

StealthGas Inc.  
Form 20-F  
April 27, 2018  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON D.C. 20549**

**FORM 20-F**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 001-36797**

**STEALTHGAS INC.**

**(Exact name of Registrant as specified in its charter)**

**Not applicable**

**(Translation of Registrant's Name into English)**

**Republic of the Marshall Islands**

**(Jurisdiction of incorporation or organization)**

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**(Address of principal executive offices)**

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

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

| <b>Title of each class</b>                      | <b>Name of each exchange on which registered</b> |
|---|--|
| <b>Common Stock, par value \$0.01 per share</b> | <b>The Nasdaq Stock Market LLC</b>               |

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:**

**None**

**SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION**

**PURSUANT TO SECTION 15(d) OF THE ACT:**

**None**

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2017 was: 39,860,563 shares of Common Stock, par value \$0.01 per share

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

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

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

International Accounting Standards Board

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

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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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**FORWARD-LOOKING INFORMATION**

This Annual Report on Form 20-F includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as forward-looking statements. We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material.

All statements in this document that are not statements of historical fact are forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended (the Securities Act ), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). Forward-looking statements include, but are not limited to, such matters as:

future operating or financial results;

global and regional economic and political conditions;

pending or recent acquisitions, business strategy and expected capital spending or operating expenses;

competition in the marine transportation industry;

shipping market trends, including charter rates, factors affecting supply and demand and world fleet composition;

ability to employ our vessels profitably;

performance by the counterparties to our charter agreements;

future liquefied petroleum gas ( LPG ), refined petroleum product and oil prices and production;

future supply and demand for oil and refined petroleum products and natural gas of which LPG is a byproduct;

our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities, the terms of such financing and our ability to comply with covenants set forth in our existing and future financing arrangements;

performance by the shipyards constructing our newbuilding vessels; and

expectations regarding vessel acquisitions and dispositions.

When used in this document, the words anticipate, believe, intend, estimate, project, forecast, plan, potential, should and expect reflect forward-looking statements. Such statements reflect our current views and assumptions and all forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect our future financial results are discussed more fully under Item 3. Key Information Risk Factors, as well as elsewhere in this Annual Report on Form 20-F and in our other filings with the U.S. Securities and Exchange Commission ( SEC ). We caution readers of this Annual Report not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to publicly update or revise any forward-looking statements.

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**Part I**

StealthGas Inc. is a Marshall Islands company that is referred to in this Annual Report on Form 20-F, together with its subsidiaries, as StealthGas, the Company, we, us, or our. This Annual Report should be read in conjunction with consolidated financial statements and the accompanying notes thereto, which are included in Item 18 to this Annual Report.

We use the term cubic meters, or cbm, in describing the size of our liquefied petroleum gas ( LPG ) carriers and the term deadweight tons, or dwt, in describing the size of our product carriers and crude oil tanker. We use the term small to describe LPG carriers of between 3,000 and 8,000 cbm in capacity. Unless otherwise indicated, all references to currency amounts in this annual report are in U.S. dollars.

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

Not Applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not Applicable.

**Item 3. Key Information**

**A. Selected Consolidated Financial Data**

The following table sets forth our selected consolidated financial data and other operating data shown in U.S. dollars, other than share and fleet data. The table should be read together with Item 5. Operating and Financial Review and Prospects.



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Our audited consolidated statements of operations and comprehensive income/(loss), stockholder's equity and cash flows for the years ended December 31, 2015, 2016, and 2017 and the audited consolidated balance sheets as of December 31, 2016 and 2017, together with the notes thereto, are included in Item 18. Financial Statements and should be read in their entirety. The selected consolidated income statement data for the years ended December 31, 2013 and 2014 and the selected balance sheet data as of December 31, 2015, 2016 and 2017 have been derived from our audited consolidated financial statements which are not included in Item 18. Financial Statements .

|   | <b>Year Ended December 31,</b> |                |                |                |                |
|---|--------------------------------|----------------|----------------|----------------|----------------|
|   | <b>2013</b>                    | <b>2014</b>    | <b>2015</b>    | <b>2016</b>    | <b>2017</b>    |
| <b>INCOME STATEMENT DATA</b>                                      |                                |                |                |                |                |
| Revenues  | \$ 111,667,565                 | \$ 122,158,892 | \$ 131,501,881 | \$ 136,539,399 | \$ 152,338,278 |
| Revenues related party  | 9,814,000                      | 9,814,000      | 9,814,000      | 7,592,784      | 1,973,643      |
| Total Revenues  | \$ 121,481,565                 | \$ 131,972,892 | \$ 141,315,881 | \$ 144,132,183 | \$ 154,311,921 |
| Operating expenses:   |                                |                |                |                |                |
| Voyage expenses   | 12,819,866                     | 12,474,090     | 15,849,855     | 13,618,025     | 13,804,032     |
| Voyage expenses related party                                     | 1,482,764                      | 1,613,421      | 1,725,683      | 1,772,240      | 1,912,505      |
| Vessels operating expenses  | 32,439,404                     | 41,335,984     | 46,477,583     | 55,680,993     | 58,618,526     |
| Vessels operating expenses-related party                          | 4,084,149                      | 4,099,352      | 4,177,042      | 3,141,843      | 800,908        |
| Charter hire expenses   |                                | 320,804        | 4,124,960      | 4,054,387      | 3,524,770      |
| Dry-docking costs   | 3,160,251                      | 465,681        | 1,774,905      | 3,613,230      | 3,529,047      |
| Management fees   | 4,807,010                      | 5,501,675      | 6,452,145      | 7,346,180      | 7,205,490      |
| General and administrative expenses                               | 2,816,397                      | 3,150,929      | 3,655,316      | 3,110,409      | 2,898,958      |
| Depreciation  | 30,761,673                     | 33,811,607     | 35,857,507     | 39,096,589     | 38,921,672     |
| Impairment loss   |                                | 6,168,747      | 8,238,987      | 5,735,086      | 6,461,273      |
| Other Operating Costs   |                                |                |                |                | 1,058,863      |
| Net (gain)/loss on sale of vessels                                |                                |                | (33,251)       | (118,427)      | 77,314         |
| Total expenses  | 92,371,514                     | 108,942,290    | 128,300,732    | 137,050,555    | 138,813,358    |
| Income from operations  | 29,110,051                     | 23,030,602     | 13,015,149     | 7,081,628      | 15,498,563     |
| Interest and finance costs  | (8,189,475)                    | (9,314,539)    | (10,385,261)   | (14,268,148)   | (16,661,464)   |
| Loss on derivatives   | (27,470)                       | (1,348,384)    | (370,584)      | (767,196)      | (403,943)      |
| Interest income   | 361,820                        | 456,924        | 173,083        | 454,472        | 322,868        |
| Foreign exchange (loss)/gain                                      | (37,733)                       | (138,777)      | 134,291        | (299,056)      | 25,739         |
| Other expenses, net   | (7,892,858)                    | (10,344,776)   | (10,448,471)   | (14,879,928)   | (16,716,800)   |
| Net income/(loss)   | 21,217,193                     | 12,685,826     | 2,566,678      | (7,798,300)    | (1,218,237)    |
| Earnings/(loss) per share, basic                                  | \$ 0.75                        | \$ 0.32        | \$ 0.06        | \$ (0.20)      | \$ (0.03)      |
| Earnings/(loss) per share, diluted                                | \$ 0.75                        | \$ 0.32        | \$ 0.06        | \$ (0.20)      | \$ (0.03)      |
| Weighted (basic and diluted) average number of shares outstanding |                                |                |                |                |                |
|   | 28,271,746                     | 39,305,644     | 41,315,127     | 39,824,038     | 39,809,364     |
| Dividends declared per share                                      | \$ 0.00                        | \$ 0.00        | \$ 0.00        | \$ 0.00        | \$ 0.00        |

