: POLYARISTI NAVIGATION CO.
EFPLOIAS SHIPPING CO. and
AMORITA DEVELOPMENT INC.**
each of 80 Broad Street
Monrovia
Republic of Liberia

From: ABN AMRO BANK N.V.
93 Coolsingel
3012 AE Rotterdam
Netherlands

HSH NORDBANK AG
Gerhart Hauptmann Platz 50
D-20095 Hamburg
Germany

ITF INTERNATIONAL TRANSPORT FINANCE SUISSE AG
Wasserwerkstrasse 12
CH-8006 Zurich
Switzerland

24 June 2016

Dear Sirs

We refer to a loan agreement dated 6 May 2011 (as amended and restated by two amending and restating agreements dated 9 August 2012 and 9 August 2013, respectively and as further amended and supplemented by a supplemental agreement dated 25 November 2014, a supplemental and release agreement dated 25 June 2015 and three supplemental letters dated 6 May 2016, 20 May 2016 and 13 June 2016 respectively, the “ **Loan Agreement** ”) and made between (i) Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc. as joint and several borrowers (the “ **Borrowers** ”), (ii) the banks and financial institutions listed in schedule 1 therein as lenders (the “ **Lenders** ”), (iii) ABN AMRO Bank N.V. as agent (in such capacity, the “ **Agent** ”), first swap bank, underwriter and security trustee and (iv) HSH Nordbank AG as second swap bank, to in respect of a loan facility in an amount of (originally) up to US\$100,000,000.

Words and expressions defined in the Loan Agreement shall have the same meaning when used in this Letter unless the context may otherwise require and for the purposes of this Letter:

" **Amendment Documentation** " means the amending and supplementing documentation in respect of the restructuring of the Loan in accordance with the terms of the Indicative Term Sheet dated 27 May 2016 in the Agreed Form.

" **Deferred Date** " means the date falling on the earlier of (i) 1 July 2016 and (ii) the date on which the Amendment Documentation is signed by all parties thereto.

" **Deferred Repayment Instalments** " mean the repayment instalments in respect of the Tranches used to finance "MAULE", "BOX VOYAGER" and "BOX TRADER" in the aggregate amount of \$1,925,000 due and payable on the Effective Date.

" **Effective Date** " means the date of this Letter.

We also refer to the recent discussions between us in which you have requested that the Creditor Parties consent to the deferral of the Deferred Repayment Instalments until the Deferred Date (the " **Deferral** ") with effect from the Effective Date.

1 AGREEMENT

1.1 In consideration of the sum of US\$1 and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged), the Creditor Parties hereby agree to the Deferral from the Effective Date subject to:

- (a) receipt of a copy of this Letter duly executed by the parties to it; and
- (b) the Security Parties executing the acknowledgement to this Letter confirming their agreement to the terms and conditions of the same.

1.2 The failure of the Borrowers to pay the Deferred Repayment Instalments on or prior to the Deferred Date shall constitute an immediate Event of Default pursuant to clause 18.1(a) of the Loan Agreement.

2 REPRESENTATIONS AND WARRANTIES

2.1 The Borrowers hereby represent and warrant to the Agent that (a) the representations and warranties contained in clause 10 of 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.

3 COUNTERPARTS

3.1 This Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one Letter.

4 LOAN AGREEMENT

4.1 The Borrowers hereby agree with the Agent that, notwithstanding our consent to the Deferral, all other provisions of the Loan Agreement and the other Finance Documents remain in full force and effect.

4.2 This Letter shall constitute a Finance Document for all purposes under the Loan Agreement and the other Finance Documents.

5 NOTICES

5.1 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

6.1 This Letter shall be governed by and construed in accordance with English law and clause 31 (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

for and on behalf of
ABN AMRO BANK N.V.

for and on behalf of
ITF INTERNATIONAL TRANSPORT FINANCE SUISSE AG

for and on behalf of
HSH NORDBANK AG

Accepted and agreed

BORROWERS

for and on behalf of
POLYARISTI NAVIGATION CO.

for and on behalf of
EFPLOIAS SHIPPING CO.

for and on behalf of
AMORITA DEVELOPMENT INC.

COLLATERAL OWNERS

for and on behalf of
ROSETTA NAVIGATION CORP. LIMITED

for and on behalf of
TRITON SHIPPING LIMITED

Dated 24 June 2016

COUNTERSIGNED this 24th day of June 2016 for and on behalf of each Security Party which, by its execution hereof, confirms and acknowledges that it has read and understood the terms and conditions of the above letter (the " **Supplemental Letter** "), 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 Loan Agreement and the Master Agreements (each as amended and supplemented by the Supplemental Letter).



for and on behalf of
BOX SHIPS INC.

for and on behalf of
ALLSEAS MARINE S.A.

DEFERRAL LETTER

To: BOXSHIPS INC.
 of Trust Company House
 Trust Company Complex
 Ajeltake Road, Ajeltake Island
 Majuro MH96960
 Marshall Islands

From: CREDIT SUISSE AG
 St. Alban-Graben 1-3
 Basel CH-4002
 Switzerland

30 June 2016

Dear Sirs

Loan Agreement dated 11 November 2014 (as amended and supplemented from time to time, the "Loan Agreement") made between (i) Box Ships Inc. as borrower (the "Borrower") and (ii) ourselves as lender (the "Lender") in respect of a loan facility of (originally) up to US\$31,650,000

We refer to:

- (a) the Loan Agreement;
- (b) our letter dated 5 April 2016 where we set out a shortfall of \$381,353.15 in the Retention Account; and
- (c) our letter dated 15 June 2016 where we agreed to defer the Deferred Repayment Instalments (as defined below) until the earlier of (i) the Effective Date and (ii) the date on which the Amendment Documentation (as defined below) is signed.

Words and expressions defined in the Loan Agreement shall have the same meaning when used in this Letter unless the context may otherwise require and for the purposes of this Letter:

" **Amendment Documentation** " means any amending and restating documentation in respect of any contemplated restructuring of, or amendment to, the terms of the Loan Agreement in the Agreed Form.

" **Deferred Repayment Instalments** " mean:

- (a) Tranche B Instalment, in the amount of \$495,000; and
 - (b) Tranche C Instalment, in the amount of \$355,000,
- each due and payable on the Effective Date.

" **Effective Date** " means 24 June 2016.

" **Third Deferred Date** " means the date falling on the earlier of (i) 1 July 2016 and (ii) the date on which the Amendment Documentation is signed.

We also refer to the recent discussions between us in which you have requested that the Lender consents with retrospective effect on and from the Effective Date, to the further deferral of the Deferred Repayment Instalments until the Third Deferred Date (the " **Deferral** ").

1 AGREEMENT

- 1.1** In consideration of the sum of US\$1 and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged), the Lender hereby agrees to the Deferral on and from the Effective Date subject to:
- (a) receipt of a copy of this Letter duly executed by the parties to it; and
 - (b) the Security Parties executing the acknowledgement to this Letter confirming their agreement to the terms and conditions of the same.
- 1.2** The failure of the Borrower to pay the Deferred Repayment Instalments on or prior to the Third Deferred Date shall constitute an immediate Event of Default pursuant to clause 18.1(a) of the Loan Agreement unless otherwise provided in any Amendment Documentation entered into on the Third Deferred Date, as the case may be.

2 REPRESENTATIONS AND WARRANTIES

- 2.1** The Borrower hereby represents and warrants to the Lender that (a) the representations and warranties contained in clause 9 of 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 Borrower enforceable in accordance with its terms.

3 RESERVATION OF RIGHTS

- 3.1** The Lender's agreement contained in this Letter is expressly without prejudice to the continuing rights of the Lender under the Loan Agreement and the other Finance Documents including, without limitation, rights in connection with any Event of Default which may have occurred or may in the future occur.

4 COUNTERPARTS

- 4.1** This Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one Letter.

5 LOAN AGREEMENT

- 5.1** The Borrower hereby agrees with the Lender that, notwithstanding our consent to the Deferral, all other provisions of the Loan Agreement and the other Finance Documents remain in full force and effect.
- 5.2** This Letter shall constitute a Finance Document for all purposes under the Loan Agreement and the other Finance Documents.

6 NOTICES

- 6.1** Clause 27 (notices) of the Loan Agreement shall extend and apply to this Letter as if the same were (mutatis mutandis) herein expressly set forth.

7 GOVERNING LAW

- 7.1** 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

for and on behalf of
CREDIT SUISSE AG
(acting as Lender)

Accepted and agreed

for and on behalf of
BOXSHIPS INC.

Dated 30 June 2016

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 as amended and supplemented by the above Letter) 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 and the other Finance Documents (each as amended and supplemented by the above Letter).

for and on behalf of
TACITA OCEANWAY CARRIER CO.

Dated 30 June 2016

for and on behalf of
ALAQUA MARINE LIMTIED

Dated 30 June 2016

for and on behalf of
LAWRY SHIPPING LTD

Dated 30 June 2016

Addendum 1
To
The Amended and Restated Accounting Agreement dated 01/07/2016
(the “Agreement”)

Between
Box Ships Inc. of Marshall Islands
(the “Company”)

And
Allseas Marine S.A.
(“Allseas”)

Notwithstanding the relevant provisions of the Amended and Restated Accounting Agreement , it is this, 1st day of July 2016, mutually agreed between the Company and Allseas that the clause 3 of the Agreement shall be amended to read as follows:

Fees.

In consideration of its services hereunder, Allseas will be paid as follows:

A) In consideration of the financial accounting services provided hereunder, a Financial Accounting Service Fee of € 200.000 (Two Hundred Thousand Euros) per annum, paid quarterly in arrears on the last business day of each quarter; and

B) In consideration of the financial reporting services provided hereunder, a Financial Reporting Fee of US\$ 30,000 (Thirty Thousand US Dollars) per Vessel per annum, paid quarterly in arrears on the last business day of each quarter.

The parties hereby agree that this Agreement comes into effect as of January 1st, 2016.

All other fees, terms, conditions and provisions of the Amended and Restated Accounting Agreement remain unaltered and in full force and effect.

IN WITNESS WHEREOF the parties signed the present document the day and year first above written.

For and on behalf of,

BOX SHIPS INC.

ALLSEAS MARINE S.A.

By: AIKATERINI STOUPA
 Title: Corporate Secretary

By : GEORGE SKRIMIZEAS
 Title: President/Director

Dated 1 July 2016

BOX SHIPS INC.

as Borrower

and

CREDIT SUISSE AG

as Lender

SUPPLEMENTAL AGREEMENT

in relation to a loan agreement dated
11 November 2014
for a loan facility of up to US\$31,650,000

WATSON FARLEY
&
WILLIAMS

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THIS SUPPLEMENTAL AGREEMENT is dated 1 July 2016 and made

BETWEEN:

- (1) **BOX SHIPS 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 (the "**Borrower**"); and
- (2) **CREDIT SUISSE AG**, acting through its branch at St. Alban-Graben 1-3, CH-4051 Basel, Switzerland (the "**Lender**").

BACKGROUND

- (A) By a loan agreement dated 11 November 2014 (the "**Loan Agreement**"), made between the Borrower and the Lender, the Lender made available to the Borrower a loan facility of up to US\$31,650,000 (all of which is currently outstanding by way of principal) upon the terms and for the purposes therein specified.
- (B) By a master agreement (on the 2002 ISDA Master Agreement form and including the schedule thereto dated as of 11 November 2014 (the "**Master Agreement**") and made between the Borrower and the Lender, the Borrower has entered into or may enter into certain Transactions (as such term is defined in the said Master Agreement) pursuant to separate Confirmations (as the said term is defined in the said Master Agreement) providing for, amongst other things, the payment of certain amounts by the Borrower to Lender.
- (C) The Borrower has requested that the Lender consents to (inter alia):
 - (i) defer the amount of \$2,195,000 in its entirety, consisting of:
 - (a) the Tranche A Repayment Instalment in the amount of \$495,000 falling due on 30 August 2016; and
 - (b) two Tranche B Repayment Instalments each in the amount of \$495,000 and two Tranche C Repayment Instalments each in the amount of \$355,000, falling due on 1 July 2016 and 30 August 2016 respectively,to be payable on the Final Maturity Date;
 - (ii) if the Approved Charterer exercises the Option (as such term is defined below), to defer the amount of \$1,345,000 in its entirety, consisting of:
 - (a) the Tranche A Repayment Instalment and the Tranche B Repayment Instalment each in the amount of \$495,000 falling due on 30 November 2016; and
 - (b) the Tranche C Repayment Instalment in the amount of \$355,000 falling due on 30 November 2016,to be payable on the Final Maturity Date;
 - (iii) waive the minimum required Security Cover Ratio during the Waiver Period in its entirety (as defined below);
 - (iv) waive the Leverage Ratio during the Waiver Period in its entirety;
 - (v) subject to the Sale Date occurring immediately following the Expiry Date (as defined below) and the application of the Net Proceeds in the manner described in Recital D(ii) below, to allow the Lender to apply the Minimum Liquidity relevant to Ship C (being equal to US\$500,000) against the Loan in order of maturity; and

- (vi) the consequential amendments to the Loan Agreement and the other Finance Documents in relation to those matters,
(together, the "**Request**").

(D) The Lender's consent to the Request is subject to, inter alia:

- (i) Lawry undertaking to (a) sign the MOA (as defined below) for the sale of Ship C by no later than the Expiry Date and (b) successfully complete the sale of Ship C and irrevocably and unconditionally deliver Ship C to the Buyer immediately following the Expiry Date;
- (ii) to apply the total amount of the Net Proceeds and, following the sale of Ship C, the Minimum Liquidity relevant to Ship C in prepayment of the Loan proportionately between all Tranches first against the then outstanding Repayment Instalments and thereafter against the Balloon Instalments in order of maturity; and
- (iii) the Borrower and each Owner providing to the Lender monthly statements setting out the details of the trade debt outstanding in respect of each Ship.

(E) This Supplemental Agreement sets out the terms and conditions on which the Lender agrees with effect from the Effective Date to amend the Loan Agreement, the other Finance Documents and the Master Agreement.

NOW THEREFORE IT IS HEREBY AGREED

1 DEFINITIONS

1.1 Words and expressions defined in the Loan Agreement (as hereby amended) and not otherwise defined herein shall have the same meanings when used in this Supplemental Agreement.

1.2 In this Supplemental Agreement the words and expressions specified below shall have the meanings attributed to them below:

" **Applicable Date** " means, in respect of the Waiver Period, the Expiry Date and in the case where the Sale Date occurs immediately following the Expiry Date, the Final Maturity Date;

" **Approved Charter** " means, in relation to Ship C, a time charter dated 22 May 2016 as same may be amended, supplemented and amended from time to time) and expiring on the Expiry Date and made between Lawry and the Approved Charterer;

" **Buyer** " means an unaffiliated third party in all respects acceptable to the Lender;

" **Approved Charterer** " means ZIM Integrated Shipping Services Ltd, a company incorporated in Israel whose registered address is at 9 Andre Saharov St., 31016 Haifa, Israel;

" **Effective Date** " means the date on which the conditions precedent in Clause 4.1 are satisfied;

" **Expiry Date** " means the earlier of (i) the date on which the Approved Charter is cancelled, terminated, rescinded or suspended or otherwise ceases to remain in force and effect and (ii) 31 August 2016 or, in the case where the Approved Charterer exercises the Option, the new expiration date of the Approved Charter;

" **First Notice of Re-delivery** " means the notice to be served by the Approved Charterer on Lawry 30 days prior to the end of the Approved Charter in respect of the re-delivery of Ship C from the Approved Charterer to Lawry;

" **MOA** " means the memorandum of agreement entered or to be entered between Lawry and the Buyer in respect of the sale of Ship C in all respects acceptable to the Lender and includes any amendments and or supplements thereto;

" **Net Proceeds** " means the net sale proceeds in respect of the sale of Ship C in accordance with the terms of the MOA;

" **Option** " means the Approved Charterer's option to extend the minimum tenor of the Approved Charter to a date falling after 31 August 2016;

" **Sale Date** " means, in respect of Ship C, the date on which title to and possession of that Ship is unconditionally and irrevocably transferred from Lawry to the Buyer pursuant to a sale agreement executed between the relevant parties;

" **Supplemental Agreement** " means the first supplemental agreement dated 1 July 2016 entered into between (i) the Borrower and (ii) the Lender; and

" **Waiver Period** " means the period commencing on 30 June 2016 (inclusive) and ending on the Applicable Date (inclusive).

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.

- 1.4** Where the context so admits words importing the singular number only shall include the plural and vice versa and words importing persons shall include firms and corporations. Clause headings are inserted for convenience of reference only and shall be ignored in construing this Supplemental Agreement. References to Clauses are to clauses of this Supplemental Agreement save as may be otherwise expressly provided in this Supplemental Agreement.

2 REPRESENTATIONS AND WARRANTIES

- 2.1** The Borrower represents and warrants to the Lender, as at the date of this Supplemental Agreement and on the Effective Date, that the representations and warranties set forth in Clause 9 of the Loan Agreement (updated mutatis mutandis to the date of this Supplemental Agreement) are true and correct as if all references therein to "this Agreement" were references to the Loan Agreement as amended by this Supplemental Agreement.
- 2.2** The Borrower hereby further represents and warrants to the Lender that, as at the date of this Supplemental Agreement:
- (a) the Borrower is duly incorporated and validly existing under the laws of the Republic of the Marshall Islands;
 - (b) the Borrower has full power to enter into and perform its obligations under this Supplemental Agreement and has complied with all statutory and other requirements relative to its business;
 - (c) all necessary governmental or other official consents, authorisations, approvals, licences, consents or waivers by the Borrower for the execution, delivery, performance, validity and/or enforceability of this Supplemental Agreement and all other documents to be executed in connection with the amendments to the Loan Agreement as contemplated hereby have been obtained and will be maintained in full force and effect;

- (d) the Borrower has taken all necessary corporate and other action to authorise the execution, delivery and performance of its obligations under this Supplemental Agreement, and such other documents to which it is a party and such documents do or will upon execution thereof constitute the valid and binding obligations of the Borrower enforceable in accordance with their respective terms;
- (e) the execution, delivery and performance of this Supplemental Agreement and all such other documents as contemplated hereby does not and will not during the Security Period constitute a breach of any contractual restriction or any existing applicable law or regulation, binding on the Borrower or on any of its assets and will not result in the creation or imposition of any Security Interest (other than under the Finance Documents) on any of such assets.

3 AGREEMENT OF THE LENDER AND THE BORROWER

3.1 Agreement of the Lender

The Lender, relying upon each of the representations and warranties set out in Clauses 2.1 and 2.2 and subject to and upon the other terms and conditions of this Supplemental Agreement, hereby agrees with the Borrower to amend the Loan Agreement and the Finance Documents as set out in Clause 5 hereof.

3.2 Agreement of the Borrower

The Borrower agrees and confirms that, save as amended pursuant to this Supplemental Agreement, the Loan Agreement, the Master Agreement and the other Finance Documents shall remain in full force and effect and it shall remain liable under the Loan Agreement, the Master Agreement and the other Finance Documents to which it is a party for all obligations and liabilities assumed by the Borrower thereunder.

4 CONDITIONS PRECEDENT

4.1 General

The agreement of the Lender contained in Clause 3.1 of this Supplemental Agreement is conditional to the fulfilment of the conditions precedent in Clause 4.2.

4.2 Conditions Precedent

The conditions referred to in Clause 4.1 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 and 4 of Schedule 2, Part A to the Loan Agreement in respect of the Borrower and each Owner with appropriate modifications to refer to this Agreement;
- (b) an up to date certificate of good standing for the Borrower and each Owner;
- (c) certified copies of all documents evidencing any other necessary action, approvals or consents with respect to this Supplemental Agreement all necessary governmental and other official approvals and consents in such pertinent jurisdictions as the Lender deems appropriate;

- (d) an original of this Supplemental Agreement duly executed by the parties hereto and countersigned by the Security Parties mentioned herein;
- (e) favourable legal opinions from lawyers appointed by the Lender on matters concerning the laws of the Republic of the Marshall Islands and Liberia or any other Pertinent Jurisdiction;
- (f) evidence that the agent referred to in Clause 10.4 has accepted its appointment as agent for the service of process under this Supplemental Agreement; and
- (g) any other document or evidence as the Lender may request in writing from the Borrower, or the Owners.

5 VARIATIONS TO LOAN AGREEMENT AND OTHER FINANCE DOCUMENTS

5.1 Specific amendments to Loan Agreement

In consideration of the agreement of the Lender contained in Clause 3.1 of this Supplemental Agreement, the Borrower hereby agrees with the Lender that upon satisfaction of the conditions referred to in Clause 4.1, with effect on and from the Effective Date the provisions of the Loan Agreement, shall be, and shall be deemed by this Supplemental Agreement to be amended as follows:

- (a) 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 this Supplemental Agreement and as the same may from time to time be further supplemented and/or amended;
- (b) by inserting in clause 1.1 thereof the definitions of "Applicable Date", "Approved Charter", "Approved Charterer", "Buyer", "Expiry Date", "First Notice of Re-delivery", "MOA", "Net Proceeds", "Option", "Sale Date", "Supplemental Agreement" and "Waiver Period", contained in Clause 1.2 of this Supplemental Agreement;
- (c) by inserting the definition of "Repayment Instalment" in clause 1.1 thereof with the following definition:

"" **Repayment Instalment** " has the meaning given in Clause 7.1(b)(iii)(A);";

- (d) by replacing the definition of "Balloon Instalment" and "Business Day" in clause 1.1 thereof with the following new definitions:

"" **Balloon Instalment** " has the meaning given in Clause 7.1(b)(iii)(B);"; and

" **Business Day** " means (i) a day (other than a Saturday or Sunday) which is not a public holiday in Athens and Piraeus and (ii) a day (other than a Saturday or Sunday) on which banks are open for general business in London, Zurich and Basel and, in respect of a day on which a payment in Dollars is required to be made under a Finance Document, also in New York City;";

- (e) by deleting clauses 7.1 and 7.2 thereof in their entirety and replacing them with the following new clauses:

"7.1 Amount of Repayment Instalments

The Borrower shall repay each Tranche as follows:

- (a) if the Option is not exercised by the Approved Charterer:
 - (i) Tranche A by:

- (A) 3 equal consecutive three-monthly instalments each in the amount of \$495,000 (the " **Option A Tranche A Instalments** "); and
 - (B) a balloon instalment in the amount of \$11,650,000 (the " **Option A Tranche A Balloon Instalment** ");
 - (ii) Tranche B by:
 - (A) 3 equal consecutive three-monthly instalments each in the amount of \$495,000 (the " **Option A Tranche B Instalments** "); and
 - (B) a balloon instalment in the amount of \$11,650,000 (the " **Option A Tranche B Balloon Instalment** ");
 - (iii) Tranche C by:
 - (A) 3 equal consecutive three-monthly instalments each in the amount of \$355,000 (the " **Option A Tranche C Instalments** " and, together with, Option A Tranche A Instalments and Option A Tranche B Instalments, the " **Option A Repayment Instalments** " and, in the singular, means either of them); and
 - (B) a balloon instalment in the amount of \$4,315,000 (the " **Option A Tranche C Balloon Instalment** " and, together with the Option A Tranche A Balloon Instalment and the Option A Tranche B Balloon Instalment, the " **Option A Balloon Instalments** " and, in the singular, means any of them).
- (b) If the Option is exercised by the Approved Charterer:
- (i) Tranche A by:
 - (A) 2 Tranche A Instalments each in the amount of \$495,000 (the " **Option B Tranche A Instalments** "); and
 - (B) a balloon instalment in the amount of \$12,145,000 (the " **Option B Tranche A Balloon Instalment** ");
 - (ii) Tranche B by:
 - (A) 2 Tranche B Instalments each in the amount of \$495,000 (the " **Option B Tranche B Instalments** "); and
 - (B) a balloon instalment in the amount of \$12,145,000 (the " **Option B Tranche B Balloon Instalment** "); and
 - (iii) Tranche C by:
 - (A) 2 Tranche C Instalments each in the amount of \$355,000; the " **Option B Tranche C Instalments** " and together with the Option B Tranche A Instalments, the Option B Tranche B Instalments and the Option A Repayment Instalments, the " **Repayment Instalments** " and in the singular means either of them); and
 - (B) a balloon instalment in the amount of \$4,670,000 (the " **Option B Tranche C Balloon Instalment** " and together with the Option B Tranche A Balloon Instalment, the Option B Tranche B Balloon Instalment, the Option A Balloon Instalments, the " **Balloon Instalments** " and in the singular means either of them).

7.2 Repayment Dates

- (a) The first Option A Repayment Instalment in respect of each Tranche shall be repaid on 30 November 2016 or, as the case may be, the first Option B Repayment Instalment in respect of each Tranche shall be repaid on 28 February 2017.
- (b) Each subsequent Repayment Instalment in respect of each Tranche shall be repaid at three monthly intervals thereafter and the relevant last Repayment Instalment, together with the relevant Balloon Instalment, shall be repaid on the Final Maturity Date.";
- (f) by deleting sub-paragraph (b) of the definition of "Relevant Amount" in clause 7.7 thereof and replacing it with the following new sub-paragraph:
 - "(b) Ship C, the aggregate of the Minimum Liquidity relevant to Ship C and the Net Proceeds";
- (g) by deleting sub-clause 7.9(b) thereof and replacing it with the following new sub-clause:
 - "(b) If made pursuant to Clause 7.7, in the case of a sale or Total Loss of:
 - (i) an Existing Ship, first towards full prepayment of the Tranche related to the Existing Ship being sold or which has become a Total Loss and any balance shall thereafter be applied proportionately between the remaining Tranches pro rata first against the Repayment Instalments and thereafter against the Balloon Instalments in order of maturity; and
 - (ii) Ship C, towards prepayment of the Loan proportionately between all Tranches first against the then outstanding Repayment Instalments and thereafter against the Balloon Instalments in order of maturity.";
- (h) by deleting clause 10.6 thereof and replacing it with the following new clause:

"10.6 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 the audited consolidated annual accounts of the Borrower for that Financial Year (commencing with accounts for the year ending 31 December 2014);
- (b) as soon as possible, but in no event later than 90 days after the end of each 6-month period in each Financial Year of the Borrower its unaudited consolidated accounts for that 6-month period certified as to their correctness by any officer or director of the Borrower, and
- (c) as soon as possible, but in no event later than 5 Business Days after the end of each month, monthly statements in a form approved by the Lender fully disclosing the trade debt incurred and outstanding in respect of each Ship certified as to their correctness by any officer or director of the Borrower; and
- (d) promptly after each request by the Lender, such further financial information about the Borrower, each Ship and the Owners (including, but not limited to, charter arrangements, commitments, operations, Financial Indebtedness and operating expenses) as the Lender may require from time to time;

- (i) by adding in the Loan Agreement the following new clause 10.20 as follows:

"10.20 Sale of Ship C

The Borrower undertakes to:

- (a) take all necessary actions in order to market Ship C for sale immediately upon receipt of the First Notice of Re-delivery;
 - (b) ensure that Ship C is sold for cash on normal commercial arm's length terms to the Buyer;
 - (c) keep the Lender regularly updated regarding the sale process of Ship C and to advise the Lender promptly of any offers received for Ship C (including, without limitation, the price offered, the identity of the Buyer and the main terms of the offer);
 - (d) send to the Lender a certified copy of the MOA (and any addenda or supplemental agreements applicable thereto) made between Lawry and the Buyer in respect of the sale of Ship C, promptly after the execution of such document;
 - (e) settle any pending claims against the insurers or the Approved Charterer in connection with Ship C prior to the Sale Date;
 - (f) ensure that (i) the MOA is signed between Lawry and the Buyer for the sale of Ship C by no later than the Expiry Date and (ii) the sale of Ship C is successfully completed and Ship C is irrevocably and unconditionally delivered to the Buyer in accordance with this Clause 10.20 immediately following the Expiry Date; and
 - (g) on or prior to the Sale Date the Net Proceeds are paid to the Lawry Shipping Ltd – Earnings Account and are applied proportionately between all Tranches first against the then outstanding Repayment Instalments and thereafter against the Balloon Instalments in order of maturity (and the Borrower irrevocably and unconditionally authorises the Lender to make such application on its behalf)."
- (j) by adding the words "other than during the Waiver Period" after the figure "0.80:1" in clause 11.5(b) thereof;
- (k) by adding at the end of clause 14.1 thereof the following proviso:
- " Provided that** this clause 14.1 shall not apply during the Waiver Period;"
- (l) by adding clause reference "10.20" after reference to "10.19" in clause 18.1(b) of the Loan Agreement;
- (m) by deleting clause 18.1(k) thereof in its entirety and re-designating clauses 18.1(l), 18.1(m), 18.1(n), 18.1(o), 18.1(p), 18.1(q), 18.1(r) and 18.1(s) as the new clauses 18.1(k), 18.1(l), 18.1(m), 18.1(n), 18.1(o), 18.1(p), 18.1(q) and 18.1(r) respectively; and
- (n) by construing all references therein to "this Agreement" hereunder" or the like expressions where the context admits as being references to "Loan Agreement as the same is amended and supplemented by this Supplemental Agreement and as the same may from time to time be further supplemented and/or amended".

5.2 Amendments to the Guarantees

With effect on and from the Effective Date, each Guarantee shall be, and shall be deemed by this Agreement to be, amended as follows:

- (a) by deleting clause 11.3 thereof and replacing it with the following new clause:

"11.3 Provision of financial statements

The Guarantor shall send or procure these are sent to the Lender:

- (a) as soon as possible, but in no event later than 5 Business Days after the end of each month, monthly statements in a form approved by the Lender fully disclosing the trade debt incurred and outstanding in respect of the Ship certified as to their correctness by any officer or director of the Borrower; and
- (b) promptly after each request by the Lender such financial information about the Guarantor and the Ship (including, but not limited to, charter arrangements, commitments, operations, Financial Indebtedness and operating expenses) as the Lender may require from time to time."; and

- (b) by adding a new clause 11.20 of the Guarantee in respect of Lawry as follows:

"11.20 Sale of the Ship

The Guarantor undertakes to:

- (a) take all necessary actions in order to market the Ship for sale immediately upon receipt of the First Notice of Re-delivery;
- (b) ensure that the Ship is sold for cash on normal commercial arm's length terms to the Buyer;
- (c) keep the Lender regularly updated regarding the sale process of the Ship and to advise the Lender promptly of any offers received for the Ship (including, without limitation, the price offered, the identity of the Buyer and the main terms of the offer);
- (d) send to the Lender a certified copy of the MOA (and any addenda or supplemental agreements applicable thereto) made between Lawry and the Buyer in respect of the sale of the Ship, promptly after the execution of such document;
- (e) settle any pending claims against the insurers or the Approved Charterer in connection with the Ship prior to the Sale Date;
- (f) it (i) signs the MOA with the Buyer for the sale of the Ship by no later than the Expiry Date and (ii) completes the sale of the Ship successfully and the Ship is irrevocably and unconditionally delivered to the Buyer in accordance with this Clause 11.20 immediately following the Expiry Date; and
- (g) on or prior to the Sale Date the Net Proceeds are paid to the Lawry Shipping Ltd – Earnings Account and undertakes to ensure that the Net Proceeds are applied proportionately between all Tranches first against the then outstanding Repayment Instalments and thereafter against the Balloon Instalments in order of maturity."; and

- (c) by construing references to each of the Guarantees and any other Finance Documents as being references to each such document as amended and supplemented by this Supplemental Agreement and as the same may from time to time be further supplemented and/or amended.

5.3 Amendments to Finance Documents

With effect on and from the Effective Date each of the Finance Documents other than the Loan Agreement, the Guarantees, shall be, and shall be deemed by this Supplemental 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, the Guarantees and those Finance Documents as amended and supplemented by this Supplemental 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 Supplemental Agreement.

5.4 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 make the same consistent with, and to give full effect to, the terms of this Supplemental Agreement.

6 FURTHER ASSURANCES

6.1 The 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 Lender (or as it may direct) any assignment, mortgage, power of attorney, proxy or other document, governed by the laws of England or such other country as the Lender may, in any particular case, reasonably require;
- (b) effect any registration or notarisation, give any notice or take any other step,

which the Lender 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 Lender intended should be created by or pursuant to the Loan Agreement or any other Finance Document, each as amended and supplemented by this Supplemental Agreement; and
- (b) implementing the terms and provisions of this Supplemental Agreement.

6.3 Terms of further assurances

The Lender 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 Lender 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.

7 EXPENSES

7.1 The provisions of Clause 19 (Fees and Expenses) of the Loan Agreement shall apply to this Supplemental Agreement as if the same were set-out herein in full.

8 NOTICES

8.1 The provisions of Clause 27 (Notices) of the Loan Agreement shall apply to this Supplemental Agreement as if the same were set-out herein in full.

9 SUPPLEMENTAL

9.1 Counterparts

This Supplemental Agreement may be executed in any number of counterparts.

9.2 Third party rights

A person who is not a party to this 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 Supplemental Agreement.

10 LAW AND JURISDICTION

10.1 English Law

This Supplemental 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.

10.2 Exclusive English jurisdiction

Subject to Clause 10.3, the courts of England shall have exclusive jurisdiction to settle any Dispute.

10.3 Choice of forum for the exclusive benefit of Lender

Clause 10.2 is for the exclusive benefit of the Lender which reserves the right:

- (a) to commence proceedings in relation to any Dispute in the courts of any country other than England and which have or claim jurisdiction to that 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.

The Borrower shall not commence any proceedings in any country other than England in relation to a Dispute.

10.4 Process Agent

The Borrower irrevocably appoints Hill Dickinson Services (London) Ltd. at its office for the time being, presently at The Broadgate Tower, 20 Primrose Street, London EC2A 2EW, 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 a Dispute.

10.5 Lender's Rights unaffected

Nothing in this Clause 10 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.

10.6 Meaning of proceedings and Dispute

In this Clause 10, " **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 Supplemental Agreement (including a dispute relating to the existence, validity or termination of this Supplemental Agreement) or any non-contractual obligation arising out of or in connection with this Supplemental Agreement.

IN WITNESS WHEREOF the parties hereto have caused this Supplemental Agreement to be duly executed as a deed the day and year first above written.