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|   | As of December 31, |                |                |               |               |
|---|--------------------|----------------|----------------|---------------|---------------|
|   | 2013               | 2014           | 2015           | 2016          | 2017          |
| <b>BALANCE SHEET DATA</b>                       |                    |                |                |               |               |
| Current assets, including cash                  | \$ 97,885,057      | \$ 139,742,461 | \$ 123,372,369 | \$ 76,478,045 | \$ 62,838,725 |
| Total assets                                    | 849,673,159        | 944,358,260    | 1,037,874,170  | 1,001,942,344 | 996,226,191   |
| Current liabilities                             | 62,916,872         | 67,289,874     | 103,714,126    | 81,366,606    | 78,748,931    |
| Derivative liability                            | 3,232,967          | 2,456,663      | 978,853        | 364,823       | 126,525       |
| Total long-term debt, including current portion | 351,557,038        | 323,982,310    | 422,162,554    | 397,885,589   | 384,908,448   |
| Net assets                                      | 472,594,443        | 592,390,274    | 583,051,160    | 573,975,304   | 573,478,772   |
| Capital stock                                   | 326,796            | 442,850        | 442,850        | 442,850       | 442,850       |
| Number of shares of common stock outstanding    | 32,127,329         | 42,889,773     | 40,517,676     | 39,860,563    | 39,860,563    |

|   | Year ended December 31, |               |               |               |               |
|---|-------------------------|---------------|---------------|---------------|---------------|
|   | 2013                    | 2014          | 2015          | 2016          | 2017          |
| <b>OTHER FINANCIAL DATA</b>                         |                         |               |               |               |               |
| Net cash provided by operating activities           | \$ 49,127,375           | \$ 55,237,735 | \$ 48,054,596 | \$ 36,154,088 | \$ 52,354,053 |
| Net cash used in investing activities(13)           | (122,605,174)           | (91,533,088)  | (151,799,747) | (54,074,771)  | (48,913,177)  |
| Net cash provided by/(used in) financing activities | 114,608,308             | 79,018,076    | 87,899,271    | (27,213,272)  | (14,069,329)  |

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| <b>FLEET DATA</b>                                 |        |        |        |        |        |
| Average number of vessels(1)                      | 39.4   | 44.1   | 48.8   | 53.4   | 52.6   |
| Total voyage days for fleet(2)                    | 14,196 | 16,028 | 18,446 | 19,999 | 19,717 |
| Total time and bareboat charter days for fleet(3) | 11,896 | 13,893 | 14,516 | 15,831 | 16,772 |
| Total spot market days for fleet(4)               | 2,300  | 2,135  | 3,930  | 4,168  | 2,945  |
| Total calendar days for fleet(5)                  | 14,399 | 16,136 | 18,541 | 20,275 | 19,917 |
| Fleet utilization(6)                              | 98.6%  | 99.3%  | 99.5%  | 98.6%  | 99.0%  |
| Fleet operational utilization(7)                  | 92.3%  | 93.3%  | 92.5%  | 91.1%  | 96.2%  |

|                                  |          |          |          |          |          |
|----------------------------------|----------|----------|----------|----------|----------|
| <b>AVERAGE DAILY RESULTS</b>     |          |          |          |          |          |
| Adjusted average charter rate(8) | \$ 7,550 | \$ 7,355 | \$ 6,708 | \$ 6,437 | \$ 7,029 |
|                                  | 2,537    | 2,816    | 2,732    | 2,901    | 2,983    |

|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| Vessel operating expenses(9)            |       |       |       |       |       |
| General and administrative expenses(10) | 196   | 195   | 197   | 153   | 146   |
| Management fees(11)                     | 334   | 341   | 348   | 362   | 362   |
| Total daily operating expenses(12)      | 2,732 | 3,011 | 2,929 | 3,054 | 3,129 |

- (1) Average number of vessels is the number of owned vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.
- (2) Our total voyage days for our fleet reflect the total days the vessels we operated were in our possession for the relevant periods, net of off-hire days associated with major repairs, drydockings or special or intermediate surveys.
- (3) Total time and bareboat charter days for fleet are the number of voyage days the vessels in our fleet operated on time or bareboat charters for the relevant period.
- (4) Total spot market charter days for fleet are the number of voyage days the vessels in our fleet operated on spot market charters for the relevant period.

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- (5) Total calendar days are the total days the vessels we operated were in our possession for the relevant period including off-hire days associated with major repairs, drydockings or special or intermediate surveys.
- (6) Fleet utilization is the percentage of time that our vessels were available for revenue generating voyage days, and is determined by dividing voyage days by fleet calendar days for the relevant period.
- (7) Fleet operational utilization is the percentage of time that our vessels generated revenue, and is determined by dividing voyage days (excluding commercially idle days) by fleet calendar days for the relevant period.
- (8) Adjusted average charter rate is a measure of the average daily revenue performance of a vessel on a per voyage basis. We determine the adjusted average charter rate by dividing voyage revenues (net of voyage expenses) by voyage days for the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage and are payable by us under a spot charter (which would otherwise be paid by the charterer under a time or bareboat charter contract), as well as commissions. Charter equivalent revenues and adjusted average charter rate are non-GAAP measures which provide additional meaningful information in conjunction with voyage revenues, the most directly comparable GAAP measure, because they assist Company management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance. They are also standard shipping industry performance measures used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters or time charters, but not bareboat charters) under which the vessels may be employed between the periods. Our calculation of charter equivalent revenues and adjusted average charter rate may not be comparable to that reported by other companies in the shipping or other industries. Under bareboat charters, we are not responsible for either voyage expenses, unlike spot charters, or vessel operating expenses, unlike spot charters and time charters; however, no adjustment for such reduced vessel operating expenses for our vessels deployed under bareboat charters is reflected in the adjusted average charter rate. Reconciliation of charter equivalent revenues as reflected in the consolidated statements of operations and calculation of adjusted average charter rate follow:

|                               | <b>Year ended December 31,</b> |                |                |                |                |
|-------------------------------|--------------------------------|----------------|----------------|----------------|----------------|
|                               | <b>2013</b>                    | <b>2014</b>    | <b>2015</b>    | <b>2016</b>    | <b>2017</b>    |
| Voyage revenues               | \$ 121,481,565                 | \$ 131,972,892 | \$ 141,315,881 | \$ 144,132,183 | \$ 154,311,921 |
| Voyage expenses               | (14,302,630)                   | (14,087,511)   | (17,575,538)   | (15,390,265)   | (15,716,537)   |
| Charter equivalent revenues   | \$ 107,178,935                 | \$ 117,885,381 | \$ 123,740,343 | \$ 128,741,918 | \$ 138,595,384 |
| Total voyage days for fleet   | 14,196                         | 16,028         | 18,446         | 19,999         | 19,717         |
| Adjusted average charter rate | \$ 7,550                       | \$ 7,355       | \$ 6,708       | \$ 6,437       | \$ 7,029       |

- (9) Vessel operating expenses, including related party vessel operating expenses, consist of crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs, is calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.
- (10) Daily general and administrative expenses are calculated by dividing total general and administrative expenses by fleet calendar days for the relevant period.
- (11) Management fees are based on a fixed rate management fee of \$440 per day for each vessel in our fleet under spot or time charter and a fixed rate fee of \$125 per day for each of the vessels operating on bareboat charter. Daily management fees are calculated by dividing total management fees by fleet calendar days for the relevant period.

- (12) Total operating expenses, or TOE, is a measurement of our total expenses associated with operating our vessels. TOE is the sum of vessel operating expenses and general and administrative expenses. Daily TOE is calculated by dividing TOE by fleet calendar days for the relevant time period.
- (13) Effective December 31, 2017, the Company adopted the new standard Accounting Standards Update ASU 2016-18 Restricted Cash. The implementation of this update affected the presentation in the statement of cash flows relating to changes in restricted cash which are presented as part of Cash whereas the Company previously presented these within investing activities. This standard was retrospectively applied to all periods presented.

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**B. Capitalization and Indebtedness**

Not applicable

**C. Reasons For the Offer and Use of Proceeds**

Not Applicable.

**D. Risk Factors**

**Risks Related To Our Industry**

*The cyclical nature of the demand for LPG transportation may lead to significant changes in our chartering and vessel utilization, which may adversely affect our revenues, profitability and financial position.*

Historically, the international LPG carrier market has been cyclical with attendant volatility in profitability, charter rates and vessel values. The degree of charter rate volatility among different types of gas carriers has varied widely. Because many factors influencing the supply of, and demand for, vessel capacity are unpredictable, the timing, direction and degree of changes in the international gas carrier market are also not predictable. After improving from low levels in late 2011 until the third quarter of 2014, charter rates for small LPG carriers thereafter declined significantly, largely due to the fall in oil prices, before experiencing modest improvement in the second half of 2017 and early 2018. If charter rates decline further, our earnings may decrease, particularly with respect to our vessels deployed in the spot market or those vessels whose charters will be subject to renewal during 2018, as they may not be extended or renewed on favorable terms when compared to the terms of the expiring charters. As of April 1, 2018, of our 51 operating LPG carriers in the water, including three vessels that are chartered in, 9 were deployed in the spot market while another 20 were scheduled to complete their existing charters (bareboat and time charters) during 2018. In addition we have arranged a one- year time charter up until April 2019 for our newbuilding LPG carrier delivered in April 2018. Any of the foregoing factors could have an adverse effect on our revenues, profitability, liquidity, cash flow and financial position.