EXECUTION PAGE

BORROWER

SIGNED by)
of **BOX SHIPS INC.**)
signed by)
its duly authorised attorney in fact)
in the presence of:)

LENDER

SIGNED by)
of **CREDIT SUISSE AG**)
signed by)
its duly authorised attorney in fact)
in the presence of:)

COUNTERSIGNED this 1st day of July 2016 and on behalf of each of the following companies which, by their execution hereof, confirm and acknowledge that they have read and understood the terms and conditions of this Supplemental Agreement, that they agree in all respects to the same and that the Finance Documents to which they are respectively 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.

for and on behalf of:
LAWRY SHIPPING LTD

for and on behalf of:
TACITA OCEANWAY CARRIER CO.

for and on behalf of:
ALAQUA MARINE LIMITED

FOURTH SUPPLEMENTAL LETTER

**To: POLYARISTI NAVIGATION CO.
EFPLOIAS SHIPPING CO. and
AMORITA DEVELOPMENT INC.**
each of 80 Broad Street
Monrovia
Republic of Liberia

From: ABN AMRO BANK N.V.
93 Coolsingel
3012 AE Rotterdam
Netherlands

HSH NORDBANK AG
Gerhart Hauptmann Platz 50
D-20095 Hamburg
Germany

ITF INTERNATIONAL TRANSPORT FINANCE SUISSE AG
Wasserwerkstrasse 12
CH-8006 Zurich
Switzerland

8 July 2016

Dear Sirs

We refer to a loan agreement dated 6 May 2011 (as amended and restated by two amending and restating agreements dated 9 August 2012 and 9 August 2013, respectively and as further amended and supplemented by a supplemental agreement dated 25 November 2014, a supplemental and release agreement dated 25 June 2015 and three supplemental letters dated 6 May 2016, 20 May 2016 and 13 June 2016 respectively, the “ **Loan Agreement** ”) and made between (i) Polyaristi Navigation Co., Efploias Shipping Co. and Amorita Development Inc. as joint and several borrowers (the “ **Borrowers** ”), (ii) the banks and financial institutions listed in schedule 1 therein as lenders (the “ **Lenders** ”), (iii) ABN AMRO Bank N.V. as agent (in such capacity, the “ **Agent** ”), first swap bank, underwriter and security trustee and (iv) HSH Nordbank AG as second swap bank, to in respect of a loan facility in an amount of (originally) up to US\$100,000,000.

Words and expressions defined in the Loan Agreement shall have the same meaning when used in this Letter unless the context may otherwise require and for the purposes of this Letter:

" **Amendment Documentation** " means the amending and supplementing documentation in respect of the restructuring of the Loan in accordance with the terms of the Indicative Term Sheet dated 27 May 2016 in the Agreed Form.

" **Deferred Date** " means the date falling on the earlier of (i) 15 July 2016 and (ii) the date on which the Amendment Documentation is signed by all parties thereto.

" **Deferred Repayment Instalments** " mean the repayment instalments in respect of the Tranches used to finance "MAULE", "BOX VOYAGER" and "BOX TRADER" in the aggregate amount of \$1,925,000 due and payable on the Effective Date.

" **Effective Date** " means 24 June 2016.

We also refer to the recent discussions between us in which you have requested that the Creditor Parties consent to the deferral of the Deferred Repayment Instalments until the Deferred Date (the " **Deferral** ") with effect from the Effective Date.

1 AGREEMENT

1.1 In consideration of the sum of US\$1 and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged), the Creditor Parties hereby agree to the Deferral from the Effective Date subject to:

- (a) receipt of a copy of this Letter duly executed by the parties to it; and
- (b) the Security Parties executing the acknowledgement to this Letter confirming their agreement to the terms and conditions of the same.

1.2 The failure of the Borrowers to pay the Deferred Repayment Instalments on or prior to the Deferred Date shall constitute an immediate Event of Default pursuant to clause 18.1(a) of the Loan Agreement.

2 REPRESENTATIONS AND WARRANTIES

2.1 The Borrowers hereby represent and warrant to the Agent that (a) the representations and warranties contained in clause 10 of 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.

3 COUNTERPARTS

3.1 This Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one Letter.

4 LOAN AGREEMENT

4.1 The Borrowers hereby agree with the Agent that, notwithstanding our consent to the Deferral, all other provisions of the Loan Agreement and the other Finance Documents remain in full force and effect.

4.2 This Letter shall constitute a Finance Document for all purposes under the Loan Agreement and the other Finance Documents.

5 NOTICES

5.1 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

6.1 This Letter shall be governed by and construed in accordance with English law and clause 31 (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

for and on behalf of
ABN AMRO BANK N.V.

for and on behalf of
ITF INTERNATIONAL TRANSPORT FINANCE SUISSE AG

for and on behalf of
HSH NORDBANK AG

Accepted and agreed

BORROWERS

for and on behalf of
POLYARISTI NAVIGATION CO.

for and on behalf of
EFPLOIAS SHIPPING CO.

for and on behalf of
AMORITA DEVELOPMENT INC.

COLLATERAL OWNERS

for and on behalf of
ROSETTA NAVIGATION CORP. LIMITED

for and on behalf of
TRITON SHIPPING LIMITED

Dated 8 July 2016

COUNTERSIGNED this 8th day of July 2016 for and on behalf of each Security Party which, by its execution hereof, confirms and acknowledges that it has read and understood the terms and conditions of the above letter (the " **Supplemental Letter** "), 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 Loan Agreement and the Master Agreements (each as amended and supplemented by the Supplemental Letter).

for and on behalf of
BOX SHIPS INC.

for and on behalf of
ALLSEAS MARINE S.A.

Dated 12 July 2016

ROSETTA NAVIGATION CORP. LIMITED
TRITON SHIPPING LIMITED
as joint and several Borrowers

and

BOX SHIPS INC.
as Corporate Guarantor

and

THE BANKS AND FINANCIAL INSTITUTIONS
listed in Schedule 1
as Lenders

and

ABN AMRO BANK N.V.
as Agent, Underwriter, Swap Bank and as Security Trustee

FOURTH SUPPLEMENTAL AGREEMENT
relating to a loan facility of
(originally) up to US\$25,000,000

WATSON FARLEY
&
WILLIAMS

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THIS FOURTH SUPPLEMENTAL AGREEMENT is made on 12 July 2016

BETWEEN:

- (1) **ROSETTA NAVIGATION CORP. LIMITED** (" **Rosetta** ") and **TRITON SHIPPING LIMITED** (" **Triton** "), each a company incorporated in Hong Kong whose registered office is at Unit 305-7, 3/F., Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong (each a " **Borrower** " and, together, the " **Borrowers** ");
- (2) **BOX SHIPS 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 **Corporate Guarantor** ;
- (3) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1, as **Lenders** ; and
- (4) **ABN AMRO BANK N.V.** acting through its office at 93 Coolingsingel, 3012 AE, Rotterdam, The Netherlands, as **Agent** , **Swap Bank**, **Underwriter** and **Security Trustee** .

BACKGROUND

- (A) By a loan agreement dated 27 June 2012 (as amended and supplemented by two supplemental agreements dated 9 August 2013 and 25 November 2014 respectively and a supplemental and release agreement dated 25 June 2015, the " **Loan Agreement** ") and made between (i) the Borrowers as joint and several borrowers, (ii) the Lenders and (iii) ABN AMRO Bank N.V. as Agent, Swap Bank, Underwriter and Security Trustee, the Lenders made available to the Borrowers a loan facility in an amount of (originally) up to US\$25,000,000, of which an amount of US\$9,250,000 is outstanding by way of principal on the date hereof.
- (B) By an agency and trust deed (the " **Agency and Trust Deed** ") entered into pursuant to the Loan Agreement, it was agreed that the Security Trustee would hold the Trust Property on trust for the Lenders and the Swap Bank.
- (C) By a master agreement (the " **Master Agreement** ") on the 2002 ISDA Master Agreement together with the schedule attached thereto (as amended) dated 27 June 2012 and made between (i) the Borrowers and (ii) the Swap Bank, it was agreed that the Swap Bank would enter into Designated Transactions with the Borrowers from time to time.
- (D) By a corporate guarantee dated 27 June 2012 (as amended and supplemented from time to time, the " **Corporate Guarantee** ") and made between (i) the Corporate Guarantor and (ii) the Security Trustee, the Corporate Guarantor has guaranteed the obligations of the Borrowers under the Loan Agreement and the Master Agreement.
- (E) The Borrowers and the Corporate Guarantor have requested that the Creditor Parties agree to:
 - (i) the application of the Excess Proceeds (as defined below) by the Borrowers towards prepayment of the outstanding loan under the Syndicate Loan Agreement (the " **Excess Proceeds Application** ");
 - (ii) waive the application of the financial covenants set out in clause 12.3 of the Corporate Guarantee during the quarters of the Financial Year of the Corporate Guarantor ending on 31 March 2016 and on 30 June 2016 (" **Financial Covenants Waiver** ");
 - (iii) waive the application of certain financial covenants set out in clause 12.3 of the Corporate Guarantee and amend the negative undertaking set out in clause 12.2(d) of the Corporate Guarantee (the " **Corporate Guarantee Amendments** ");

- (iv) waive the application of the Fleet Vessels' employment requirements under clause 11.20 of the Loan Agreement and clause 11.15 of the Corporate Guarantee (the "**Employment Amendment**"); and
 - (v) waive the application of the Event of Default set out in clause 19.1(n) of the Loan Agreement and amend the application of the Event of Default set out in clause 19.1(l) of the Loan Agreement (the "**Event of Default Amendments**" and, together with the Excess Proceeds Application, Financial Covenants Waiver, the Corporate Guarantee Amendments and the Employment Amendment, the "**Request**").
- (F) The Creditor Parties' consent to the Request is subject to, inter alia, the Borrowers undertaking that if, upon the expiration of the Existing Charter (as defined below) in respect of each Ship, and provided that the Borrowers fail to secure a further time charterparty for that Ship at a net daily hire rate of at least US\$10,000 and on such other terms approved by the Agent, the Borrowers will irrevocably and unconditionally sell the Ships or, as the case may be, sell the Ships for scrapping and will apply the total amount of the Net Proceeds (as defined below) in a manner set out in Clause 8.10(b) of the Loan Agreement.
- (G) This Agreement sets out the terms and conditions on which the Creditor Parties agree, with effect on and from the Effective Date, to:
- (i) the Request; and
 - (ii) the consequential amendment of the Loan Agreement and the other Finance Documents in connection with the Request.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Defined expressions

Words and expressions defined in the Loan Agreement shall have the same meanings when used in this Agreement (including the recitals) unless the context otherwise requires.

1.2 Definitions

In this Agreement, unless the contrary intention appears:

"**Corporate Guarantee**" means the guarantee (as amended and supplemented from time to time) as referred to in Recital (D);

"**Deed of Release**" means the deed of release in the form set out in Schedule 3;

"**Delivery Date**" means, in respect of the second Ship to be sold pursuant to the terms of the Fourth Supplemental Agreement, the date on which title to and possession of that Ship is transferred from the Borrower being the owner of that Ship to the relevant buyer;

"**Effective Date**" means the date on which the conditions precedent in Clause 3.1 are satisfied;

"**Excess Proceeds**" means the remainder of the Net Proceeds following prepayment of the Loan in full and payment of all other amounts due to the Creditor Parties under the Finance Documents and the Master Agreement;

"**Existing Charter**" means, in respect of a Ship, a time charter as evidenced by a recapitulation email dated 2 June 2015 made between the Borrower owning that Ship and the Existing Charterer;

" **Existing Charterer** " means Mediterranean Shipping Company S.A., a company incorporated in Switzerland whose registered office is at 12-14 Chemin Rieu, 1208 Geneva, Switzerland;

" **Fourth Supplemental Agreement** " means the supplemental agreement dated 12 July 2016 and made between (i) the Borrowers, (ii) the Corporate Guarantor, (iii) the Lenders, (iv) the Agent, (vi) the Underwriter and (vii) the Security Trustee in the Agreed Form amending and supplementing this Agreement, the Corporate Guarantee, the other Finance Documents and the Master Agreement;

" **Loan Agreement** " means the loan agreement (as amended, supplemented and/or restated from time to time) as referred to in Recital (A);

" **Management Agreement** " means, in relation to each Ship, the management agreement (as amended and restated on 2 January 2015 and as further amended and supplemented by three addenda Nos. 1, 2 and 3 thereto dated 11 June 2015, 25 June 2015 and 22 June 2016 respectively) made between the Borrower owning that Ship and the Approved Manager in respect of the technical and commercial management of that Ship on terms approved by the Agent and, in the plural, means all of them;

" **Master Agreement** " means the master agreement as referred to in Recital (C);

" **MOA** " means a memorandum of agreement and includes any addenda or supplemental agreements applicable thereto made between a Borrower and the buyer of its Ship in respect of the sale of that Ship on such terms in all respects acceptable to the Lenders;

" **Net Proceeds** " means, in respect of a Ship, the gross proceeds of the sale or, as the case may be, scrapping of that Ship less any commissions payable by the Borrower owning that Ship in accordance with the terms of the relevant MOA;

" **Seacommercial** " means Seacommercial Shipping Services S.A., a corporation organised and existing under the laws of the Republic of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia;

" **Seacommercial's Undertaking** " means, in relation to each Ship, a letter of undertaking executed or to be executed by Seacommercial in favour of the Security Trustee subordinating its rights against that Ship and the Borrower owning that Ship to the rights of the Creditor Parties under the Finance Documents and the Master Agreement, in the Agreed Form and, in the plural, means all of them;

" **S&P and Charter Brokerage Services Agreement** " means, in relation to each Ship, the agreement dated 2 January 2015 and made between the Borrower owning that Ship and Seacommercial in relation to the appointment of Seacommercial as the provider of chartering and sale and purchase brokerage services to that Borrower in respect of that Ship on terms approved by the Agent and, in the plural, means all of them; and

" **Syndicate Loan** " means the principal amount for the time being outstanding under the Syndicate Loan Agreement.

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 Creditor Parties

The Creditor Parties agree, subject to and upon the terms and conditions of this Agreement, to:

- (a) the Request, and
- (b) the consequential amendment of the Loan Agreement, the other Finance Documents and the Master Agreement as set out in Clause 5.

2.2 Effective Date

Subject to Clause 3.1, the agreement of the Creditor Parties contained in Clause 2.1 shall have effect on and from the Effective Date.

3 CONDITIONS PRECEDENT

3.1 General

The agreement of the Creditor Parties contained in Clause 2.1 in connection with the Request is subject to the fulfilment of the conditions precedent set out 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:

- (a) documents of the kind specified in paragraphs 2, 3, 4 and 5 of Schedule 3, Part A to the Loan Agreement in respect of each Borrower and the Corporate Guarantor with appropriate modifications to refer to this Agreement;
- (b) an up to date certificate of good standing for each Borrower and the Corporate Guarantor;
- (c) certified copies of the Management Agreement and the S&P Charter Brokerage Services Agreement in respect of each Ship, together with evidence that the daily technical and commercial management fee payable to the Approved Manager in relation to each Ship and each Collateral Ship has been fixed in an amount not exceeding the Fixed Management Fee (as defined in Clause 5.1(a)(vii) of this Agreement);
- (d) an original of this Agreement duly executed by the parties to it and acknowledged by the Approved Manager;
- (e) a duly executed original of the Seacommercial's Undertaking in respect of each Ship;
- (f) favourable legal opinions from lawyers appointed by the Agent on such matters concerning the laws of Hong Kong, the Marshall Islands and such other relevant jurisdictions as the Agent may require; and
- (g) documentary evidence that the process agent referred to in clause 31.4 of the Loan Agreement has accepted its appointment as agent for service of process in relation to any proceedings before the English courts in connection with this Agreement.

3.3 Waiver of conditions precedent

If the Majority Lenders, at their discretion, permit the Request before certain of the relevant conditions referred to in Clause 3.2 are satisfied, the Borrowers shall, in each case, ensure that those conditions are satisfied within a maximum of 5 Business Days after the date of the Effective Date.

4 REPRESENTATIONS AND WARRANTIES

4.1 Repetition of Loan Agreement representations and warranties

Each Borrower represents and warrants to the Agent that the representations and warranties in clause 10 of the Loan Agreement, as amended 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 Corporate Guarantee representations and warranties

The Corporate Guarantor represents and warrants to the Agent that the representations and warranties in clause 10 of the Corporate Guarantee, as amended 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.

4.3 Repetition of Finance Documents representations and warranties

The Borrowers and the Corporate Guarantor represent and warrant to each Creditor Party that the representations and warranties in the Finance Documents (other than the Loan Agreement and the Corporate Guarantee) to which each is respectively a party and, in the case of the Borrowers, the Master Agreement, as amended 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, CORPORATE GUARANTEE, MASTER AGREEMENT AND OTHER FINANCE DOCUMENTS

5.1 Specific 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 as follows:
- (i) by inserting in clause 1.1 thereof the definitions of "Deed of Release", "Delivery Date", "Existing Charter", "Existing Charterer", "Fourth Supplemental Agreement", "Management Agreement", "MOA", "Net Proceeds", "Seacommercial", "Seacommercial's Undertaking", "S&P and Charter Brokerage Services Agreement" and "Syndicate Loan" contained in Clause 1.2 of this Supplemental Agreement in the requisite alphabetical order;
 - (ii) by inserting in clause 1.1 thereof the following new definition in the requisite alphabetical order:

 "" Proceeds Payments " has the meaning given in paragraph (a) of Clause 11.24.";
 - (iii) by including the words "Seacommercial's Undertakings" in the definition of "Finance Documents" in clause 1.1 thereof and reading and construing all references to the Finance Documents as including the Seacommercial's Undertakings;

- (iv) by adding the words ", Seacommercial" after the words "Creditor Party" in the second line of the definition of "Security Party" in clause 1.1 thereof;
- (v) by adding the words "and a supplemental agreement dated 12 July 2016 and as the same may be further amended, supplemented and/or restated from time to time" after the words "25 June 2015" in the definition of "Syndicate Loan Agreement" in clause 1.1 thereof;
- (vi) by adding the words ", Seacommercial" after the words "the Approved Manager" in the third line of clause 11.11 of the Loan Agreement;
- (vii) deleting clause 11.20 of the Loan Agreement in its entirety and by renumbering the existing clauses 11.21 and 11.22 thereof as clauses 11.20 and 11.21 respectively;
- (viii) by adding in the Loan Agreement the following new clauses 11.22, 11.23 and 11.24:

" 11.22 Management cost control

The Borrowers shall ensure that the daily management fee payable to the Approved Manager in respect of the technical and commercial management of each Ship will be fixed in an aggregate amount not exceeding \$650 per Ship (the "**Fixed Management Fee**").

11.23 Sale or scrapping of Ships

If within 10 Business Days after the date of the expiration of the Existing Charter (the "**Charter Expiration Date**") in relation to each Ship, that Ship is not employed under a charter at a net daily charter hire rate exceeding \$10,000 and on such other terms in all respects acceptable to the Lenders, the Borrower owning that Ship shall:

- (a) with the prior consent of the Lenders, sign an MOA within 15 Business Days from the Charter Expiration Date and sell such Ship within 15 Business Days from the signing of that MOA and the Borrowers shall ensure that the Net Proceeds are applied in prepayment of the Loan in accordance with Clause 8.10(b) and payment of all other amounts due to the Creditor Parties under the Finance Documents and the Master Agreement and, any balance, to be applied in prepayment of the Syndicate Loan in accordance with Clause 8.10(b)(ii) of the Syndicate Loan Agreement (together, the "**Proceeds Payments**"); and
- (b) keep the Agent updated regularly regarding the sale or scrapping process of that Ship and any offers received for the sale or scrapping of that Ship (including, without limitation, the price offered, the identity of the relevant buyer and the main terms of the offer).

On the Delivery Date and upon the successful conclusion of the sale of the Ships and following the making of the Proceeds Payments in respect of both Ships in full in accordance with paragraph (a) above and the payment in full by the Borrowers of any legal fees and expenses outstanding in connection with the Loan Agreement, the Creditor Parties shall deliver the duly executed Deed of Release to the Borrowers, the Approved Manager, the Corporate Guarantor and Seacommercial.

11.24 Responsible Ship Recycling

If a Ship is sold for scrapping, each Borrower shall use its best endeavours to ensure that that Ship shall be dismantled in a safe, sustainable and socially and environmentally responsible way.";

- (ix) by deleting the cross reference to clause 11.20 in clause 19.1(b) of the Loan Agreement;
- (x) by deleting paragraph (e) of clause 14.13 of the Loan Agreement in its entirety and replacing it with the following new paragraph:
 - "(e) appoint a manager of that Ship other than the Approved Manager or a sale and purchase and chartering brokerage service provider in respect of that Ship other than Seacommercial or agree to any alteration to the terms of the Approved Manager's or Seacommercial's appointment and/or the relevant Management Agreement and/or the relevant S&P and Charter Brokerage Services Agreement";
- (xi) by adding the words ", Seacommercial" after the words "or either Borrower" in paragraph (k) of clause 19.1 of the Loan Agreement;
- (xii) by deleting the words " **Provided that** such default shall not constitute an Event of Default if it is remedied within a period of six months from the date if first occurred; or" in paragraph (l) of clause 19.1 of the Loan Agreement and replacing it with the following "(the " **Minimum Required Percentage** ") **Provided that** a reduction in the Minimum Required Percentage owned by any members of the Bodouroglou Family as a result of raising capital of the Corporate Guarantor through equity contributions shall not constitute an Event of Default; or";
- (xiii) by deleting paragraph (n) of clause 19.1 of the Loan Agreement in its entirety and re-numbering the remaining paragraphs of that clause and updating all relevant cross references accordingly;
- (xiv) the definition of, and references throughout to, each Finance Document and the Master Agreement shall be construed as if the same referred to that Finance Document and the Master Agreement as amended and supplemented by this Agreement; and
- (xv) 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; and
- (xvi) the definition of, and references throughout to, each Finance Document and the Master Agreement shall be construed as if the same referred to that Finance Document and the Master Agreement as amended and supplemented by this Agreement; and
- (xvii) 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 Corporate Guarantee

- (a) With effect on and from the Effective Date, the Corporate Guarantee shall be, and shall be deemed by this Agreement to be, amended as follows:

- (i) by deleting clause 11.15 of the Corporate Guarantee in its entirety;
- (ii) by adding in the Corporate Guarantee the following new clauses 11.15, 11.16 and 11.17 as follows:

"11.15 Management cost control

The Guarantor shall ensure that the daily management fee payable to the Approved Manager in respect of the technical and commercial management of each Ship will be fixed in an aggregate amount not exceeding \$650 per Ship (the "**Fixed Management Fee**").

11.16 Sale or scrapping of Ships

If within 10 Business Days after the date of the expiration of the Existing Charter (the "**Charter Expiration Date**") in relation to each Ship, that Ship is not employed under a charter at a net daily charter hire rate exceeding \$10,000 and on such other terms in all respects acceptable to the Lenders, the Guarantor shall ensure that:

- (a) with the prior consent of the Lenders, an MOA is signed within 15 Business Days from the Charter Expiration Date and sell such Ship within 15 Business Days from the signing of that MOA and the Net Proceeds are applied in prepayment of the Loan in accordance with Clause 8.10(b) and payment of all other amounts due to the Creditor Parties under the Finance Documents and the Master Agreement and, any balance, to be applied in prepayment of the Syndicate Loan in accordance with Clause 8.10(b)(ii) of the Syndicate Loan Agreement (together, the "**Proceeds Payments**"); and
- (b) the Agent is regularly updated regarding the sale or scrapping process of that Ship and any offers received for the sale or scrapping of that Ship (including, without limitation, the price offered, the identity of the relevant buyer and the main terms of the offer).

On the Delivery Date and upon the successful conclusion of the sale of the Ships and following the making of the Proceeds Payments in respect of both Ships in full in accordance with paragraph (a) above and the payment in full by the Borrowers of any legal fees and expenses outstanding in connection with the Loan Agreement, the Creditor Parties shall deliver the duly executed Deed of Release to the Borrowers, the Approved Manager, the Corporate Guarantor and Seacommercial.

11.17 Responsible Ship Recycling

If a Ship is sold for scrapping, the Guarantor shall use its best endeavours to ensure that such Ship shall be dismantled in a safe, sustainable and socially and environmentally responsible way."

- (iii) by deleting paragraph (a) of clause 12.2 of the Corporate Guarantee in its entirety and replacing it with the following new paragraph:

"(a) pay any dividend or make any other form of distribution or effect any form of redemption, purchase or return of share capital (each, a "**Distribution**") (including, but not limited to, any Distribution in respect of any preferred shares); or";

- (iv) by adding the words "or any other stock exchange acceptable to the Lenders" after the words "the New York Stock Exchange" in paragraph (d) of clause 12.2 of the Corporate Guarantee;
- (v) by deleting clause 12.3 of the Corporate Guarantee in its entirety and replacing it with the following new clause:

"12.3 Financial Covenants

The Guarantor shall ensure that at all times:

- (a) the Borrowers comply with the minimum required security cover referred to in clause 15.1 of the Loan Agreement; and
 - (b) an amount of not less than \$250,000 is held by each Borrower in its Operating Account in accordance with clause 11.19 of the Loan Agreement."; and
- (vi) by deleting sub-paragraphs (a), (b), (c) and (d) in the penultimate paragraph of the form of compliance certificate set out in Schedule 1 of the Corporate Guarantee and by adding the words ", the minimum security cover ratio is [●]" after the words "as at [●]" in the first line of that penultimate paragraph; and
- (b) as so amended pursuant to (a) above, the Corporate Guarantee shall continue to be binding on each of the parties to it in accordance with its terms as so amended.

5.3 Amendments to Finance Documents and Master Agreement

With effect on and from the Effective Date, the Master Agreement and 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 and the Master Agreement to, the Loan Agreement, any of the other Finance Documents and the Master Agreement shall be construed as if the same referred to the Loan Agreement, those other Finance Documents and the Master Agreement as amended and supplemented by this Agreement; and
- (b) by construing references throughout each of the Finance Documents and the Master Agreement to "this Agreement", "this Deed", "hereunder" and other like expressions as if the same referred to such Finance Documents or the Master Agreement as amended and supplemented by this Agreement.

5.4 Finance Documents and Master Agreement to remain in full force and effect

The Loan Agreement, all other Finance Documents and the Master Agreement shall remain in full force and effect as amended and supplemented by:

- (a) the amendments to the Loan Agreement; 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' and Corporate Guarantor's obligations to execute further documents etc.

Each Borrower and the Corporate Guarantor shall:

- (a) execute and deliver to the Agent (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 Agent may, in any particular case, specify; and
- (b) effect any registration or notarisation, give any notice or take any other step;

which the Agent may, by notice to the Borrowers or the Corporate Guarantor, 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 Agent 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 Agent may specify the terms of any document to be executed by the Borrowers or, as the case may be, the Corporate Guarantor under Clause 6.1, and those terms may include any covenants, powers and provisions which the Agent considers appropriate to protect its interests.

6.4 Obligation to comply with notice

The Borrowers and the Corporate Guarantor 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 Borrowers or the Corporate Guarantor deliver to the Agent any document executed under Clause 6.1(a), the Borrowers and the Corporate Guarantor shall also deliver to the Agent a certificate signed by 2 of the directors or, if applicable, the sole director of each Borrower or, in the case of the Corporate Guarantor, an officer of the Corporate Guarantor, which shall:

- (a) set out the text of a resolution of that Borrower's or the Corporate Guarantor's director specifically authorising the execution of the document specified by the Agent unless the execution of the relevant document is authorised by the existing resolutions and general power of attorney of that Borrower or, as the case maybe, the Corporate Guarantor; and
- (b) state that either the resolution was duly passed by the sole director validly convened and held throughout and is valid under that Borrower's or the Corporate Guarantor's, as the case may be, articles of association or other constitutional documents.

7 EXPENSES

7.1 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 NOTICES

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 and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

10.2 Incorporation of the Loan Agreement provisions

The provisions of clause 31 (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 SUPPLEMENTAL AGREEMENT has been duly executed and delivered as a Deed on the date stated at the beginning of this Agreement.

EXECUTION PAGES

BORROWERS

EXECUTED AND DELIVERED as a DEED)
by **ROSETTA NAVIGATION CORP. LIMITED**)
acting by its attorney-in-fact)
)
expressly authorised in accordance)
with the laws of Hong Kong)
by virtue of a power of attorney granted by)
ROSETTA NAVIGATION CORP. LIMITED)
on 23 June 2016)
such execution being witnessed by:)
)
)
Signature of witness:)

EXECUTED AND DELIVERED as a DEED)
by **TRITON SHIPPING LIMITED**)
acting by its attorney-in-fact)
)
expressly authorised in accordance)
with the laws of Hong Kong)
by virtue of a power of attorney granted by)
TRITON SHIPPING LIMITED)
on 23 June 2016)
such execution being witnessed by:)
)
)
Signature of witness:)

CORPORATE GUARANTOR

EXECUTED as a DEED)
by **BOX SHIPS INC.**)
acting by)
its duly authorised)
attorney-in-fact in the presence of:)

LENDERS

EXECUTED as a DEED)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised)
attorney-in-fact in the presence of:)

AGENT

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised)
attorney-in-fact in the presence of:)

UNDERWRITER

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised)
attorney-in-fact in the presence of:)

SWAP BANK

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised)
attorney-in-fact in the presence of:)

SECURITY TRUSTEE

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised)
attorney-in-fact in the presence of:)

SCHEDULE 1

LENDERS

Lender

ABN AMRO BANK N.V.

Lending Office

Coolsingel 93
3012 AE Rotterdam
The Netherlands

SCHEDULE 2

FORM OF EFFECTIVE DATE NOTICE

To: **ROSETTA NAVIATION CORP. LIMITED and
TRITON SHIPPING LIMITED**

c/o Allseas Marine S.A.

15 Karamanli Street

166 73 Voula

Greece

Fax: +30 210 89 95 085

Attn: Legal Department

[●] 2016

Dear Sirs

We refer to the supplemental agreement (the " **Supplemental Agreement** ") dated [●] July 2016 made between (i) yourselves as Borrowers, (ii) Box Ships Inc. as Corporate Guarantor, (iii) the banks and financial institutions listed in Schedule 1 therein as Lenders and (iv) ourselves, as Agent, Underwriter, Swap Bank and Security Trustee.

Words and expressions defined in the Supplemental Agreement shall have the same meaning when used in this letter.

We write to confirm that the conditions precedent in Clause 3.2 of the Supplemental Agreement have been fulfilled and that accordingly the Effective Date is [●] 2016.

Yours faithfully

for and on behalf of
ABN AMRO BANK N.V.

SCHEDULE 3

FORM OF DEED OF RELEASE

Dated [●] July 2016

THE BANKS AND FINANCIAL INSTITUTIONS
listed in the Schedule
as Lenders

and

ABN AMRO BANK N.V.
as Agent, Swap Bank, Underwriter and Security Trustee

in favour of

ROSETTA NAVIGATION CORP. LIMITED and
TRITON SHIPPING LIMITED
as joint and several Borrowers

and

BOX SHIPS INC.
as Corporate Guarantor

DEED OF RELEASE OF SECURITY
relating to a loan facility of (originally) up to US\$100,000,000

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THIS DEED is made on [●] July 2017

BY

- (1) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1, as lenders (the "**Lenders**");
- (2) **ABN AMRO BANK N.V.** acting through its office at 93 Coolingsingel, 3012 AE, Rotterdam, The Netherlands, as agent (in such capacity, the "**Agent**"), swap bank (in such capacity, the "**Swap Bank**"), underwriter (in such capacity, the "**Underwriter**") and security trustee (in such capacity, the "**Security Trustee**" and, together with the Lenders, the "**Creditor Parties**").

IN FAVOUR OF

- (3) **ROSETTA NAVIGATION CORP. LIMITED** ("**Rosetta**") and **TRITON SHIPPING LIMITED** ("**Triton**"), each a company incorporated in Hong Kong whose registered office is at Unit 305-7, 3/F., Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong (each a "**Borrower**" and, together, the "**Borrowers**");
- (4) **BOX SHIPS 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 corporate guarantor (the "**Corporate Guarantor**");
- (5) **ALLSEAS MARINE S.A.**, a corporation incorporated in Liberia whose registered office is at 80 Broad Street, Monrovia, Republic of Liberia (the "**Manager**"); and
- (6) **SEACOMMERCIAL SHIPPING SERVICES S.A.**, a corporation incorporated in Liberia whose registered office is at 80 Broad Street, Monrovia, Republic of Liberia (the "**Broker**").

BACKGROUND

- (A) By a loan agreement dated 27 June 2012 (as amended and supplemented by two supplemental agreements dated 9 August 2013 and 25 November 2014 respectively, a supplemental and release agreement dated 25 June 2015 and a fourth supplemental agreement dated 12 July 2016 the "**Loan Agreement**") and made between (i) the Borrowers as joint and several borrowers, (ii) the Lenders as lenders and (iii) ABN AMRO Bank N.V. as Agent, Swap Bank, Underwriter and Security Trustee, the Lenders made available to the Borrowers a loan facility in an amount of (originally) up to US\$25,000,000, of which an amount of US\$9,250,000 is outstanding by way of principal on the date hereof.
- (B) By an agency and trust deed (the "**Agency and Trust Deed**") entered into pursuant to the Loan Agreement, it was agreed that the Security Trustee would hold the Trust Property on trust for the Lenders and the Swap Bank.
- (C) By a master agreement (the "**Master Agreement**") on the 2002 ISDA Master Agreement together with the schedule attached thereto (as amended) dated as of 27 June 2012 and made between (i) the Borrowers and (ii) the Swap Bank, it was agreed that the Swap Bank would enter into Designated Transactions with the Borrowers from time to time.
- (D) By a corporate guarantee dated 27 June 2012 (as amended and supplemented from time to time, the "**Corporate Guarantee**") and made between (i) the Corporate Guarantor and (ii) the Security Trustee, the Corporate Guarantor has guaranteed the obligations of the Borrowers under the Loan Agreement and the Master Agreement.
- (E) This Deed sets out the terms and conditions on which the Creditor Parties agree, to the release of the Security Interests and certain other obligations created by the Loan Agreement and the Finance Documents.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Defined expressions

Words and expressions defined in the Loan Agreement shall have the same meanings when used in this Deed unless the context otherwise requires.

1.2 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 Deed.

2 RELEASE OF SECURITY INTERESTS

2.1 Release

The Security Trustee irrevocably and unconditionally releases all Security Interests created in its favour by the Borrowers and the Security Parties under the Finance Documents.

2.2 Release of obligations

The Creditor Parties:

- (a) irrevocably and unconditionally release and discharge each of the Borrowers and each of the Security Parties from their obligations under any covenants and undertakings relating to any asset a Security Interest over which is released pursuant to this Deed;
- (b) irrevocably and unconditionally release and discharge the Manager and the Broker from their obligations under the Managers Undertakings and the Seacommercial's Undertakings; and
- (c) release and discharge the Borrowers, the Security Parties and the Manager from all their respective obligations under the Loan Agreement and the Finance Documents to which each is a party.