Future growth in the demand for LPG carriers and charter rates, including for the vessel size segments comprising our fleet, will depend on economic growth in the world economy and demand for LPG product transportation that exceeds the capacity of the growing worldwide LPG carrier fleet's ability to match it. We believe that the future growth in demand for LPG carriers and the charter rate levels for LPG carriers will depend primarily upon the supply and demand for LPG, particularly in the economies of China, Japan, India and Southeast Asia, as well as U.S. shale production, and upon seasonal and regional changes in demand and changes to the capacity of the world fleet. The capacity of the world shipping fleet appears likely to increase in the near term, although growth in the 3,000 to 8,000 cbm segment of small LPG carriers is expected to be relatively limited in the period 2018-2019. Oil prices may remain low and economic growth may be limited in the near term, and possibly for an extended period, as a result of the current global economic conditions, which could have an adverse effect on our business and results of operations.

The factors affecting the supply and demand for LPG carriers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for our vessels include:

supply and demand for LPG products;

the price of oil;

global and regional economic conditions;

the distance LPG products are to be moved by sea;

availability of alternative transportation means;

changes in seaborne and other transportation patterns;

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environmental and other regulatory developments; and

weather.

The factors that influence the supply of vessel capacity include:

the number of newbuilding deliveries;

the scrapping rate of older vessels;

LPG carrier prices;

changes in environmental and other regulations that may limit the useful lives of vessels; and

the number of vessels that are out of service.

A significant decline in demand for the seaborne transport of LPG or a significant increase in the supply of LPG carrier capacity without a corresponding growth in LPG carrier demand could cause a significant decline in prevailing charter rates, which could materially adversely affect our financial condition and operating results and cash flow.

***Various economic and political factors could materially adversely affect our business, financial position and results of operations, as well as our future prospects.***

Our business and operating results have been, and will continue to be, affected by global and regional economic conditions. The recovery of the global economy from the severe decline in prior years remains subject to downside risks. More specifically, some LPG products we carry are used in cyclical businesses, such as the manufacturing of plastics and in the chemical industry, that were adversely affected by the economic downturn and, accordingly, continued weakness and reduction in demand in those industries could adversely affect the LPG carrier industry. In particular, an adverse change in economic conditions affecting China, Japan, India or Southeast Asia generally could have a negative effect on the demand for LPG products, thereby adversely affecting our business, financial position and results of operations, as well as our future prospects. In recent years China and India have been among the world's fastest growing economies in terms of gross domestic product, and any economic slowdown in the Asia Pacific region particularly in China or India, may adversely affect LPG demand and our results of operations. Moreover, any deterioration in the economy of the United States or the European Union, may further adversely affect economic growth in Asia. In addition, as a result of the ongoing economic slump 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. Furthermore, the change in the Greek government and potential shift in its policies may undermine Greece's political and economic stability, which may adversely affect our operations and those of our manager located in Greece. We also face the risk that strikes, work stoppages, civil unrest and violence, as well as capital controls implemented in 2015 within Greece, may disrupt our shore side operations and those of our manager located in Greece. Our business, financial position and results of operations, as well as our future prospects, could likely be materially and adversely affected by adverse economic



conditions in any of these countries or regions.

In addition, the implementation by the U.S. or other governments of protectionist trade measures, including tariffs or other trade restrictions, could also adversely affect the world LPG, oil and petroleum markets and in turn the demand for seaborne transportation of these commodities.

***If the demand for LPG products and LPG shipping does not grow, or decreases, our business, results of operations and financial condition could be adversely affected.***

Our growth, which depends on growth in the supply and demand for LPG products and LPG shipping, was adversely affected by the sharp decrease in world trade and the global economy experienced in the latter part of 2008 and in 2009 and the decline in oil prices beginning in the third quarter of 2014. Although the global

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economy has recovered somewhat, economic conditions and oil prices remain well below the levels reached before the economic downturn. World and regional demand for LPG products and LPG shipping can be adversely affected by a number of factors, such as:

adverse global or regional economic or political conditions, particularly in LPG consuming regions, which could reduce energy consumption;

a reduction in global or general industrial activity specifically in the plastics and chemical industries;

further decline in the price of oil which makes LPG a less attractive alternative for some uses and generally leads to reduced production of oil and gas;

changes in the cost of petroleum and natural gas from which LPG is derived;

decreases in the consumption of LPG or natural gas due to availability of new alternative energy sources, or increases in the price of LPG or natural gas relative to other energy sources, or other factors making consumption of LPG or natural gas less attractive, such as the dramatic decline in crude oil prices that began in the third quarter of 2014; and

increases in pipelines for LPG, which are currently few in number, linking production areas and industrial and residential areas consuming LPG, or the conversion of existing non-petroleum gas pipelines to petroleum gas pipelines in those markets.

Reduced demand for LPG products and LPG shipping would have an adverse effect on our future growth and would harm our business, results of operations and financial condition.

***Our operating results are subject to seasonal fluctuations, which could affect our operating results and the amount of available cash with which we can pay dividends.***

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter-to-quarter volatility in our operating results, which could affect the amount of dividends that we may pay to our stockholders from quarter-to-quarter. The LPG carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of propane and butane for heating during the winter months. Tanker markets are also typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere, but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues may be stronger in fiscal quarters ended December 31 and March 31, and conversely, our revenues may be weaker during the fiscal quarters ended June 30 and September 30. This seasonality could materially affect our quarterly operating results.

***Our revenues, operations and future growth could be adversely affected by a decrease in supply of liquefied natural gas, or natural gas.***

In recent years, there has been a strong supply of natural gas and an increase in the construction of plants and projects involving natural gas, of which LPG is a byproduct. Several of these projects, however, have experienced delays in their completion for various reasons and thus the expected increase in the supply of LPG from these projects may be delayed significantly. The declines in the price of oil and natural gas, if renewed or if prices do not continue to recover, could exacerbate these dynamics. If the supply of natural gas decreases, we may see a concurrent reduction in the production of LPG, resulting in lesser demand and lower charter rates for our vessels, which could ultimately have a material adverse impact on our revenues, operations and future growth.

***The product carrier and crude oil tanker shipping sectors are cyclical, which may lead to lower charter rates and lower vessel values.***

The medium range type product carrier and crude oil tanker shipping sectors are cyclical with attendant volatility in charter rates and vessel values. One of our three product carriers is currently operating in the spot

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market while the remaining two are under bareboat charter arrangements scheduled to expire in February 2019 and September 2020 respectively. The charter for our crude oil tanker is scheduled to expire in March 2019. If prevailing market conditions in these sectors, which have declined sharply since mid-2016 after a period of increasing rates from depressed levels beginning in the fourth quarter of 2014, are depressed at such times as these charters expire or otherwise are terminated, we may not be able to renew or replace existing charters for these vessels at the same or similar rates. If we were required to enter into a charter when charter hire rates are low, our results of operations could be adversely affected.

### ***An over-supply of ships may lead to a reduction in charter rates, vessel values and profitability.***

The market supply of LPG carriers and tankers is affected by a number of factors, such as supply and demand for LPG, natural gas and other energy resources, including oil and petroleum products, supply and demand for seaborne transportation of such energy resources, and the current and expected purchase orders for newbuildings. If the capacity of new LPG carriers and tankers delivered exceeds the capacity of such vessel types being scrapped and converted to non-trading vessels, global fleet capacity will increase. If the supply of LPG carrier or tanker capacity, for the vessel class sizes comprising our fleet in particular, increases, and if the demand for the capacity of such vessel types decreases, or does not increase correspondingly, charter rates could materially decline. A reduction in charter rates and the value of our vessels may have a material adverse effect on our results of operations.