3 REASSIGNMENT OF ASSIGNED PROPERTY

3.1 Reassignment

The Security Trustee, without any warranty, representation, covenant or other recourse, reassigns:

- (a) to each Borrower, all rights and interests of every kind which the Security Trustee now has to, in or in connection with:
 - (i) the Assigned Property (as defined in each General Assignment and each Charterparty Assignment);
 - (ii) the Earnings Account, the Retention Account and any Credit Balance (as defined in the Deed of Pledge of Accounts) or either of them; and
 - (iii) the Assigned Property (as defined in each Master Agreement Assignment); and
- (b) to the Corporate Guarantor, all rights and interests of every kind which the Security Trustee now has to, in or in connection with the Derivative Assets (as defined in each Shares Security Deed).

4 FURTHER DOCUMENTS

4.1 Delivery of further documents

Subject to the Borrowers paying to the Creditor Parties all expenses incurred by the Creditor Parties in accordance with clause 20 (fees and expenses) of the Loan Agreement, the Security Trustee shall promptly after execution and delivery of this Deed:

- (a) deliver to the Borrowers:
 - (i) evidence that each Mortgage has been discharged; and
 - (ii) executed notices of reassignment of Insurances in the form set out in Part A of Schedule 2; and
 - (iii) executed notices of reassignment of the Master Agreement in the form set out in Part B of Schedule 2; and
- (b) deliver to the Corporate Guarantor, the instrument of transfer, irrevocable proxy and power of attorney, letters of resignation, directors' letters of undertaking, written resolutions of the sole director and original share certificates delivered to the Security Trustee pursuant to each Shares Pledge.

5 SUPPLEMENTAL

5.1 Counterparts

This Deed may be executed in any number of counterparts.

5.2 Third party rights

A person who is not a party to this Deed, or who is not expressed to be a beneficiary of the terms of this Deed, has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Deed.

6 LAW AND JURISDICTION

6.1 Governing law

This Deed shall be governed by and construed in accordance with English law.

6.2 Incorporation of Loan Agreement provisions

The provisions of clause 31 (law and jurisdiction) of the Loan Agreement shall apply to this Deed as if they were expressly incorporated in this Agreement with any necessary modifications.

THIS DEED has been executed by or on behalf of the parties and has, on the date stated at the beginning of this Deed, been delivered as a Deed.

SCHEDULE 1

LENDERS

Lender

ABN AMRO BANK N.V.

Lending Office

Coolsingel 93
3012 AE Rotterdam
The Netherlands

SCHEDULE 2

FORM OF NOTICE OF REASSIGNMENT

PART A

Notice of Reassignment of Insurances (Owner)

m.v. ["BOX CHINA"] ["BOX HONG KONG"] (the "Ship")

We, **ABN AMRO BANK N.V.** acting through our offices at Coolsingel 93, 3012 AE Rotterdam, The Netherlands, the assignee of all rights and interest of every kind of **[ROSETTA NAVIGATION CORP. LIMITED] [TRITON SHIPPING LIMITED]** (the "**Assignor** ") to, in or in all policies and contracts of insurance, including entries of the Ship in any protection and indemnity or war risks association (the "**Insurances** ") in respect of the Ship by a first priority assignment dated 25 June 2015 (the "**Assignment** ") **GIVE NOTICE** that we have reassigned to the Assignor all of our rights and interest of every kind to, in or in connection with the Insurances under the Assignment and, with effect from the date of this Notice, we have no further interest in or claim over the Insurances.

Attorney-in-Fact
for and on behalf of
ABN AMRO BANK N.V.

Date: [●] July 2016

PART B

NOTICE OF REASSIGNMENT (MASTER AGREEMENT)

We, **ABN AMRO BANK N.V.** acting through our offices at Coolsingel 93, 3012 AE Rotterdam, The Netherlands, the assignee of all rights and interest of every kind of **ROSETTA NAVIGATION CORP. LIMITED** and **TRITON SHIPPING LIMITED** (the "**Assignors**") to, in or in connection with the ISDA master agreement, schedule thereto dated as of 27 June 2012 (including any credit support annexed thereto) and any confirmations entered into by ourselves as swap bank and the Assignors (as amended and supplemented from time to time, the "**Master Agreements**") pursuant to a master agreement assignment dated 27 June 2012 (the "**Master Agreement Assignment**") GIVE NOTICE that we have reassigned to each Assignor all of our rights and interest of every kind to, in or in connection with the Master Agreement Assignment and, with effect from the date of this Notice, we have no further interest in or claim over the Master Agreement.

Attorney in Fact
for and on behalf of
ABN AMRO BANK N.V.

Dated: [●] July 2016

EXECUTION PAGE

LENDERS

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised)
attorney-in-fact in the presence of:)

AGENT

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised)
attorney-in-fact in the presence of:)

UNDERWRITER

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised)
attorney-in-fact in the presence of:)

SWAP BANK

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised)
attorney-in-fact in the presence of:)

SECURITY TRUSTEE

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised)
attorney-in-fact in the presence of:)

COUNTERSIGNED this 12th day of July 2016 for and on behalf of the below company which, by its execution hereof, confirms and acknowledges that it has read and understood the terms and conditions of this Supplemental 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 Loan Agreement, the other Finance Documents and the Master Agreement (each as amended and supplemented by this Supplemental Agreement).

for and on behalf of

ALLSEAS MARINE S.A.

Dated 12 July 2016

**POLYARISTI NAVIGATION CO.
EFPLOIAS SHIPPING CO. and
AMORITA DEVELOPMENT INC.**
as joint and several Borrowers

and

BOX SHIPS INC.
as Corporate Guarantor

and

**ROSETTA NAVIGATION CORP. LIMITED
TRITON SHIPPING LIMITED**
as Collateral Owners

and

**THE BANKS AND FINANCIAL INSTITUTIONS
listed in Schedule 1**
as Lenders

and

ABN AMRO BANK N.V.
as Agent, Underwriter and Security Trustee

and

**ABN AMRO BANK N.V. and
HSH NORDBANK AG**
as Swap Banks

THIRD SUPPLEMENTAL AGREEMENT

relating to a loan facility of
(originally) up to US\$100,000,000

**WATSON FARLEY
&
WILLIAMS**

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THIS THIRD SUPPLEMENTAL AGREEMENT is made on 12 July 2016

BETWEEN

- (1) **POLYARISTI NAVIGATION CO., EFPLOIAS SHIPPING CO. and AMORITA DEVELOPMENT INC.**, each a corporation incorporated in the Republic of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia (each a "**Borrower**" and, together, the "**Borrowers**");
- (2) **BOX SHIPS 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 **Corporate Guarantor**;
- (3) **ROSETTA NAVIGATION CORP. LIMITED and TRITON SHIPPING LIMITED**, each a company incorporated in Hong Kong whose registered office is at Unit 305-7, 3/F., Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong as **Collateral Owners**;
- (4) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1, as **Lenders**;
- (5) **ABN AMRO BANK N.V.** acting through its office at 93 Coolingsingel, 3012 AE, Rotterdam, The Netherlands, as **First Swap Bank**, and **Underwriter**;
- (6) **ABN AMRO BANK N.V.** acting through its office at Daalsesingel 71, 3511 SW Utrecht, The Netherlands, as **Agent**, and **Security Trustee** and
- (7) **HSH NORDBANK AG** acting through its offices at Martensdamm 6, D-24103 Kiel and Gerhart-Hauptmann-Platz 50, D-20095 Hamburg, Federal Republic of Germany as **Second Swap Bank**.

BACKGROUND

- (A) By a loan agreement dated 6 May 2011 (as amended and restated by two amending and restating agreements dated respectively 9 August 2012 and 9 August 2013 and as further amended and supplemented by a supplemental agreement dated 25 November 2014, a supplemental and release agreement dated 25 June 2015 and four supplemental letters dated 6 May 2016, 20 May 2016, 13 June 2016 and 12 July 2016 respectively, the "**Loan Agreement**") and made between (i) the Borrowers as joint and several borrowers, (ii) the Lenders, (iii) ABN AMRO Bank N.V. as Agent, First Swap Bank, Underwriter and Security Trustee and (iv) HSH Nordbank AG as Second Swap Bank, the Lenders have available to the Borrowers a loan facility in an amount of (originally) up to US\$100,000,000, of which an amount of US\$63,425,000 is outstanding by way of principal on the date hereof.
- (B) By an agency and trust deed (as amended and supplemented from time to time, the "**Agency and Trust Deed**") entered into pursuant to the Loan Agreement, it was agreed that the Security Trustee would hold the Trust Property on trust for the Lenders and the First Swap Bank.
- (C) By a master agreement (as amended and supplemented from time to time, the "**First Master Agreement**") (on the 2002 ISDA Master Agreement form together with the schedule attached thereto (as amended)) dated as of 6 May 2011 and made between (i) the Borrowers and (ii) the First Swap Bank, it was agreed that the First Swap Bank would enter into Designated Transactions with the Borrowers from time to time.
- (D) By a master agreement (as amended and supplemented from time to time, the "**Second Master Agreement**") (on the 2002 ISDA Master Agreement form together with the schedule attached thereto (as amended)) dated as of 9 August 2012 and made between (i) the Borrowers and (ii) the Second Swap Bank, it was agreed that the Second Swap Bank would enter into Designated Transactions with the Borrowers from time to time.

WATSON FARLEY
&
WILLIAMS

- (E) By a corporate guarantee dated 6 May 2011 (as amended, restated and/or supplemented from time to time, the "**Corporate Guarantee**") and made between (i) the Corporate Guarantor and (ii) the Security Trustee, the Corporate Guarantor has guaranteed the obligations of the Borrowers under the Loan Agreement and the Master Agreements.
- (F) The Borrowers, the Collateral Owners and the Corporate Guarantor have requested that the Creditor Parties agree to:
- (i) amend the repayment schedule set out in clause 8.1 of the Loan Agreement in the manner described in this Agreement (the "**Repayment Schedule Amendment**");
 - (ii) waive the application of the financial covenants set out in clause 12.3 of the Corporate Guarantee during the quarters of the Financial Year of the Corporate Guarantor ending on 31 March 2016 and on 30 June 2016 ("**Financial Covenants Waiver**");
 - (iii) waive the application of certain financial covenants set out in clause 12.3 of the Corporate Guarantee and amend the negative undertaking set out in clause 12.2(d) of the Corporate Guarantee (the "**Corporate Guarantee Amendments**");
 - (iv) amend the application of the security cover requirements set out in clause 15.1 of the Loan Agreement in the manner described in this Agreement (the "**Security Cover Amendment**");
 - (v) waive the application of the Fleet Vessels' employment requirements under clause 11.20 of the Loan Agreement and clause 11.15 of the Corporate Guarantee (the "**Employment Amendment**"); and
 - (vi) waive the application of the Event of Default set out in clause 19.1(n) of the Loan Agreement and amend the application of the Event of Default set out in clause 19.1(l) of the Loan Agreement (the "**Event of Default Amendments**" and, together with the Repayment Schedule Amendment, the Financial Covenants Waiver, the Corporate Guarantee Amendments, the Security Cover Amendment and the Employment Amendment, the "**Request**").
- (G) The Creditor Parties' consent to the Request is subject to (inter alia) the following conditions:
- (i) the increase of the Margin to 3.75 per cent. per annum;
 - (ii) the introduction of a cash sweep mechanism in respect of the excess earnings of the Ships in the manner set out in this Agreement;
 - (iii) the increase of the minimum liquidity amount required to be maintained by each Borrower in its Operating Account pursuant to clause 11.19 of the Loan Agreement from \$250,000 to \$500,000 (the "**Increased Minimum Liquidity Amount**");
 - (iv) payment by the Borrowers of a non-refundable amendment fee in the amount of \$75,000 (the "**Amendment Fee**"), of which \$37,500 shall be payable on or prior to the Effective Date and the remainder on the Final Repayment Date; and
 - (v) no payment of dividends or making of any other form of distribution by the Borrowers and the Corporate Guarantor shall be permitted at any time during Security Period.
- (H) This Agreement sets out the terms and conditions on which the Creditor Parties agree, with effect on and from the Effective Date, to:

- (i) the Request; and
- (ii) the consequential amendment of the Loan Agreement, the Corporate Guarantee, the other Finance Documents and each Master Agreement in connection with the Request.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Defined expressions

Words and expressions defined in the 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:

" **Amendment Fee** " means the amendment fee referred to in Recital (G)(iv);

" **Amendment Fee Letter** " means the letter addressed by the Agent to the Borrowers setting out the Amendment Fee;

" **Corporate Guarantee** " means the guarantee (as amended, restated and/or supplemented from time to time) as referred to in Recital (E);

" **Effective Date** " means the date on which the Agent notifies the Borrowers and the Creditor Parties that the conditions precedent in Clause 3 have been fulfilled;

" **Existing Loan Agreement** " means a loan agreement dated 27 June 2012 (as the same may be supplemented and/or amended from time to time) and made between (i) the Collateral Owners as joint and several borrowers, (ii) the banks and financial institutions listed in Schedule 1 thereto as lenders and (iii) ABN AMRO Bank N.V. as agent, underwriter, swap bank and security trustee in respect of a loan facility of (originally) \$25,000,000;

" **Existing Master Agreement** " has the meaning given to the term "Master Agreement" in the Existing Loan Agreement;

" **Final Repayment Date** " means 6 May 2017;

" **Loan Agreement** " means the loan agreement (as amended, restated and/or supplemented from time to time) as referred to in Recital (A);

" **Master Agreements** " means, together, the First Master Agreement and the Second Master Agreement as referred to in Recitals (C) and (D) and , in the singular, means either of them; and

" **Mortgage Addendum** " means, in relation to each Ship, the fourth addendum to the Mortgage on that Ship in the Agreed Form and, in the plural, means all of them.

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 Creditor Parties

The Creditor Parties agree, subject to and upon the terms and conditions of this Agreement, to:

- (a) the Request; and
- (b) the consequential amendment of the Loan Agreement, the Corporate Guarantee, the other Finance Documents and the Master Agreements as set out in Clause 5.

2.2 Effective Date

The agreement of the Creditor Parties 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 Clauses 2.1 and 3.1 are that the Agent shall have received the documents and evidence referred to in Schedule 2 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 Creditor Parties and the Borrowers.

4 REPRESENTATIONS AND WARRANTIES

4.1 Repetition of Loan Agreement representations and warranties

Each Borrower represents and warrants to the Agent that the representations and warranties in clause 10 of the Loan Agreement, as amended by this Agreement and updated with appropriate modifications to refer to this Agreement and, where appropriate, the Mortgage Addenda, remain true and not misleading if repeated on the date of this Agreement with reference to the circumstances now existing.

4.2 Repetition of Corporate Guarantee and Collateral Guarantee representations and warranties

The Corporate Guarantor and each Collateral Owner represents and warrants to the Lender that the representations and warranties in clause 10 of the Corporate Guarantee and clause 10 of the relevant Collateral Guarantee respectively, as amended by this Agreement and updated with appropriate modifications to refer to this Agreement and, where appropriate, the Mortgage Addenda, 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, CORPORATE GUARANTEE, MASTER AGREEMENTS AND OTHER FINANCE DOCUMENTS

5.1 Specific 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 as follows:

(i) the following definitions shall be included in clause 1.1 of the Loan Agreement in the requisite alphabetical order:

" **Agreed Budget** " means each of the quarterly budgets provided by the Corporate Guarantor to the Agent pursuant to Clause on 11.6(c);

" **Amendment Fee Letter** " the letter addressed by the Agent to the Borrowers setting out the amendment fee referred to in paragraph (d) of Clause 20.1;

" **Charter Expiration Date** " has the meaning given in Clause 11.24;

" **Collateral Ship MOA** " means a memorandum of agreement and includes any addenda or supplemental agreements applicable thereto made between a Collateral Owner and the buyer of its Collateral Ship in respect of the sale of that Collateral Ship on such terms in all respects acceptable to the Existing Lenders;

" **Collateral Ship Net Proceeds** " means, in respect of a Collateral Ship, the gross proceeds of the sale or, as the case may be, scrapping of that Collateral Ship less any commissions payable by the Collateral Owner owning that Collateral Ship in accordance with the terms of the relevant Collateral Ship MOA;

" **Commission Fees** " means, in relation to the Ships, the aggregate commission fees payable by the Borrowers to Seacommercial pursuant to clauses 7.01 and 7.02 of the S&P and Charter Brokerage Services Agreements;

" **Delivery Date** " means, in respect of the second Collateral Ship to be sold pursuant to the terms of the Third Supplemental Agreement, the date on which title to and possession of that Collateral Ship is transferred from the relevant Collateral Owner to the relevant buyer;

" **Deed of Release** " means the deed of release in the form set out in Schedule 3;

" **Existing Collateral Charter** " means, in respect of each Collateral Ship, a time charter as evidenced by a recapitulation email dated 2 June 2015 made between the Collateral Owner owning that Ship and the Existing Collateral Charterer;

" **Existing Collateral Charterer** " means Mediterranean Shipping Company S.A., a company incorporated in Switzerland whose registered office is at 12-14 Chemin Rieu, 1208 Geneva, Switzerland;

" **Existing Creditor Party** " has the meaning given to the term "Creditor Party" in the Existing Loan Agreement;

" **Existing Finance Documents** " has the meaning given to the term "Finance Documents" in the Existing Loan Agreement;

" **Existing Lender** " means a bank or financial institution listed in Schedule 1 of the Existing Loan Agreement or its transferee, successor or assign and, in the plural, means all of them;

" **Existing Loan** " means the principal amount for the time being outstanding under the Existing Loan Agreement;

" **Final Sale Date** " means 6 February 2017;

" **Final Repayment Date** " means 6 May 2017;

" **Fixed Management Fee** " has the meaning given in Clause 11.22;

" **Management Agreement** " means, in relation to each Ship, the management agreement (as amended and restated on 2 January 2015 and as further amended and supplemented by an addendum No. 1 thereto dated 22 June 2016) made between the Borrower owning that Ship and the Approved Manager in respect of the technical and commercial management of that Ship on terms approved by the Agent and, in the plural, means all of them;

" **Management Fees** " means, in respect of the Ships, the Fixed Management Fees payable by the Borrowers to the Approved Manager pursuant to clause 8.01 of the Management Agreements;

" **Minimum Liquidity Amount** " has the meaning given in Clause 11.19;

" **MOA** " means a memorandum of agreement and includes any addenda or supplemental agreements applicable thereto made between a Borrower and the buyer of its Ship in respect of the sale of that Ship on such terms in all respects acceptable to the Lenders;

" **Net Proceeds** " has the meanings given in Clause 11.26;

" **Permissible Expenses** " means, in respect of each calendar month:

- (a) the aggregate voyage expenses necessarily incurred by the Borrowers of the Ships during that month, as evidenced by the written calculations and the information provided by the Corporate Guarantor to the Agent in respect of that month pursuant of Clause 11.6(d);
- (b) the aggregate expenditure necessarily incurred by the Borrowers in operating, insuring, maintaining, repairing and generally trading the Ships (including Management Fees, Commission Fees and general and administrative expenses paid in respect of the Ships) during that month, as evidenced by the written calculations and the information provided by the Corporate Guarantor to the Agent in respect of that month pursuant to Clause 11.6(d) **Provided that** the general and administrative expenses in respect of the Ships shall be capped on historical average and calculated in accordance with the applicable Agreed Budget, in each case, in a manner satisfactory to the Agent; and
- (c) the aggregate amount of interest on the Loan payable by the Borrowers pursuant to this Agreement during that month;

" **Proceeds Payments** " has the meaning given in paragraph (a) of Clause 11.24;

" **Relevant Amount** " has the meaning given in paragraph (a) of Clause 8.8;

" **Seacommercial** " means Seacommercial Shipping Services S.A., a corporation organised and existing under the laws of the Republic of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia;

" **Seacommercial's Undertaking** " means, in relation to each Ship, a letter of undertaking executed or to be executed by Seacommercial in favour of the Security Trustee subordinating its rights against that Ship and the Borrower owning that Ship to the rights of the Creditor Parties under the Finance Documents and the Master Agreements, in the Agreed Form and, in the plural, means all of them;

" **S&P and Charter Brokerage Services Agreement** " means, in relation to each Ship, the agreement dated 2 January 2015 and made between the Borrower owning that Ship and Seacommercial in relation to the appointment of Seacommercial as the provider of chartering and sale and purchase brokerage services to that Borrower in respect of that Ship on terms approved by the Agent and, in the plural, means all of them;

" **Third Supplemental Agreement** " means the supplemental agreement dated 12 July 2016 and made between (i) the Borrowers, (ii) the Corporate Guarantor, (iii) the Collateral Owners, (iv) the Lenders, (v) the Agent, (vi) the Underwriter and (vii) the Security Trustee in the Agreed Form amending and supplementing this Agreement, the Corporate Guarantee, other Finance Documents and the Master Agreements;

- (ii) by adding the words "paragraph (a) of" before the words "Clause 8.8" in the definition of "Applicable Percentage" in clause 1.1 of the Loan Agreement;
- (iii) by adding the words "paragraphs (a), (b) and (c) of" before the words "Clause 20.1" in the definition of "Fee Letter" in clause 1.1 of the Loan Agreement;
- (iv) by adding a new paragraphs (p) and (q) in the definition of "Finance Documents" in clause 1.1 of the Loan Agreement as follows and by re-designating the existing paragraph (p) in such definition as a new paragraph (r):

"(p) the Amendment Fee Letter;

(q) the Seacommercial's Undertakings; and";

- (v) by deleting the definitions of "Margin" and "Repayment Date" in clause 1.1 of the Loan Agreement in their entirety and replacing the same with the following new definitions:

" **Margin** " means 3.75 per cent. per annum;";

" **Repayment Date** " means, in relation to each Tranche, each of the following dates:

(a) 6 August 2016;

(b) 6 November 2016;

(c) 6 February 2017; and

(d) the Final Repayment Date.

- (vi) by adding the words ", Seacommercial" after the words "Creditor Party" in the second line of the definition of "Security Party" in clause 1.1 of the Loan Agreement;
- (vii) by deleting the definitions of "Waiver Period", "Second Waiver Period" and "Third Waiver Period" in clause 1.1 of the Loan Agreement in their entirety;
- (viii) by adding the words "or prepaid" after the words "to be repaid" in clause 6.3 of the Loan Agreement;
- (ix) by deleting clauses 8.1 and 8.2 of the Loan Agreement in their entirety and replacing them with the following new clauses:

"8.1 Amount of repayment instalments

Save as previously repaid or prepaid and subject to Clause 8.13, the Borrowers shall repay each Tranche by a bullet repayment instalment in the amount of:

- (a) in the case of each Tranche used to finance "BOX VOYAGER" and "BOX TRADER", \$18,037,500; and
- (b) in the case of the Tranche used to finance "MAULE", \$27,350,000.

8.2 Repayment Dates

Subject to Clause 8.13, the bullet repayment instalment for each Tranche shall be repaid on the Final Repayment Date.";

- (x) by deleting clause 8.8 of the Loan Agreement in its entirety and replacing it with the following new clause:

"8.8 Mandatory prepayment

- (a) If a Ship or a Collateral Ship is sold (including, without limitation, if it is sold for scrapping or pursuant to Clause 11.26) or refinanced by another bank or financial institution or becomes a Total Loss, the Borrowers shall be obliged to prepay the Relevant Amount:
 - (i) in the case of a sale on or before the date on which the sale is completed by delivery of the Ship to the buyer; or
 - (ii) in the case of a refinancing on or before the date on which the refinancing is completed; or
 - (iii) in the case of a Total Loss, on the earlier of the date falling 90 days after the Total Loss Date and the date of receipt by the Security Trustee of the proceeds of insurance relating to such Total Loss.

In this Clause 8.8(a), " **Relevant Amount** " means, in the case of:

- (i) the sale, refinancing or Total Loss of a Ship, the greater of (i) the amount of the Tranche relative to the Ship which is to be sold and/or refinanced and/or has become a Total Loss and (ii) an amount which after the application of the prepayment to be made pursuant to this Clause 8.8(a), results in the security cover ratio under Clause 15.1 being a percentage to be agreed by the Lenders in their sole discretion (in the case of a sale or refinancing of a Ship, before the date of such sale or refinancing) (the " **Applicable Percentage** "); and
- (ii)
 - (A) the sale (including the sale for scrapping pursuant to Clause 11.24) or Total Loss of a Collateral Ship, the balance of the proceeds of such sale or of the insurance relating to such Total Loss, following the prepayment of the Existing Loan and payment of all other amounts due to the Existing Creditor Parties under the Existing Finance Documents and the Existing Master Agreement; and
 - (B) the refinancing of a Collateral Ship, an amount which after the application of the prepayment to be made pursuant to this Clause 8.8(a), results in the security cover ratio under Clause 15.1 being at least equal to the Applicable Percentage.

- (b) If the sale of at least one of the Ships is not successfully completed in accordance with the terms set out in Clause 11.26 on or prior to the Final Sale Date, the Borrowers shall be obliged to prepay on the next Business Day after the Final Sale Date the whole of the Loan and all other amounts then outstanding under the Finance Documents and the Master Agreements.";

(xi) by deleting clause 8.10 of the Loan Agreement in its entirety and replacing it with the following new clause:

" 8.10 Application of partial prepayment

Each partial prepayment made pursuant to:

- (a) Clause 8.4 shall be applied pro rata between all Tranches; and
- (b) Clause 8.8(a) shall be applied:
 - (i) in the case of the sale, refinancing or Total Loss of a Ship, in full repayment of the Tranche used to finance that Ship and any balance shall be applied between the remaining Tranches on a pro rata basis; and
 - (ii) in the case of the sale, refinancing or Total Loss of a Collateral Ship, pro rata between all Tranches.";

(xii) by adding in the Loan Agreement the following new clause 8.13:

" 8.13 Prepayment out of Excess Earnings

If on the 15th day of each calendar month (each a " **Determination Date** " and if such date is not a Business Day, then such Determination Date will be on the previous Business Day) the Agent determines (on the basis of the written calculation and the information provided by the Corporate Guarantor to the Agent in respect of that month pursuant to Clause 11.6(d)) that the aggregate amount standing to the credit of the Operating Accounts exceeds the Cash Sweep Threshold, then the Borrowers shall ensure that there is transferred to the Retention Account within 3 days of the relevant Determination Date an amount corresponding to the Excess Cash, which shall be applied towards prepayment of the Loan, pro rata between all Tranches, on the next Repayment Date after that Determination Date (and each Borrower hereby irrevocably and unconditionally authorises the Agent to make each such transfer and application).

In this Clause 8.13:

" **Cash Sweep Threshold** " means \$2,500,000 (including, for the avoidance of doubt, the Minimum Liquidity Amount in respect of each Borrower); and

" **Excess Cash** " means, in respect of each Determination Date, the aggregate amount standing to the credit of the Operating Accounts in excess of the Cash Sweep Threshold.";

(xiii) by adding the following new paragraphs (c) and (d) in clause 11.6 of the Loan Agreement:

- "(c) as soon as possible, but in no event later than 15 days before the beginning of each 3-month period ending on 31 March, 30 June, 30 September and 31 December in each Financial Year of the Corporate Guarantor (commencing with the 3-month period ending on 30 September 2016), a budget in a format approved by the Agent which shows all anticipated income and expenditure in respect of the Fleet Vessels on a monthly basis during that 3-month period;

- (d) as soon as possible, but in no event later than 15 days after the end of each calendar month, on a monthly basis:
 - (i) a detailed written calculation in a form acceptable to the Agent which shows all income and expenditure of each Fleet Vessel during that month, duly certified as to its correctness by an officer or a director of the Corporate Guarantor;
 - (ii) detailed management information regarding the operating expenses, dry docking expenses, management fees (including, without limitation, the Management Fees), commissions (including, without limitation, the Commission Fees) and general and administrative expenses in respect of each Fleet Vessel individually, including any variation from the applicable Agreed Budget, during that month;
 - (iii) detailed management information regarding any employment contract cover and revenues in respect of each Fleet Vessel individually, including any variation from the applicable Agreed Budget, during that month; and
 - (iv) detailed information regarding the balances of the accounts held by each of the Corporate Guarantor and its shipowning subsidiaries, itemised trade receivables, and trade debts owed, in respect of the Ships, the Collateral Ships and any other Fleet Vessel being financed under loan facilities other than the Loan and the Existing Loan, during that month.";
- (xiv) by adding the words ", Seacommercial" after the words "the Approved Manager" in the second line of clause 11.11 of the Loan Agreement;
- (xv) by deleting clause 11.19 of the Loan Agreement in its entirety and replacing it with the following new clause:

" 11.19 Minimum Liquidity

Each Borrower undertakes to maintain in its Operating Account at all times a credit balance of not less than \$500,000 (the "**Minimum Liquidity Amount** ").";

- (xvi) by deleting clause 11.20 of the Loan Agreement in its entirety and by renumbering the existing clauses 11.21 and 11.22 thereof as clauses 11.20 and 11.21 respectively;
- (xvii) by adding in the Loan Agreement the following new clauses 11.22, 11.23, 11.24, 11.25 and 11.26 as follows:

" 11.22 Management cost control

The Borrowers shall ensure that the daily management fee payable to the Approved Manager in respect of the technical and commercial management of each Ship and each Collateral Ship will be fixed in an aggregate amount not exceeding \$650 per Ship or Collateral Ship (the "**Fixed Management Fee** ").

11.23 Most favoured lenders

Each Borrower undertakes to procure that the Lenders shall receive no less favourable treatment than that provided or to be provided by a member of the Group to creditors under other loan and/or credit facility agreements (as the same may be amended and supplemented from time to time and including, without limitation, the Existing Loan Agreement) entered or to be entered into by any member of the Group, in relation to any prepayment of any loan or credit facility or any financial covenants under such agreements. Accordingly, should any member of the Group provide to any other creditor more favourable treatment in relation to any prepayment provisions or any financial covenants than those which the Lenders have been provided with under this Agreement or any other Finance Document, each Borrower shall promptly advise the Agent of those prepayment arrangements and covenants and shall, upon the Agent's request, enter into and, as the case may be, ensure that any other member of the Group will enter into, such documentation supplemental to the Finance Documents as the Lenders may require in order to achieve parity with the lenders under such other financings.

11.24 Sale or scrapping of Collateral Ships

If within 10 Business Days after the date of the expiration of the Existing Collateral Charter (the "**Charter Expiration Date**") in relation to each Collateral Ship, that Collateral Ship is not employed under a charter at a net daily charter hire rate exceeding \$10,000 and on such other terms in all respects acceptable to the Lenders, each Borrower shall ensure that:

- (a) with the prior consent of the Existing Lenders, a Collateral Ship MOA within 15 Business Days from the Charter Expiration Date is signed in respect of that Collateral Ship and the sale of that Collateral Ship is completed within 15 Business Days from the date of signing of that Collateral Ship MOA, and the Collateral Ship Net Proceeds are applied first in prepayment of the Existing Loan and payment of all other amounts due to the Existing Creditor Parties under the Existing Finance Documents and the Existing Master Agreement and, any balance, shall be applied in prepayment of the Loan in accordance with Clause 8.10(b)(ii) (together, the "**Proceeds Payments**"); and
- (b) the Agent is regularly updated regarding the sale or scrapping process of that Collateral Ship and any offers received for the sale or scrapping of that Collateral Ship (including, without limitation, the price offered, the identity of the relevant buyer and the main terms of the offer).

On the Delivery Date and upon the successful conclusion of the sale of the Collateral Ships and following the making of the Proceeds Payments in respect of both Collateral Ships in full in accordance with paragraph (a) above and the payment in full by the Collateral Owners of any legal fees and expenses outstanding in connection with the Existing Loan Agreement, the Creditor Parties shall deliver the duly executed Deed of Release to the Collateral Owners.

11.25 Responsible Ship Recycling

If a Ship or a Collateral Ship is sold for scrapping, each Borrower shall use its best endeavours to ensure that such Ship or Collateral Ship shall be dismantled in a safe, sustainable and socially and environmentally responsible way.

11.26 Sale of Ships

The Borrowers undertake to:

- (a) take all necessary actions in order to market one or more Ships for sale and ensure that those Ships are sold for cash on normal commercial arm's length terms and subject to the net sale proceeds in respect of each Ship being sold being at least equal to the amount of the Tranche financing that Ship (or such lower amount as the Lenders may agree in their sole discretion) (the "**Net Proceeds**");
- (b) keep the Agent regularly updated regarding the sale process of those Ships and to advise the Agent promptly of any offers received for a Ship (including, without limitation, the price offered, the identity of the relevant buyer and the main terms of the offer);
- (c) send to the Agent a certified copy of the MOA in respect of the sale of that Ship, promptly after the execution of each such document;
- (d) settle any pending claims against the insurers or any charterer in connection with each Ship being sold prior to its sale;
- (e) ensure that the sale of at least one of the Ships is successfully completed and the Ship is irrevocably and unconditionally delivered to its buyer in accordance with this Clause 11.26 by no later than the Final Sale Date; and
- (f) ensure that upon receipt of the Net Proceeds of a Ship on or prior to the successful delivery of a Ship to its buyer, such Net Proceeds are paid to the Retention Account and are applied in prepayment of the Loan in accordance with Clause 8.10(b)(i) (and the Borrowers irrevocably and unconditionally authorise the Agent to make such application on their behalf).