### ***The market values of our vessels may remain at relatively low levels for a prolonged period and over time may fluctuate significantly. When the market values of our vessels are low, we may incur a loss on sale of a vessel or record an impairment charge, as we did in each of the last four fiscal years, which may adversely affect our earnings and possibly lead to defaults under our loan agreements.***

The market value of our vessels may fluctuate significantly, and these experienced significant declines during the economic crisis. Small LPG carrier and tanker values are currently at relatively low levels despite some improvement since late 2017, and remain well below the highs reached in 2007 and 2008. The market values of our vessels are subject to potential significant fluctuations depending on a number of factors including:

general economic and market conditions affecting the shipping industry;

age, sophistication and condition of our vessels;

types and sizes of vessels;

availability of other modes of transportation;

cost and delivery of schedules for newbuildings;

governmental and other regulations;

supply and demand for LPG products and refined petroleum products and oil, respectively;

prevailing level of LPG charter rates and, with respect to our product carriers, the prevailing level of product carrier charter rates and crude oil tanker rates, respectively; and

technological advances.

In 2017, we recognized an impairment loss of \$6.5 million relating to seven of our oldest vessels, four of which were sold in 2017. In 2016, we recognized an impairment loss of \$5.7 million relating to six of our oldest vessels. In 2015, we recognized an impairment loss of \$8.2 million relating to three of our older LPG vessels whose market values had declined below their carrying values. If we sell vessels at a time when vessel prices have fallen, the sale may be for less than the vessel's carrying value in our financial statements, resulting in a loss and reduction in earnings.

Furthermore, if vessel values experience significant declines, we may have to record an impairment adjustment in our financial statements, which would also result in a reduction in our profits. If the market value of our fleet declines, we may not be in compliance with certain provisions of our existing loan agreements and we may not be able to refinance our debt or obtain additional financing or, if reinstated, pay

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dividends. If we are unable to pledge additional collateral, our lenders could accelerate our debt and foreclose on our fleet. The loss of our vessels would mean we could not run our business.

***Technological innovation could reduce our charter hire income and the value of our vessels.***

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 load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new LPG carriers or tankers are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charter hire payments we receive for our vessels, and the resale value of our vessels could significantly decrease. Consequently, our results of operations and financial condition could be adversely affected.

***Changes in fuel, or bunker, prices may adversely affect profits.***

While we do not bear the cost of fuel or bunkers under time and bareboat charters, fuel is a significant expense in our shipping operations when vessels are deployed under spot charters. Changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the OPEC ( Organization Of Petroleum Exporting Countries ) and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Furthermore fuel, which has been less expensive since the price of oil began declining in the third quarter of 2014 but began to increase in price in 2017, may become much more expensive in the future, which may reduce profitability.

***We are subject to regulation and liability under environmental laws that could require significant expenditures and affect our financial conditions and results of operations.***

Our business and the operation of our vessels are materially affected by government regulation in the form of international conventions and national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries of their registration. These regulations include, but are not limited to the U.S. Oil Pollution Act of 1990, or OPA, that establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills and applies to any discharges of oil from a vessel, including discharges of fuel oil (bunkers) and lubricants, 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 for the Prevention of Pollution from Ships of 1975, the International Convention for the Prevention of Marine Pollution of 1973, and the International Convention for the Safety of Life at Sea of 1974. To comply with these and other regulations, including the new MARPOL Annex VI sulfur emission requirements instituting a global 0.5% sulphur cap on marine fuels from January 1, 2020 and the IMO ballast water management ( BWM ) convention, which requires vessels to install expensive ballast water treatment systems ( BWTS ), we may be required to incur additional costs to meet new maintenance and inspection requirements, develop contingency plans for potential spills, and obtain insurance coverage. Those laws and regulations are often revised, and we cannot predict the ultimate cost of complying with them, or the impact they may have on the resale prices or useful lives of our vessels. However, 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. Additional laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which could materially adversely affect our operations. We are also required by various governmental

and quasi-governmental agencies to obtain permits, licenses, certificates and financial assurances with respect to our operations. These permits, licenses, certificates and financial assurances may be issued or renewed with terms that could materially and adversely affect our operations.

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The operation of our vessels is affected by the requirements set forth in the International Management Code for the Safe Operation of Ships and Pollution Prevention ( ISM Code ). The ISM Code requires ship owners and bareboat charterers to develop and maintain an extensive Safety Management System ( SMS ) 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. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject the owner or charterer to increased liability, may decrease available insurance coverage for the affected vessels, may result in a denial of access to, or detention in, certain ports or may result in breach of our bank covenants. Currently, each of the vessels in our fleet is ISM Code-certified. Because these certifications are critical to our business, we place a high priority on maintaining them. Nonetheless, there is the possibility that such certifications may not be renewed.

We currently maintain, for each of our vessels, pollution liability insurance coverage in the amount of \$1.0 billion per vessel per incident. In addition, we carry hull and machinery and protection and indemnity insurance to cover the risks of fire and explosion. Under certain circumstances, fire and explosion could result in a catastrophic loss. We believe that our present insurance coverage is adequate, but not all risks can be insured, and there is the possibility that any specific claim may not be paid, or that we will not always be able to obtain adequate insurance coverage at reasonable rates. If the damages from a catastrophic spill exceeded our insurance coverage, the effect on our business would be severe and could possibly result in our insolvency.

We believe that regulation of the shipping industry will continue to become more stringent and compliance with such new regulations will be more expensive for us and our competitors. Substantial violations of applicable requirements or a catastrophic release from one of our vessels could have a material adverse impact on our financial condition and results of operations.

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

Due to concern over the risks of climate change, a number of countries and the International Maritime Organization, or IMO , have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emission from ships. These regulatory measures may include adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. Emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, or the Kyoto Protocol , or any amendments or successor agreements, including the Paris Agreement adopted under the United Nations Framework Convention on Climate Change in December 2015, which contemplates commitments from each nation party thereto to take action to reduce greenhouse gas emissions and limit increases in global temperatures but did not include any restrictions or other measures specific to shipping emissions. However, restrictions on shipping emissions are likely to continue to be considered, and a new treaty may be adopted in the future that includes additional restrictions on shipping emissions to those already adopted under the International Convention for the Prevention of Marine Pollution from Ships, or the MARPOL Convention . Compliance with future changes in laws and regulations relating to climate change could increase the costs of operating and maintaining our ships and could require us to install new emission controls, as well as acquire allowances, pay taxes related to our greenhouse gas emissions or administer and manage a greenhouse gas emissions program.

Adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also have an effect on demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil, refined petroleum products, liquefied natural gas or liquefied petroleum gas in the future or create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil and gas industry could have significant financial and operational adverse impacts on our business that we cannot predict with certainty at this time.





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### ***Our vessels are subject to periodic inspections by a classification society.***

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. Our fleet is currently classed with Lloyds Register of Shipping, Nippon Kaiji Kyokai, or NKK, the American Bureau of Shipping, DNV and Bureau Veritas.

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. Our vessels are on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be dry docked every two to three years for inspection of the underwater parts of such vessel. However, for vessels not exceeding 15 years that have means to facilitate underwater inspection in lieu of dry docking, the dry docking can be skipped and be conducted concurrently with the special survey.

If a vessel does not maintain its class and/or fails any annual survey, intermediate survey or special survey, the vessel will be unable to trade between ports and will be unemployable and we could be in violation of covenants in our loan agreements and insurance contracts or other financing arrangements. This would adversely impact our operations and revenues.

### ***Maritime claimants could arrest our vessels, which could interrupt our cash flow.***

Crew members, suppliers of goods and services to a vessel, shippers of cargo and others 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 of our vessels could interrupt our cash flow and require us to pay large sums of funds to have the arrest lifted.

In addition, in some jurisdictions, such as South Africa, under the sister ship theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert sister ship liability against one vessel in our fleet for claims relating to another of our ships or, possibly, another vessel managed by Stealth Maritime, as was the case with the arrest of one of our vessels in August 2015.

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

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels would adversely impact our operations and revenues, thereby resulting in loss of revenues.

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

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

marine accident or disaster;

piracy and terrorism;

explosions;

environmental accidents;

pollution;

loss of life;

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cargo and property losses or damage; and

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

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in a serious accident could harm our reputation as a safe and reliable vessel operator and lead to a loss of business.

***Our vessels may suffer damage and we may face unexpected repair costs, which could affect our cash flow and financial condition.***

If our vessels suffer damages, they may need to be repaired at a shipyard facility. The costs of repairs are unpredictable and can be substantial. We may have to pay repair costs that our insurance does not cover. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, would have an adverse effect on our cash flow and financial condition. We do not intend to carry business interruption insurance.