Failure by the Borrowers to successfully complete the sale of at least one of the Ships in accordance with this Clause 11.26 on or prior to the Final Sale Date will trigger a mandatory prepayment of the Loan pursuant to Clause 8.8(b).";

- (xviii) by deleting the words "if an Event of Default has occurred and is continuing at the relevant time or an Event of Default will result from the payment of a dividend or the making of any other form of distribution" in paragraph (b) of clause 12.3 of the Loan Agreement;
- (xix) by deleting paragraph (e) of clause 14.13 of the Loan Agreement in its entirety and replacing it with the following new paragraph:
 - "(e) appoint a manager of that Ship other than the Approved Manager or a sale and purchase and chartering brokerage service provider in respect of that Ship other than Seacommercial or agree to any alteration to the terms of the Approved Manager's or Seacommercial's appointment and/or the relevant Management Agreement and/or the relevant S&P and Charter Brokerage Services Agreement;"
- (xx) the definition of "**Relevant Percentage**" in the last paragraph of clause 15.1 of the Loan Agreement shall be deleted and replaced with the following new definition:

"In this Clause 15.1, "**Relevant Percentage**" means:

- (a) during the period commencing on the date of the Third Supplemental Agreement (inclusive) and ending on 31 March 2017 (inclusive), 62.5 per cent. per annum; and
- (b) at all times thereafter, 71.5 per cent. per annum.";

(xxi) by deleting clause 18.2 of the Loan Agreement in its entirety and replacing it with the following new clause:

" 18.2 Application of Earnings

The Borrowers undertake with each Creditor Party that all moneys from time to time credited to, or for the time being standing to the credit of, the Operating Accounts (other than the Minimum Liquidity Amount in respect of each Borrower, which shall remain blocked in the Operating Account of that Borrower in accordance with Clause 11.19) shall be available only for the payment of the Permissible Expenses and the prepayment of the Loan pursuant to Clause 8.13, unless the Agent (acting with the authorisation of the Lenders) otherwise permits in writing.";

- (xxii) by deleting clauses 18.3 and 18.4 of the Loan Agreement in their entirety and re-numbering the remaining clauses of clause 18 thereof and updating all relevant cross references accordingly;
- (xxiii) by deleting the cross reference to clause 11.20 in clause 19.1(b) of the Loan Agreement;
- (xxiv) by adding a cross reference to clause 18.2 in clause 19.1(b) of the Loan Agreement;
- (xxv) by adding the words ", Seacommercial" after the words "Collateral Owner" in paragraph (k) of clause 19.1 of the Loan Agreement;
- (xxvi) by deleting paragraph (l) of clause 19.1 of the Loan Agreement in its entirety and replacing it with the following new paragraph:
 - "(l) the Designated Shareholder or any members of the Designated Shareholder's Family (either directly and/or indirectly through companies beneficially owned by the Designated Shareholder or any members of the Designated Shareholder's Family and/or trusts of foundations of which the Designated Shareholder or any members of the Designated Shareholder's Family are beneficiaries) ceases to own in aggregate at least 10 per cent. of the issued share capital of the Corporate Guarantor (the "**Minimum Required Percentage**") **Provided that** a reduction in the Minimum Required Percentage owned by the Designated Shareholder or any members of the Designated Shareholder's Family as a result of raising capital of the Corporate Guarantor through equity contributions shall not constitute an Event of Default; or";
- (xxvii) by deleting paragraph (n) of clause 19.1 of the Loan Agreement in its entirety and re-numbering the remaining paragraphs of that clause and updating all relevant cross references accordingly; and
- (xxviii) by adding a new paragraph (d) in clause 20.1 of the Loan Agreement as follows:
 - "(d) a non-refundable amendment fee in the amount and at the times set out and agreed in the Amendment Fee Letter."; and

- (xxix) all references to the "final Repayment Date" in the Loan Agreement shall be read as references to the "Final Repayment Date"; and
- (b) as so amended 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.

5.2 Amendments to Corporate Guarantee

- (a) With effect on and from the Effective Date, the Corporate Guarantee shall be, and shall be deemed by this Agreement to be, amended as follows:
- (i) by adding the following new paragraphs (d) and (e) in clause 11.3 of the Corporate Guarantee as follows:
- "(d) as soon as possible, but in no event later than 15 days before the beginning of each 3-month period ending on 31 March, 30 June, 30 September and 31 December in each Financial Year of the Guarantor (commencing with the 3-month period ending on 30 September 2016), a budget in a format approved by the Agent which shows all anticipated income and expenditure in respect of the Fleet Vessels on a monthly basis during that 3-month period; and
- (e) as soon as possible, but in no event later than 15 days after the end of each calendar month, on a monthly basis:
- (i) a detailed written calculation in a form acceptable to the Agent which shows all income and expenditure of each Fleet Vessel during that month, duly certified as to its correctness by an officer or a director of the Guarantor;
- (ii) detailed management information regarding the operating expenses, dry docking expenses, management fees (including, without limitation, the Management Fees), commissions (including, without limitation, the Commission Fees) and general and administrative expenses in respect of each Fleet Vessel individually, including any variation from the applicable Agreed Budget, during that month;
- (iii) detailed management information regarding any employment contract cover and revenues in respect of each Fleet Vessel individually, including any variation from the applicable Agreed Budget, during that month; and
- (iv) detailed information regarding the balances of the accounts held by each of the Guarantor and its shipowning subsidiaries, itemised trade receivables, and trade debts owed, in respect of the Ships, the Collateral Ships and any other Fleet Vessel being financed under loan facilities other than the Loan and the Existing Loan, during that month.";
- (ii) by deleting clause 11.15 of the Corporate Guarantee in its entirety;
- (iii) by adding in the Corporate Guarantee the following new clauses 11.15, 11.16, 11.17, 11.18 and 11.19 as follows:

" 11.15 Management cost control

The Guarantor shall ensure that the daily management fee payable to the Approved Manager in respect of the technical and commercial management of each Ship and each Collateral Ship will be fixed in an aggregate amount not exceeding \$650 per Ship or Collateral Ship (the "**Fixed Management Fee**").

11.16 Most favoured lenders

The Guarantor undertakes to procure that the Lenders shall receive no less favourable treatment than that provided or to be provided by a member of the Group to creditors under other loan and/or credit facility agreements (as the same may be amended and supplemented from time to time and including, without limitation, the Existing Loan Agreement) entered or to be entered into by any member of the Group, in relation to any prepayment of any loan or credit facility or any financial covenants under such agreements. Accordingly, should any member of the Group provide to any other creditor more favourable treatment in relation to any prepayment provisions or any financial covenants than those which the Lenders have been provided with under the Loan Agreement, this Guarantee or any other Finance Document, the Guarantor shall promptly advise the Agent of those prepayment arrangements and covenants and shall, upon the Agent's request, enter into and, as the case may be, ensure that any other member of the Group will enter into, such documentation supplemental to the Finance Documents as the Lenders may require in order to achieve parity with the lenders under such other financings.

11.17 Sale or scrapping of Collateral Ships

If within 10 Business Days after the date of the expiration of the Existing Collateral Charter (the "**Charter Expiration Date**") in relation to each Collateral Ship, that Collateral Ship is not employed under a charter at a net daily charter hire rate exceeding \$10,000 and on such other terms in all respects acceptable to the Lenders, the Guarantor shall ensure that:

- (a) with the prior consent of the Existing Lenders, a Collateral Ship MOA within 15 Business Days from the Charter Expiration Date is signed in respect of that Collateral Ship and the sale of that Collateral Ship is completed within 15 Business Days from the date of signing of that Collateral Ship MOA, and the Collateral Ship Net Proceeds are applied first in prepayment of the Existing Loan and payment of all other amounts due to the Existing Creditor Parties under the Existing Finance Documents and the Existing Master Agreement and, any balance, shall be applied in prepayment of the Loan in accordance with clause 8.10(b)(ii) of the Loan Agreement (together, the "**Proceeds Payments**"); and
- (b) the Agent is regularly updated regarding the sale or scrapping process of that Collateral Ship and any offers received for the sale or scrapping of that Collateral Ship (including, without limitation, the price offered, the identity of the relevant buyer and the main terms of the offer).

On the Delivery Date and upon the successful conclusion of the sale of the Collateral Ships and following the making of the Proceeds Payments in respect of both Collateral Ships in full in accordance with paragraph (a) above and the payment in full by the Collateral Owners of any legal fees and expenses outstanding in connection with the Existing Loan Agreement, the Creditor Parties shall deliver the duly executed Deed of Release to the Collateral Owners.

11.18 Responsible Ship Recycling

If a Ship or Collateral Ship is sold for scrapping, the Guarantor shall use its best endeavours to ensure that such Ship or Collateral Ship shall be dismantled in a safe, sustainable and socially and environmentally responsible way.

11.19 Sale of Ships

The Guarantor undertakes to:

- (a) take all necessary actions in order to market one or more Ships for sale and ensure that those Ships are sold for cash on normal commercial arm's length terms and subject to the net sale proceeds in respect of each Ship being sold being at least equal to the amount of the Tranche financing that Ship (or such lower amount as the Lenders may agree in their sole discretion) (the "**Net Proceeds**");
 - (b) keep the Agent regularly updated regarding the sale process of those Ships and to advise the Agent promptly of any offers received for a Ship (including, without limitation, the price offered, the identity of the relevant buyer and the main terms of the offer);
 - (c) send to the Agent a certified copy of the MOA in respect of the sale of that Ship, promptly after the execution of each such document;
 - (d) ensure that any pending claims against the insurers or any charterer in connection with each Ship being sold are settled prior to its sale;
 - (e) ensure that the sale of at least one of the Ships is successfully completed and the Ship is irrevocably and unconditionally delivered to its buyer in accordance with this Clause 11.19 by no later than the Final Sale Date; and
 - (f) ensure that upon receipt of the Net Proceeds of a Ship on or prior to the successful delivery of a Ship to its buyer, such Net Proceeds are paid to the Retention Account and are applied in prepayment of the Loan in accordance with clause 8.10(b)(i) of the Loan Agreement.";
- (iv) by deleting paragraph (a) of clause 12.2 of the Corporate Guarantee in its entirety and replacing it with the following new paragraph:
- "(a) pay any dividend or make any other form of distribution or effect any form of redemption, purchase or return of share capital (each, a "**Distribution** ") (including, but not limited to, any Distribution in respect of any preferred shares); or";
- (v) by adding the words "or any other stock exchange acceptable to the Lenders" after the words "the New York Stock Exchange" in paragraph (d) of clause 12.2 of the Corporate Guarantee;
- (vi) by deleting clause 12.3 of the Corporate Guarantee in its entirety and replacing it with the following new clause:

" 12.3 Financial Covenants

The Guarantor shall ensure that at all times:

- (a) the Borrowers comply with the minimum required security cover referred to in clause 15.1 of the Loan Agreement; and
- (b) an amount of not less than the Minimum Liquidity Amount is held by each Borrower in its Operating Account in accordance with clause 11.19 of the Loan Agreement."; and
- (vii) by deleting sub-paragraphs (a), (b), (c) and (d) in the penultimate paragraph of the form of compliance certificate set out in Schedule 1 of the Corporate Guarantee and by adding the words ", the minimum security cover ratio is [●]" after the words "as at [●]" in the first line of that penultimate paragraph; and
- (b) as so amended pursuant to (a) above, the Corporate Guarantee shall continue to be binding on each of the parties to it in accordance with its terms as so amended.

5.3 Amendments to Finance Documents and Master Agreements

With effect on and from the Effective Date each of the Finance Documents and each Master 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, that Master Agreement, the Loan Agreement and any of the other Finance Documents shall be construed as if the same referred to that Master Agreement, the Loan Agreement and those Finance Documents as amended by this Agreement;
- (b) the definition of, and references throughout to, the Mortgage on each of the Ships shall be construed as if the same referred to that Mortgage as amended and supplemented by the relevant Mortgage Addendum; and
- (c) by construing references throughout each of the Finance Documents and the Master Agreements to "this Agreement", "this Deed", "hereunder" and other like expressions as if the same referred to such Finance Documents or Master Agreement as amended and supplemented by this Agreement.

5.4 The Finance Documents and Master Agreements to remain in full force and effect

The Finance Documents and the Master Agreements shall remain in full force and effect, as amended by:

- (a) the amendments contained or referred to in Clause 5.1, 5.2, 5.3 and the Mortgage Addenda; 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' and Security Parties' obligations to execute further documents etc.

Each Borrower and each Security Party shall:

- (a) execute and deliver to the Agent (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 Agent may, in any particular case, specify; and
- (b) effect any registration or notarisation, give any notice or take any other step,

which the Agent may, by notice to the Borrowers 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 Agent intended should be created by or pursuant to the Loan Agreement or any other Finance Document, each as amended or supplemented by this Agreement; and
- (b) implementing the terms and provisions of this Agreement.

6.3 Terms of further assurances

The Agent may specify the terms of any document to be executed by the Borrowers or, as the case may be, the Security Parties, under Clause 6.1, and those terms may include any covenants, powers and provisions which the Agent considers appropriate to protect its interests.

6.4 Obligation to comply with notice

The Borrowers and the Security Parties 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 Borrowers or a Security Party deliver to the Agent any document executed under Clause 6.1(a), the Borrowers shall also deliver to the Agent a certificate signed by 2 of the directors or, if applicable, the sole director of each Borrower or, as the case may be, that Security Party which shall:

- (a) set out the text of a resolution of that Borrower's or that Security Party's director specifically authorising the execution of the document specified by the Agent unless the execution of the relevant document is authorised by the existing resolutions and general power of attorney of that Borrower or, as the case maybe, that Security Party; and
- (b) state that either the resolution was duly passed by the sole director validly convened and held throughout and is valid under that Borrower's or that Security Party's articles of association or other constitutional documents.

7 FEES AND EXPENSES

7.1 Fees and 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 NOTICES

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

Other than a Creditor Party, 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 and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

10.2 Incorporation of the Loan Agreement provisions

The provisions of clause 31 (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 1

LENDERS

Lender	Lending Office
ABN AMRO Bank N.V.	93 Coolsingel 3012 AE Rotterdam The Netherlands
HSH Nordbank AG	Gerhart-Hauptmann-Platz 50 D-20095 Hamburg Germany
ITF International Transport Finance Suisse AG	Wasserwerkstrasse 12 CH-8006 Zurich Switzerland

SCHEDULE 2

CONDITIONS PRECEDENT DOCUMENTS

The following are the documents referred to in Clause 3.2:

- 1** In relation to each Borrower, each Collateral Owner and the Corporate Guarantor, documents of the kind specified in paragraphs 2, 3, 4 and 5 of Schedule 3, Part A of the Loan Agreement with appropriate modifications to refer to this Agreement, the Amendment Fee Letter and the Mortgage Addenda (as applicable).
- 2** A duly executed original of this Agreement, the Amendment Fee Letter and the Mortgage Addenda and any documents required pursuant thereto.
- 3** Evidence that each Mortgage Addendum has been registered against the relevant Ship in accordance with the laws of the Republic of Liberia.
- 4** Evidence that the Increased Minimum Liquidity Amount in respect of each Borrower is standing to the credit of its Operating Account in accordance with clause 11.19 of the Loan Agreement as amended and supplemented by this Agreement.
- 5** Evidence that the Agent has received payment of 50 per cent. of the Amendment Fee from the Borrowers.
- 6** A duly executed original of the Seacommercial's Undertaking (as defined in Clause 5.1(a)(i) of this Agreement) in respect of each Ship.
- 7** Certified copies of the Management Agreement and the S&P Charter Brokerage Services Agreement (as each of these terms is defined in Clause 5.1(a)(i) of this Agreement) in respect of each Ship, together with evidence that the daily technical and commercial management fee payable to the Approved Manager in relation to each Ship and each Collateral Ship has been fixed in an amount not exceeding the Fixed Management Fee (as defined in Clause 5.1(a)(i) of this Agreement).
- 8** Evidence that the Agent has received the Agreed Budget (as defined in Clause 5.1(a) of this Agreement) for the financial quarter of the Corporate Guarantor ending on 30 September 2016.
- 9** Documentary evidence that the agent for service of process named in clause 31 of the Loan Agreement has accepted its appointment in respect of this Agreement and the Amendment Fee Letter.
- 10** Certified copies of all documents (with a certified translation if an original is not in English) evidencing any other necessary action, approvals or consents with respect to this Agreement, the Amendment Fee Letter and the Mortgage Addenda (including without limitation) all necessary governmental and other official approvals and consents in such pertinent jurisdictions as the Agent deems appropriate.
- 11** Favourable legal opinions from lawyers appointed by the Agent on such matters concerning the laws of Liberia, Marshall Islands, Hong Kong and such other relevant jurisdictions as the Agent may require.
- 12** Any further opinions, consents, agreements and documents in connection with this Agreement, the Finance Documents, the Amendment Fee Letter and the Mortgage Addenda which the Agent may request by notice to the Borrowers prior to the Effective Date.

SCHEDULE 3

FORM OF DEED OF RELEASE

Dated July 2016

THE BANKS AND FINANCIAL INSTITUTIONS
listed in the Schedule
as Lenders

and

ABN AMRO BANK N.V.
as Agent, Underwriter and Security Trustee

and

ABN AMRO BANK N.V. and
HSH NORDBANK AG
as Swap Banks

and

POLYARISTI NAVIGATION CO.
EFPLOIAS SHIPPING CO. and
AMORITA DEVELOPMENT INC.
as joint and several Borrowers

and

BOX SHIPS INC
as Corporate Guarantor

and

ROSETTA NAVIGATION CORP. LIMITED and
TRITON SHIPPING LIMITED
as Collateral Owners

DEED OF RELEASE OF SECURITY AND REASSIGNMENT

relating to the partial release of
a facility of (originally)
US\$100,000,000 with US\$63,425,000 outstanding
for m.vs. "MAULE" and m.v. "BOX VOYAGER" and "BOX TRADER"

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THIS DEED is made on July 2017

PARTIES

- (1) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1 as Lenders (the "**Lenders**");
- (2) **ABN AMRO BANK N.V.** acting through its office at 93 Coolsingel, 3012 AE, Rotterdam, The Netherlands, as **First Swap Bank**, and **Underwriter** ;
- (3) **ABN AMRO BANK N.V.** acting through its office at Daalsesingel 71, 3511 SW Utrecht, The Netherlands, as **Agent** , and **Security Trustee** ;
- (4) **HSH NORDBANK AG** acting through its offices at Martensdamm 6, D-24103 Kiel and Gerhart-Hauptmann-Platz 50, D-20095 Hamburg, Federal Republic of Germany as **Second Swap Bank** ;
- (5) **POLYARISTI NAVIGATION CO., EFPLOIAS SHIPPING CO. and AMORITA DEVELOPMENT INC.** , each a corporation incorporated in the Republic of Liberia whose registered office is at 80 Broad Street, Monrovia, Liberia (each a "**Borrower** " and, together, the "**Borrowers** ");
- (6) **BOX SHIPS 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 **Corporate Guarantor** ; and
- (7) **ROSETTA NAVIGATION CORP. LIMITED ("Rosetta") and TRITON SHIPPING LIMITED ("Triton")**, and together with Rosetta, the "**Collateral Owners** "), each a company incorporated in Hong Kong whose registered office is at Unit 305-7, 3/F., Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong.

BACKGROUND

- (A) By a loan agreement dated 6 May 2011 (as amended and restated by two amending and restating agreements dated respectively 9 August 2012 and 9 August 2013 and as further amended and supplemented by a supplemental agreement dated 25 November 2014, a supplemental and release agreement dated 25 June 2015, a third supplemental agreement dated 12 July 2016 and three supplemental letters dated respectively 6 May 2016, 20 May 2016 and 13 June 2016, the "**Loan Agreement** ") and made between (i) the Borrowers as joint and several borrowers, (ii) the Lenders, (iii) ABN AMRO Bank N.V. as Agent, First Swap Bank, Underwriter and Security Trustee and (iv) HSH Nordbank AG as Second Swap Bank, the Lenders have available to the Borrowers a loan facility in an amount of (originally) up to US\$100,000,000, of which an amount of US\$63,425,000 is outstanding by way of principal on the date hereof.
- (B) By a master agreement (as amended and supplemented from time to time, the "**First Master Agreement** ") (on the 2002 ISDA Master Agreement form together with the schedule attached thereto (as amended)) dated as of 6 May 2011 and made between (i) the Borrowers and (ii) the First Swap Bank, it was agreed that the First Swap Bank would enter into Designated Transactions with the Borrowers from time to time.
- (C) By a master agreement (as amended and supplemented from time to time, the "**Second Master Agreement** ") (on the 2002 ISDA Master Agreement form together with the schedule attached thereto (as amended)) dated as of 9 August 2012 and made between (i) the Borrowers and (ii) the Second Swap Bank, it was agreed that the Second Swap Bank would enter into Designated Transactions with the Borrowers from time to time.
- (D) By a guarantee (the "**Released Triton Guarantee** ") dated 9 August 2013 and made between (i) Rosetta and (ii) the Security Trustee, Rosetta guaranteed the obligations of the Borrowers under the Loan Agreement, the Master Agreements and the other Finance Documents.

- (E) By a guarantee (the " **Released Triton Guarantee** " and together with the Released Rosetta Guarantee, the " **Released Guarantees** ") dated 9 August 2013 and made between (i) Triton and (ii) the Security Trustee, Rosetta guaranteed the obligations of the Borrower under the Loan Agreement, the Master Agreements and the other Finance Documents.
- (F) Concurrently with the sale of the Collateral Ships, the Borrowers have, on the date of this Deed, prepaid the relevant proposition of the Loan, being US\$[●] to the Lenders.
- (G) This Deed sets out the terms and conditions on which the Creditor Parties agree, at the request of the Borrower and the Security Parties, to the release of certain Security Interests and certain other obligations created by certain Finance Documents on the Effective Date.

OPERATIVE PROVISIONS

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Defined expressions

Words and expressions defined in the Loan Agreement shall have the same meanings when used in this Deed unless the context otherwise requires.

1.2 Definitions

In this Deed, unless the contrary intention appears:

" **Continuing Finance Documents** " means the Finance Documents other than the Released Finance Documents;

" **Loan Agreement** " means the Loan Agreement dated 6 May 2011 as amended, restated and supplemented from time to time, referred to in Recital (A); and

" **Released Finance Documents** " means (a) the Released Guarantees and executed by the Collateral Owners in favour of the Security Trustee, (b) each Collateral Account Pledge executed by a Collateral Owner in favour of the Security Trustee in respect of its Collateral Operating Account and the Collateral Retention Account, (c) each Collateral Mortgage dated 25 June 2015 and executed by a Collateral Owner in favour of the Security Trustee in respect of the Collateral Ship owned by that Collateral Owner, (d) each General Assignment dated 25 June 2015 and executed by a Collateral Owner in favour of the Security Trustee in respect of (inter alia) the Earnings, Insurances and any Requisition Compensation of the Collateral ship owned by that Collateral Owner, (e) the Collateral Charterparty Assignment dated 30 June 2015 and executed by Triton in favour of the Security Trustee and (f) the Collateral Charterparty Assignment dated 10 July 2015 executed by Rosetta in favour of the Security Trustee.

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 Deed.

2 RELEASE OF SECURITY INTERESTS

2.1 Release

The Security Trustee irrevocably and unconditionally releases all Security Interests created in its favour by each Collateral Owner under the Released Finance Documents.

2.2 Release of obligations

The Creditor Parties:

- (a) irrevocably and unconditionally release and discharge each Collateral Owner from their obligations under any covenants and undertakings relating to any asset a Security Interest over which is released pursuant to this Deed; and
- (b) release and discharge each Collateral Owner from their respective obligations under the Loan Agreement and the Released Finance Documents to which each is a party.

3 REASSIGNMENT OF ASSIGNED PROPERTY

3.1 Reassignment

The Security Trustee, without any warranty, representation, covenant or other recourse, reassigns to each Collateral Owner, all rights and interests of every kind which the Security Trustee now has to, in or in connection with the Assigned Property (as defined in each of the Collateral General Assignment and the Collateral Charterparty Assignment relative to each Collateral Ship.

4 CONTINUING EFFECT

4.1 Continuing Finance Documents to remain in full force and effect

The Borrowers and the Security Parties confirm and agree with the Creditor Parties that the Continuing Finance Documents shall remain in full force and effect.

5 EXPENSES

The provisions of clause 20 (fees and expenses) of the Loan Agreement shall apply to this Deed as if they were expressly incorporated in this Deed with any appropriate modifications.

6 FURTHER DOCUMENTS

6.1 Delivery of further documents

Subject to the Borrowers paying to the Creditor Parties all expenses incurred by the Creditor Parties in connection with this Deed in accordance with clause 20 (fees and expenses) of the Loan Agreement, the Security Trustee shall promptly after execution and delivery of this Deed deliver:

- (a) to the Collateral Owner:
 - (i) evidence that each Collateral Mortgage has been discharged;
 - (ii) executed notice of reassignment of Insurances relating to each Collateral Ship in the form set out in Parts A of Schedule 2; and
- (b) to the Collateral Charterer, executed notices of reassignment of the rights and interests of each Collateral Owner under the Charter relative to the Collateral Ship in the form set out in Part B of Schedule 2.

7 SUPPLEMENTAL

7.1 Counterparts

This Deed may be executed in any number of counterparts.

7.2 Third party rights

A person who is not a party to this Deed, or who is not expressed to be a beneficiary of the terms of this Deed, has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Deed.

8 LAW AND JURISDICTION

8.1 Governing law

This Deed shall be governed by and construed in accordance with English law.

8.2 Incorporation of Loan Agreement provisions

The provisions of clause 31 (law and jurisdiction) of the Loan Agreement shall apply to this Deed as if they were expressly incorporated in this Agreement with any necessary modifications.

THIS DEED has been executed by or on behalf of the parties and has, on the date stated at the beginning of this Deed, been delivered as a Deed.

SCHEDULE 1

LENDERS

Lender	Lending Office
ABN AMRO Bank N.V.	93 Coolsingel 3012 AE Rotterdam The Netherlands
HSH Nordbank AG	Gerhart-Hauptmann-Platz 50 D-20095 Hamburg Germany
ITF International Transport Finance Suisse AG	Wasserwerkstrasse 12 CH-8006 Zurich Switzerland

SCHEDULE 2

FORMS OF NOTICES OF REASSIGNMENT

PART A

NOTICE OF REASSIGNMENT OF INSURANCES

m.v. "[BOX CHINA][BOX HONG KONG]" (the "Ship")

We, **ABN AMRO BANK N.V.**, the assignee of all rights and interest of every kind of **[ROSETTA NAVIGATION CORP. LIMITED][TRITON SHIPPING LIMITED]** (the " **Assignor** ") to, in or in connection with all policies and contracts of insurance, including entries of the Ship in any protection and indemnity or war risks association (the " **Insurances** ") in respect of the Ship pursuant to a second priority assignment dated 25 June 2015 (the " **Assignment** ") **GIVE NOTICE** that we have reassigned to the Assignor all of our rights and interest of every kind to, in or in connection with the Insurances under the Assignment and, with effect from the date of this notice, we have no further interest in or claim over the Insurances.

for and on behalf of
ABN AMRO BANK N.V.

PART B

NOTICE OF REASSIGNMENT OF CHARTER

m.v. "[BOX CHINA][BOX HONG KONG]" (the "Ship")

We, **ABN AMRO BANK N.V.**, the assignee of all rights and interest of every kind of **[ROSETTA NAVIGATION CORP. LIMITED][TRITON SHIPPING LIMITED]** (the "**Assignor**") under a time charter as evidenced by a recapitulation email dated 2 June 2015 with MSC - Mediterranean Shipping Company S.A. as charterer in respect of the Ship (the "**Charter**") give notice that by a deed of release and reassignment dated July 2016, we hereby reassign to the Assignor all rights to receive moneys payable to it under the Charter and all the Assignor's other rights which were assigned to us pursuant to a second priority assignment dated [10 July 2015][30 June 2015].

for and on behalf of
ABN AMRO BANK N.V.

EXECUTION PAGES

BORROWERS

EXECUTED as a **DEED**)
by **POLYARISTI NAVIGATION CO.**)
acting by)
in the presence of:)

EXECUTED as a **DEED**)
by **EFPLOIAS SHIPPING CO.**)
acting by)
in the presence of:)

EXECUTED as a **DEED**)
by **AMORITA DEVELOPMENT INC.**)
acting by)
in the presence of:)

CORPORATE GUARANTOR

EXECUTED as a **DEED**)
by **BOX SHIPS INC.**)
acting by)
in the presence of:)

COLLATERAL OWNERS

EXECUTED AND DELIVERED as a **DEED**)
by **ROSETTA NAVIGATION CORP. LIMITED**)
acting by)
in the presence of:)

EXECUTED AND DELIVERED as a **DEED**)
by **TRITON SHIPPING LIMITED**)
acting by)
in the presence of:)

LENDERS

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised attorney-in-fact)
in the presence of:)

EXECUTED as a **DEED**)
by **HSH NORDBANK AG**)
acting by)
its duly authorised attorney-in-fact)
in the presence of:)

EXECUTED as a **DEED**)
by **ITF INTERNATIONAL TRANSPORT**)
FINANCE SUISSE AG)
acting by)
its duly authorised attorney-in-fact)
in the presence of:)

AGENT

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised attorney-in-fact)
in the presence of:)

SECURITY TRUSTEE

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised attorney-in-fact)
in the presence of:)

UNDERWRITER

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised attorney-in-fact)
in the presence of:)

SWAP BANKS

EXECUTED as a **DEED**)
by **ABN AMRO BANK N.V.**)
acting by)
its duly authorised attorney-in-fact)
in the presence of:)

EXECUTED as a **DEED**)
by **HSH NORDBANK AG**)
acting by)
its duly authorised attorney-in-fact)
in the presence of:)

COUNTERSIGNED this 12th day of July 2016 for and on behalf of the below company which, by its execution hereof, confirms and acknowledges that it has read and understood the terms and conditions of this Third Supplemental 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 Loan Agreement, the other Finance Documents and the Master Agreements (each as amended and supplemented by this Third Supplemental Agreement).

for and on behalf of

ALLSEAS MARINE S.A.

FIRST SUPPLEMENTAL LETTER

To: **Box Ships Inc.**
 of Trust Company Complex
 Ajeltake Road
 Ajeltake Island
 Majuro
 The Marshall Islands MH96960
 as borrower (the "**Borrower**")

15 September 2016

Dear Sirs

Loan Agreement dated 11 November 2014 (as amended and supplemented by a first supplemental agreement dated 1 July 2016, the "Loan Agreement") made between (i) the Borrower and (ii) Credit Suisse AG as lender (the "Lender") in respect of a loan facility of up to US\$31,650,000

We refer to the Loan Agreement. Words and expressions defined in the Loan Agreement shall have the same meaning when used in this Letter unless the context may otherwise require and for the purposes of this Letter:

" **Effective Date** " means the date on which the conditions precedent listed in Clause 1 are satisfied.

You have requested that the Lender agrees to:

- (a) the extension of the Expiry Date; and
- (b) the consequential amendments to the Loan Agreement and the other Finance Documents in connection with the above matters.

1 Agreement and conditions precedent. We hereby confirm our consent and approval to your request in consideration of the sum of US\$1 and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged) and subject to the following conditions:

- (a) the Borrower and each Security Party signs the acknowledgement to this Letter confirming its agreement to the terms and conditions of the same; and
- (b) that the Lender shall have received in form and substance satisfactory to it and its legal advisers on or before the date of this Letter:
 - (i) a duly signed original of this Letter by all parties thereto;
 - (ii) documents of the kind specified in paragraphs 2, 3 and 4 of Schedule 2, Part A to the Loan Agreement in relation to the Borrower and each Owner with appropriate modifications to refer to this Letter; and
 - (iii) any other document or evidence as the Lender may reasonably request in writing from the Borrower.

2 Amendments to Loan Agreement . The Lender and the Borrower hereby confirm and agree that the Loan Agreement shall be amended with effect on and from the Effective Date as follows:

- (a) by deleting the definition of "Expiry Date" in clause 1.1 thereof and replacing it with the following new definition:
-

"" **Expiry Date** " means 30 September 2016;"

- (b) the definition of, and references throughout the Loan Agreement to, each Finance Document shall be construed as if the same referred to that Finance Document as amended and supplemented by this First Supplemental Letter; and
 - (c) by construing references throughout the Loan Agreement to "this Agreement", "hereunder" and other like expressions as if the same referred to the Loan Agreement as amended and supplemented by this First Supplemental Letter.
- 3 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 Letter 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 Letter; 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 Letter.
- 4 Representations and Warranties** . The Borrower hereby represents and warrants to the Lender that:
- (a) the representations and warranties contained in clause 9 of 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 Borrower enforceable in accordance with its terms.
- 5 Loan Agreement and Finance Documents** . The Borrower hereby agrees with the Lender that the provisions of the Loan Agreement and the Finance Documents (as amended and supplemented by this Letter) shall be and are hereby re-affirmed and remain in full force and effect.
- 6 Expenses** . The provisions of clause 19 (fees and expenses) of the Loan Agreement shall apply to this Letter as if the same were (mutatis mutandis) herein expressly set forth.
- 7 Notices** . Clause 27 (notices) of the Loan Agreement shall extend and apply to this Letter as if the same were (mutatis mutandis) herein expressly set forth.
- 8 Law and jurisdiction** . This Letter, and any non-contractual obligations arising out of or in connection with it, 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 the Letter.

Yours faithfully

for and on behalf of
CREDIT SUISSE AG

Accepted and agreed

BORROWER

for and on behalf of
BOX SHIPS INC.

for and on behalf of
BOX SHIPS INC.

Dated: 15 September 2016

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 as amended and supplemented by the above Letter) 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 and the other Finance Documents (each as amended and supplemented by the above Letter).

OWNERS

for and on behalf of
LAWRY SHIPPING LTD

for and on behalf of
TACITA OCEANWAY CARRIER CO.

for and on behalf of
ALAQUA MARINE LIMITED

Dated: 15 September 2016

SUBSIDIARIES OF BOX SHIPS INC.

Name of Subsidiary	Jurisdiction of Incorporation
Ardal International Co.	The Republic of the Marshall Islands
Alaqua Marine Limited	Republic of Liberia
Tacita Oceanway Carrier Co.	Republic of Liberia
Aral Sea Shipping S.A.	Republic of Liberia
Lawry Shipping Ltd.	The Republic of the Marshall Islands
Rosetta Navigation Corp. Limited	Hong Kong
Triton Shipping Limited	Hong Kong

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Michael Bodouroglou, certify that:

1. I have reviewed this annual report on Form 20-F of Box Ships 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: March 13, 2017

/s/ Michael Bodouroglou

Name: Michael Bodouroglou

Title: Chief Executive Officer (Principal Executive Officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Michael Bodouroglou, certify that:

1. I have reviewed this annual report on Form 20-F of Box Ships 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: March 13, 2017

/s/ Michael Bodouroglou

Name: Michael Bodouroglou

Title: Interim Chief Financial Officer (Principal Financial Officer)

**PRINCIPAL EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Annual Report of Box Ships Inc. (the “Company”) on Form 20-F for the year ended December 31, 2016 as filed with the Securities and Exchange Commission (the “SEC”) on or about the date hereof (the “Report”), I, Michael Bodouroglou, 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: March 13, 2017

/s/ Michael Bodouroglou

Name: Michael Bodouroglou

Title: Chief Executive Officer (Principal Executive Officer)

**PRINCIPAL EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Annual Report of Box Ships Inc. (the “Company”) on Form 20-F for the year ended December 31, 2016 as filed with the Securities and Exchange Commission (the “SEC”) on or about the date hereof (the “Report”), I, Michael Bodouroglou, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: March 13, 2017

/s/ Michael Bodouroglou

Name: Michael Bodouroglou

Title: Interim Chief Financial Officer (Principal Financial Officer)