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden, off the coast of Somalia. Although the frequency of sea piracy worldwide leveled off somewhat in recent years, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea. If these piracy attacks occur in regions in which our vessels are deployed and are characterized by insurers as war risk zones, as the Gulf of Aden continues to be, or Joint War Committee (JWC) war and strikes listed areas, premiums payable for such coverage, for which we are responsible with respect to vessels employed on spot charters, but not vessels employed on bareboat or time charters, could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including employing onboard security guards, could increase in such circumstances. We usually employ armed guards on board the vessels on time and spot charters that transit areas where Somali pirates operate. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

***Our operations outside the United States expose us to global risks, such as political conflict and terrorism, that may interfere with the operation of our vessels.***

We are an international company and primarily conduct our operations outside the United States. Changing economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered affect us. In the past, political conflicts, particularly in the Arabian Gulf, resulted in attacks on vessels, mining of waterways and other efforts to disrupt shipping in the area. Acts of terrorism may increase with the continuing conflicts in the Middle East and North Africa, and therefore our vessels may face higher risks of being attacked. In addition, future hostilities or other political instability in regions where our vessels trade could affect our trade patterns and adversely affect our operations and performance. If certain shipping lanes were to close, such as Iran's past threat to close the Straits of Hormuz, it could adversely affect the availability of, and the demand for crude oil and petroleum products, as well as LPG. This would negatively affect our business and our customers' investment decisions over an extended period of time. In addition, sanctions against oil exporting countries such as Iran and Syria, and the events in Ukraine and related sanctions against Russia may also impact the availability of crude oil, petroleum products and LPG and which would increase the availability of applicable vessels, thereby impacting negatively

charter rates. In addition, any charters that we enter into with Chinese customers may be subject to new regulations in China that may require us to incur new or additional

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compliance or other administrative costs and may require that we pay to the Chinese government new taxes or other fees. Changes in laws and regulations, including with regards to tax matters, and their implementation by local authorities could affect our vessels chartered to Chinese customers, as well as our vessels calling to Chinese ports, and could have a material adverse effect on our business, results of operations and financial condition.

Terrorist attacks, or the perception that LPG or natural gas facilities or oil refineries and LPG carriers, natural gas carriers or product carriers are potential terrorist targets, could materially and adversely affect the continued supply of LPG, natural gas and refined petroleum products to the United States and to other countries. Concern that LPG and natural gas facilities may be targeted for attack by terrorists has contributed to a significant community and environmental resistance to the construction of a number of natural gas facilities, primarily in North America. If a terrorist incident involving a gas facility or gas carrier did occur, the incident may adversely affect necessary LPG facilities or natural gas facilities currently in operation. Furthermore, future terrorist attacks could result in increased volatility of the financial markets in the United States and globally and could result in an economic recession in the United States or the world. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

***Our vessels may call on ports located in countries that are subject to sanctions and embargoes imposed by the U.S. or other governments, which could adversely affect our reputation and the market for our common stock.***

From time to time on charterers' instructions, our vessels have called and may again call on ports located in countries subject to sanctions and embargoes imposed by the United States government and countries identified by the United States government as state sponsors of terrorism, such as Iran, Sudan, Syria and North Korea. 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. On January 16, 2016, Implementation Day for the Iran Joint Comprehensive Plan of Action (JCPOA), the United States lifted its nuclear-related secondary sanctions against Iran which prohibited certain conduct by non-U.S. companies and individuals that occurred entirely outside of U.S. jurisdiction involving specified industry sectors in Iran, including the energy, petrochemical, automotive, financial, banking, mining, shipbuilding and shipping sectors. By lifting the secondary sanctions against Iran, the U.S. government effectively removed U.S. imposed restraints on dealings by non-U.S. companies, such as our Company, and individuals with these formerly targeted Iranian business sectors. Non-U.S. companies continue to be prohibited under U.S. sanctions from (i) knowingly engaging in conduct that seeks to evade U.S. restrictions on transactions or dealings with Iran or that causes the export of goods or services from the United States to Iran, (ii) exporting, re-exporting or transferring to Iran any goods, technology, or services originally exported from the U.S. and / or subject to U.S. export jurisdiction and (iii) conducting transactions with of the Iranian or Iran-related individuals and entities that remain or are placed in the future on OFAC's list of Specially Designated Nationals and Blocked Persons (SDN List), notwithstanding the lifting of secondary sanctions. The U.S. has the ability to re-impose sanctions against Iran, including if, in the future, Iran does not comply with its obligations under the nuclear agreement. In January 2018, President Trump executed necessary waivers with respect to the JCPOA required by the Iran Nuclear Agreement Review Act in order to continue the United States' nuclear sanctions relief to Iran provided by the JCPOA, but in a statement he indicated that he will not again waive sanctions unless the JCPOA is amended.

The U.S. government's primary Iran sanctions remain largely unchanged after Implementation Day and as a consequence, U.S. persons continue to be broadly prohibited from engaging in transactions or dealings with the Government of Iran and Iranian financial institutions, which effectively impacts the transfer of funds to, from, or through the U.S. financial system whether denominated in US dollars or any other currency. As a result of the lifting of U.S. secondary sanctions (and relevant EU sanctions), we can anticipate that some of our charterers may direct us to carry cargoes to or from Iran. This could have various effects on us, such as affecting our reputation and our

relationships with our investors and financing sources, affecting the cost of our insurance and enhancing our exposure to foreign currency fluctuations due to the need for non-US dollar payments with respect to such voyages.

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None of our vessels called in any ports in Cuba, Sudan, North Korea, Syria or in Iran in 2013, 2014 or 2015. In 2016, two of our vessels made two port calls to Iran, representing less than 0.1% of the 2,412 total port calls made by all the vessels owned by us in 2016. In 2017 six of our vessels made 82 port calls to Iran which represents 2.67% of the 3,074 port calls made by all of our operating fleet within the stated year. We believe all such port calls were made in full compliance with applicable economic sanctions laws and regulations, including those of the United States, the European Union and other relevant jurisdictions. See also Item 4B: Business Overview Disclosure of activities pursuant to Section 13(r) of the U.S. Securities Exchange Act of 1934 for information on the port calls made to Iran. Our charter agreements include provisions that restrict trades of our vessels to countries targeted by economic sanctions unless such transportation activities involving sanctioned countries are permitted under applicable economic sanctions and embargo regimes. Our ordinary chartering policy is to seek to include similar provisions in all of our period charters. Prior to agreeing to waive existing charter party restrictions on carrying cargoes to or from ports that may implicate sanctions risks, we ensure that the charterers have proof of compliance with international and U.S. sanctions requirements, or applicable licenses or other exemptions.

Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may vary or may be subject to changing interpretations and we may be unable to prevent our charterers from violating contractual and legal restrictions on their operations of the vessels. Any such violation could result in fines or other penalties for us and could result in some investors deciding, or being required, to divest their interest, or not to invest, in the Company. Additionally, some investors may decide to divest their interest, or not to invest, in the Company simply because we do business with companies that do lawful business in sanctioned countries. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. Investor perception of the value of our common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

***Failure to comply with the U.S. Foreign Corrupt Practices Act and other anti-bribery legislation in other jurisdictions could result in fines, criminal penalties, contract terminations and an adverse effect on our business.***

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

***A cyber-attack could materially disrupt our business.***

Our business operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to unauthorized release of information or alteration of information on our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business, financial condition, results of operations and cash flows.





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**Table of Contents****Risks Related To Our Business**

***We are dependent on the ability and willingness of our charterers to honor their commitments to us for all our revenues.***

We derive all our revenues from the payment of charter hire by charterers of our vessels. The ability and willingness of each of our counterparties to perform their obligations under charter agreements with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the LPG carrier sector, or in the case of our product carriers the refined petroleum product carrier sector and in the case of our crude oil tanker the crude oil tanker sector, of the shipping industry and the overall financial condition of the counterparties. In addition, in depressed market conditions, charterers may seek to renegotiate their charters or may default on their obligations under charters and our charterers may fail to pay charter hire or attempt to renegotiate charter rates. Should a counterparty fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on bareboat or time charters could be at lower rates. If we lose a charter, we may be unable to re-deploy the related vessel on terms as favorable to us. We would not receive any revenues from such a vessel while it remained unchartered, but we may be required to pay expenses necessary to maintain the vessel in proper operating condition, insure it and service any indebtedness secured by such vessel. The failure by charterers to meet their obligations to us or an attempt by charterers to renegotiate our charter agreements could have a material adverse effect on our revenues, results of operations and financial condition.

***We are exposed to the volatile spot market and charters at attractive rates may not be available when the charters for our vessels expire which would have an adverse impact on our revenues and financial condition.***

As of April 1, 2018, of our 55 vessels, including three chartered in vessels, 45 were under period charters (bareboat charters and time charters), while 10 were deployed in the spot market. As of April 1, 2018, 67% of our anticipated fleet days were covered by period charter contracts for the remainder of 2018 and 33% for 2019 (in each case, excluding our contracted newbuilding vessel), with period charters for 20 of our vessels scheduled to expire in 2018 and 11 of our period charters scheduled to expire in 2019. In addition we have arranged a one-year time charter for our 22,000 cbm LPG carrier newbuilding which was delivered in April 2018.

We are exposed to fluctuations in the charter market for the remaining anticipated voyage days that are not covered by fixed-rate contracts, and to the extent the counterparties to our fixed-rate charter contracts fail to honor their obligations to us. The successful operation of our vessels in the competitive and highly volatile spot charter market depends on, among other things, obtaining profitable spot charters, which depends greatly on vessel supply and demand, and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unloaded to pick up cargo. When the current charters for our fleet expire or are terminated, it may not be possible to re-charter these vessels at similar rates, or at all, or to secure charters for any additional LPG carrier acquisitions at similarly profitable rates, or at all. As a result, we may have to accept lower rates or experience off hire time for our vessels, which would adversely impact our revenues, results of operations and financial condition.

***We depend upon a few significant customers for a large part of our revenues. The loss of one or more of these customers could adversely affect our financial performance.***

In our operating history we have derived a significant part of our revenue from a small number of charterers. For the year ended December 31, 2015 we had only one customer from which we derived more than 10% of our revenues, accounting for 13%, while for 2016 and 2017 we had no customers from which we derived more than 10% of our revenues. For the year ended December 31, 2017, our three largest customers accounted for 26% of our revenues.

Overall, we anticipate a limited number of customers will continue to represent significant amounts of our revenue. If these customers cease doing business or do not fulfill their obligations under the charters for

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our vessels, our results of operations and cash flows could be adversely affected. Further, if we encounter any difficulties in our relationships with these charterers, our results of operations, cash flows and financial condition could be adversely affected.

***Our loan agreements or other financing arrangements contain restrictive covenants that may limit our liquidity and corporate activities.***

Our loan agreements impose, and our future financing arrangements may impose, operating and financial restrictions on us. These restrictions may limit our ability to:

incur additional indebtedness;

create liens on our assets;

sell capital stock of our subsidiaries;

make investments;

engage in mergers or acquisitions;

pay dividends; and

make capital expenditures.

Our loan agreements require us to maintain specified financial ratios, satisfy financial covenants and contain cross-default clauses.

They also require that our Chief Executive Officer, Harry Vafias, together with his immediate family, at all times own at least 10% of our outstanding capital stock and certain of our loan agreements provide that it would be an event of default if Harry Vafias ceased to serve as an executive officer or director of our company, Harry Vafias together with his immediate family, ceased to control our company or any other person or group controlled 25% or more of the voting power of our outstanding capital stock. In addition, our loan agreements include restrictions on the payment of dividends in amounts exceeding 50% of our free cash flow in any rolling 12-month period. As of December 31, 2017, we were in compliance with the loan covenants.

As a result of the restrictions in our loan agreements, or similar restrictions in our future financing arrangements with respect to future vessels which we have yet to identify, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours, and we may not be able to obtain their permission when needed. This may prevent us from taking actions that we believe are in our best interest which may adversely impact our revenues, results of operations and financial condition.

A failure by us to meet our payment and other obligations, including our financial covenants and security coverage requirement, could lead to defaults under our secured loan agreements. Our lenders could then accelerate our indebtedness and foreclose on our fleet. The loss of our vessels would mean we could not run our business.

***The market values of our vessels may decrease, which could cause us to breach covenants in our credit and loan facilities, and could have a material adverse effect on our business, financial condition and results of operations.***

Our loan agreements, which are secured by liens on our vessels, contain various financial covenants, including requirements that relate to our financial condition, operating performance and liquidity. For example, we are required to maintain a maximum consolidated leverage ratio that is based, in part, upon the market value of the vessels securing the applicable loan, as well as a minimum ratio of the market value of vessels securing a

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loan to the principal amount outstanding under such loan. The market value of LPG carriers, product carriers and crude oil tankers is sensitive to, among other things, changes in the LPG carrier, product carrier and crude oil tanker charter markets, respectively, with vessel values deteriorating in times when LPG carrier, product carrier and tanker charter rates, as applicable, are falling and improving when charter rates are anticipated to rise. Lower charter rates in the LPG carrier, product carrier and crude oil tanker markets coupled with the difficulty in obtaining financing for vessel purchases have adversely affected product carrier and Aframax tanker values, and the impact of the dramatic decline in oil prices on demand for LPG has adversely affected LPG carrier values since the fourth quarter of 2014, with modest improvement alongside increasing oil prices in the latter part of 2017 and early 2018. A continuation of these conditions would lead to a significant decline in the fair market values of our vessels, which may result in our not being in compliance with these loan covenants. If the value of our vessels deteriorates significantly, we may have to record an impairment adjustment in our financial statements as we did in each of our last four fiscal years which would adversely affect our financial results and could further hinder our ability to raise capital.

A failure to comply with our covenants and/or obtain covenant waivers or modifications could result in our lenders requiring us to post additional collateral, enhance our equity and liquidity, increase our interest payments or pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet or accelerate our indebtedness, which would impair our ability to continue to conduct our business. If our indebtedness is accelerated, we may not be able to refinance our debt or obtain additional financing and could lose our vessels if our lenders foreclose their liens. In addition, if we find it necessary to sell our vessels at a time when vessel prices are low, we will recognize losses and a reduction in our earnings, which could affect our ability to raise additional capital necessary for us to comply with our loan agreements.

***Global economic conditions and disruptions in world financial markets and the resulting governmental action in the United States and in other parts of the world could have a material adverse impact on our results of operations, financial condition and cash flows.***

Global economic conditions and financial markets have been volatile in recent years and remain subject to significant vulnerabilities, such as the, continued deleveraging and contraction in the banking sector and limited supply of credit. These issues, along with the re-pricing of credit risk and the difficulties currently experienced by financial institutions, have made, and will likely continue to make, it difficult to obtain financing. As a result of the disruptions in the credit markets and higher capital requirements, many lenders have increased margins on lending rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts), or refused to refinance existing debt on terms similar to our current debt or at all. Furthermore, certain banks that have historically been significant lenders to the shipping industry have reduced or ceased lending activities in the shipping industry. New banking regulations, including tightening of capital requirements and the resulting policies adopted by lenders, could further reduce lending activities. We may experience difficulties in obtaining financing commitments, or be unable to fully draw on the capacity under our committed credit facilities in the future, or refinance our credit facilities when our current facilities mature if our lenders are unwilling to extend financing to us or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. We cannot be certain that financing will be available on acceptable terms or at all. In the absence of available financing, we also may be unable to take advantage of business opportunities or respond to competitive pressures.

***We currently maintain all of our cash and cash equivalents with a limited number of financial institutions, including financial institutions located in Greece, which subjects us to credit risk.***

We currently maintain all of our cash and cash equivalents with a limited number of financial institutions located in the United Kingdom, Germany, France, The Netherlands, Luxembourg and Greece. Those financial institutions located in Greece may be subsidiaries of international banks or Greek financial institutions. Economic conditions in

Greece have been, and continue to be, severely disrupted and volatile, and as a result of sovereign weakness, continued recession and fragile political stability, as well as the deposit and debt ratings of

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several Greek banks that reflect their weakening stand-alone financial strength and the anticipated additional pressures stemming from the country's challenged economic prospects. In addition, in 2015 Greece implemented capital controls restricting the transfer of funds out of Greece; we hold a limited amount of cash in Greece, therefore our business and operations were not, and will not be affected by these capital controls. We do not expect any of our balances to be covered by insurance in the event of default by any of these financial institutions. The occurrence of such a default, or in the case of restrictions in capital movements by these institutions or countries, could therefore have a material adverse effect on our business, financial condition, results of operations and cash flows, and we may lose part or all of our cash that we have deposited with such financial institutions.

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

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

***A significant increase in our debt levels may adversely affect us and our cash flows.***

As of December 31, 2017 we had outstanding indebtedness, net of capitalized arrangement fees of \$384.9 million. In 2018 we have incurred additional indebtedness in connection with financing three newbuilding vessels delivered to us, and we would expect to incur further indebtedness in connection with any further expansion of our fleet. This increase in the level of indebtedness and the need to service the indebtedness may impact our profitability and cash available for growth of our fleet, working capital and dividends if any. Additionally, increases in the present low interest rate levels, which have started to increase over the past year, may increase the cost of servicing our indebtedness with similar results.

To finance our future fleet expansion program beyond our current fleet, including our contracted vessels, we expect to incur additional secured debt. We have to dedicate a portion of our cash flow from operations to pay the principal and interest on our debt. These payments limit funds otherwise available for working capital, capital expenditures, and other purposes, including any distributions of cash to our stockholders, and our inability to service our debt could lead to acceleration of our debt and foreclosure on our fleet.

Moreover, carrying secured indebtedness exposes us to increased risks if the demand for LPG, oil or oil-related marine transportation decreases and charter rates and vessel values are adversely affected.

***We are exposed to volatility in the London Interbank Offered Rate ( LIBOR ).***

The amounts outstanding under our senior secured credit facilities have been, and we expect borrowings under additional credit facilities we have entered into and may enter into in the future will generally be, advanced at a floating rate based on LIBOR, which has been stable, but volatile in prior years, which can affect the amount of interest payable on our debt, and which, in turn, could have an adverse effect on our earnings and cash flow. In addition, LIBOR, which was at low levels for an extended period of time, has increased in 2017 and early 2018 and may continue to increase from these levels as the low interest rate environment comes to an end. Our financial condition could be materially adversely affected at any time that we have not entered into interest rate hedging arrangements to hedge our exposure to the interest rates applicable to our credit facilities and any other financing arrangements we may enter into in the future, including those we enter into to finance a portion of the amounts payable with respect to newbuildings. As of December 31, 2017, we had 17.8% of our loan exposure under interest



rate swap arrangements. Even if we have entered into interest rate swaps or other derivative instruments for purposes of managing our interest rate exposure, our hedging strategies may not be effective and we may incur substantial losses.

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***The derivative contracts we have entered into to hedge our exposure to fluctuations in interest rates and foreign currency exchange rates could result in higher than market interest rates and charges against our income, as well as reductions in our stockholders' equity.***

We have entered into interest rate swaps for purposes of managing our exposure to fluctuations in interest rates applicable to indebtedness under our credit facilities which were advanced at floating rates based on LIBOR. Our hedging strategies, however, may not be effective and we may incur substantial losses if interest rates or currencies move materially differently from our expectations.

To the extent our interest rate swaps do not qualify for treatment as hedges for accounting purposes, which as of April 1, 2018 had an aggregate notional amount of nil we recognize fluctuations in the fair value of such contracts in our statement of operations. In addition, changes in the fair value of any derivative contracts that do qualify for treatment as hedges, which as of April 1, 2018 had an aggregate notional amount of \$88.4 million, are recognized in Accumulated other comprehensive income on our balance sheet, and can affect compliance with covenant requirements in our credit facilities. Our financial condition could also be materially adversely affected to the extent we do not hedge our exposure to interest rate fluctuations under our financing arrangements under which loans have been advanced at a floating rate based on LIBOR.

In addition, we had entered in the past and may enter in the future into foreign currency derivative contracts in order to hedge an exposure to foreign currencies related to shipbuilding contracts. We recognize fluctuations in the fair value of such contracts in our statement of operations.

Any hedging activities we engage in may not effectively manage our interest rate and foreign exchange exposure or have the desired impact on our financial conditions or results of operations.

***Because we generate all of our revenues in U.S. dollars but incur a portion of our expenses in other currencies, exchange rate fluctuations could adversely affect our results of operations.***

We generate all of our revenues in U.S. dollars and the majority of our expenses are also in U.S. dollars. However, a small portion of our overall expenses, mainly executive compensation, is incurred in Euros. This could lead to fluctuations in net income due to changes in the value of the U.S. dollar relative to the other currencies, in particular the Euro. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can thereby increase, decreasing our net income.

***We are dependent on our relationship with Stealth Maritime Corporation S.A.***

As of April 1, 2018, Stealth Maritime Corporation S.A. ( Stealth Maritime ) served as commercial manager for all 55 operating vessels in our fleet and technical manager for 38 of the 42 operating vessels in our fleet not deployed on bareboat charters, while subcontracting the technical management of the remaining four vessels in our fleet not deployed on bareboat charters to Brave Maritime, which is affiliated with Stealth Maritime.

We are accordingly dependent upon our fleet manager, Stealth Maritime, for:

the administration, chartering and operations supervision of our fleet;

our recognition and acceptance as owners of LPG, product and crude oil carriers, including our ability to attract charterers;

relations with charterers and charter brokers;

operational expertise; and

management experience.

The loss of Stealth Maritime's services or its failure to perform its obligations to us properly for financial or other reasons could materially and adversely affect our business and the results of our operations. Although we

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may have rights against Stealth Maritime if it defaults on its obligations to us, you would have no recourse against Stealth Maritime. In addition, we might not be able to find a replacement manager on terms as favorable as those currently in place with Stealth Maritime. Further, we expect that we will need to seek approval from our lenders to change our manager. In addition, if Stealth Maritime suffers material damage to its reputation or relationships, including as a result of a spill or other environmental incident or an accident involving ships managed by Stealth Maritime whether or not owned by us, it may harm the ability of us or our subsidiaries to successfully compete in our industry.

***We depend on third party managers to manage part of our fleet.***

Stealth Maritime subcontracts the technical management for some of our vessels to third parties, including crewing, operation, maintenance and repair. The loss of their services or their failure to perform their obligations could materially and adversely affect the results of our operations. Although we may have rights against these managers if they default on their obligations, you would have no recourse against these parties. In addition, we might not be able to find replacement technical managers on terms as favorable as those currently in place.

***We may enter into certain significant transactions with companies affiliated with members of the Vafias family which may result in conflicts of interests.***

In addition to our management contract with Stealth Maritime, a company controlled by other members of the Vafias family, of which our Chief Executive Officer is a member, we may enter into other transactions with companies affiliated with members of the Vafias family such as the two charters we entered into in April 2012 and the agreements for the acquisition of four newbuilding LPG carriers in September 2012. Such transactions could create conflicts of interest that could adversely affect our business or your interests as holders of our common stock, as well as our financial position, results of operations and our future prospects.

***Our directors and officers may in the future hold direct or indirect interests in companies that compete with us.***

Our directors and officers each have a history of involvement in the shipping industry and may in the future, directly or indirectly, hold investments in companies that compete with us. In that case, they may face conflicts between their own interests and their obligations to us.

***Companies affiliated with us, including Stealth Maritime and Brave Maritime, may manage or acquire vessels that compete with our fleet.***

It is possible that Stealth Maritime or companies affiliated with Stealth Maritime, including Brave Maritime, could, in the future, agree to manage vessels that compete directly with ours. As long as Stealth Maritime (or an entity with respect to which Harry N. Vafias is an executive officer, director or the principal shareholder) is our fleet manager or Harry Vafias is an executive officer or director of the Company, Stealth Maritime has granted us a right of first refusal to acquire any LPG carrier, which Stealth Maritime may acquire in the future. In addition, Stealth Maritime has agreed that it will not charter-in any LPG carrier without first offering the opportunity to charter-in such vessel to us. Our President and Chief Executive Officer, Harry N. Vafias, has granted us an equivalent right with respect to any entity that he is an executive officer, director or principal shareholder of, so long as he is an executive officer or a director of our company. Were we, however, to decline any such opportunity offered to us or if we do not have the resources or desire to accept any such opportunity, Stealth Maritime or the entity controlled by Mr. Vafias could retain and manage the vessel. This right of first refusal does not cover product carriers or crude oil tankers. In addition, these restrictions, including the right of first refusal, do not apply to Brave Maritime. Furthermore, this right of first refusal does not prohibit Stealth Maritime from managing vessels owned by unaffiliated third parties in competition with us. In such

cases, they could compete with our fleet and may face conflicts between their own interests and their obligations to us. In the future, we may also consider further diversifying into wet, dry or other gas shipping sectors, which, like product

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carriers and crude oil tankers, are not covered by this right of first refusal agreement. Any such vessels would be in competition with Stealth Maritime and companies affiliated with Stealth Maritime. Stealth Maritime might be faced with conflicts of interest with respect to their own interests and their obligations to us that could adversely affect our business and your interests as stockholders.

***As our fleet has grown in size, we have needed to improve our operations and financial systems, staff and crew; if we cannot maintain these systems or continue to recruit suitable employees, our business and results of operations may be adversely affected.***

We have significantly expanded our fleet since our initial public offering in October 2005, and as a consequence of this, Stealth Maritime has invested considerable sums in upgrading its operating and financial systems, as well as hiring additional well-qualified personnel to manage the vessels now managed by Stealth Maritime. In addition, as we have expanded our fleet, we have had to rely on our technical managers to recruit suitable additional seafarers and ashore administrative and management personnel. Stealth Maritime and those technical managers may not be able to continue to hire suitable employees to the extent we continue to expand our fleet. Our vessels, in particular our LPG carriers, require a technically skilled staff with specialized training. If the technical managers' crewing agents are unable to employ such technically skilled staff, they may not be able to adequately staff our vessels. If Stealth Maritime is unable to operate our financial and operations systems effectively or our technical managers are unable to recruit suitable employees as we expand our fleet, our results of operation and our ability to expand our fleet may be adversely affected.

***Delays in the delivery of any newbuilding or secondhand LPG carriers we agree to acquire could harm our operating results.***

As of April 20, 2018, we had completed our newbuilding program and had no agreements to acquire any additional vessels. However, delays in the delivery of any additional newbuilding or secondhand vessels we may agree to acquire in the future, would delay our receipt of revenues generated by these vessels and, to the extent we have arranged charter employment for these vessels, could possibly result in the cancellation of those charters, and therefore adversely affect our anticipated results of operations. Although this would delay our funding requirements for the installment payments to purchase these vessels, it would also delay our receipt of revenues under any charters we arrange for such vessels. The delivery of newbuilding vessels could be delayed, other than at our request, because of, among other things, work stoppages or other labor disturbances; bankruptcy or other financial crisis of the shipyard building the vessel; hostilities or political or economic disturbances in the countries where the vessels are being built, including any escalation of recent tensions involving North Korea; weather interference or catastrophic event, such as a major earthquake, tsunami or fire; our requests for changes to the original vessel specifications; requests from our customers, with whom we have arranged any charters for such vessels, to delay construction and delivery of such vessels due to weak economic conditions and shipping demand and a dispute with the shipyard building the vessel.

In addition, the refund guarantors under the newbuilding contracts, which are banks, financial institutions and other credit agencies, may also be affected by financial market conditions in the same manner as our lenders and, as a result, may be unable or unwilling to meet their obligations under their refund guarantees. If the shipbuilders or refund guarantors are unable or unwilling to meet their obligations to the sellers of the vessels, this may impact our acquisition of vessels and may materially and adversely affect our operations and our obligations under our credit facilities. The delivery of any secondhand vessels could be delayed because of, among other things, hostilities or political disturbances, non-performance of the purchase agreement with respect to the vessels by the seller, our inability to obtain requisite permits, approvals or financing or damage to or destruction of the vessels while being operated by the seller prior to the delivery date.

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

As and when market conditions permit, we intend to continue to prudently grow our fleet over the long term. The acquisition of such additional vessels could impose significant additional responsibilities on our

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management and staff, and may necessitate that we, and they, increase the number of personnel. In the future, we may not be able to identify suitable vessels, acquire vessels on advantageous terms or obtain financing for such acquisitions. Any future growth will depend on:

locating and acquiring suitable vessels;

identifying and completing acquisitions or joint ventures;

integrating any acquired business successfully with our existing operations;

expanding our customer base; and

obtaining required financing.

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

***We may decide to sell certain of the vessels in our fleet if in our view market conditions are favorable for such sales or sell our LPG carriers in our fleet that are subject to purchase options held by the charterers of the respective vessels, which, if exercised, could reduce the size of our LPG carrier fleet and reduce our future revenues.***

Since our initial public offering through to December 31, 2017 we have sold 26 LPG carriers, have agreements to sell two more of our LPG vessels and we may decide to sell more vessels from our fleet if, in our view, the market conditions are favorable for such sales. The chartering arrangements with respect to five LPG carriers of our fleet include options for the respective charterers to purchase the vessels at stipulated prices at any time during the term of the existing charter for the respective vessels. The option exercise prices with respect to these vessels decline over time and reflect an estimate, made at the time of entry into the applicable charter in the first quarter of 2014, of market prices. In addition, the chartering arrangements for three LPG carriers in our fleet give the charterer the right to purchase the respective vessels at the end of the current charter term in 2021 and 2022. This might result in our company realizing losses or gains depending on the time each vessel option is exercised. If the charterers were to exercise these options with respect to any or all of these vessels or if we sell additional vessels, the expected size of our LPG carrier fleet would be reduced and, if there were a scarcity of secondhand LPG carriers available for acquisition at such time and because of the delay in delivery associated with commissioning newbuilding LPG carriers, we could be unable to replace these vessels with other comparable vessels, or any other vessels, quickly or, if LPG carriers values were higher than currently anticipated at the time we were required to sell these vessels, at a cost equal to the purchase price paid by the charterer. Consequently, if we sell additional vessels or if these purchase options were to be exercised, the expected size of our LPG carrier fleet would be reduced, and as a result our anticipated level of revenues would be reduced.

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



Our success depends to a significant extent upon the abilities and efforts of our management team, including our Chief Executive Officer, Harry Vafias. In addition, Harry Vafias is a member of the Vafias family, which controls Stealth Maritime, our fleet manager. Our success will depend upon our and Stealth Maritime's ability to hire and retain qualified managers to oversee our operations. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining personnel could adversely affect our results of operations. We do not have employment agreements directly with our key personnel who are technically employees of Stealth Maritime, our fleet manager, although under our management agreement with Stealth Maritime, our relationship is governed by terms substantially similar to those typically included in employment agreements. We do not maintain key man life insurance on any of our officers.

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***In the highly competitive international LPG carrier, product carrier and crude oil tanker markets, we may not be able to compete for charters with new entrants or established companies with greater resources.***

We deploy our vessels in highly competitive markets that are capital intensive. Competition arises primarily from other vessel owners, some of which have greater resources than we do. Competition for the transportation of LPG, refined petroleum products and crude oil can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and its managers to the charterers. Competitors with greater resources could enter and operate larger LPG carrier fleets through consolidations or acquisitions, and many larger fleets that compete with us in each of these sectors may be able to offer more competitive prices and fleets.

***We have three medium range product carriers and one Aframax crude oil tanker; however, we principally operate LPG carriers and our lack of a diversified business could adversely affect us.***

Unlike many other shipping companies, which may carry dry bulk, crude oil, oil products or products or goods shipped in containers, we currently depend primarily on the transport of LPG. The vast majority of our revenue has been and is expected to be derived from this single source the seaborne transport of LPG. Due to our lack of a more diversified business model, adverse developments in the seaborne transport of LPG and the market for LPG products have a significantly greater impact on our financial conditions and results of operations than if we maintained more diverse assets or lines of business.

***We have expanded into the product carrier sector and into the crude oil tanker sector and we may not be able to successfully execute this expansion, or any further expansion, in such sectors or any other sectors, such as dry or other wet or gas shipping sectors we choose to expand into, which could have an adverse effect on our business, results of operation and financial condition.***

We have expanded into the product carrier sector with the acquisition of three medium range product carriers and into the crude oil tanker sector with one Aframax tanker. In the future, we may further expand in these sectors or into dry or other wet or other gas shipping sectors if opportunities arise. We have limited experience in these sectors, including the product carrier and crude oil tanker sectors, and an inability to successfully execute our recent expansion into these sectors or any such future expansion plans could:

be costly;

distract us from our LPG carrier business; and

divert management resources,

each of which could have an adverse effect on our business, results of operation and financial condition. We may also from time to time consider various alternatives for our product carriers and crude oil tankers that could involve the sale of all or a portion of our interest in these vessels and sectors.

***Purchasing and operating previously owned, or secondhand, vessels may result in increased operating costs and vessels off-hire, which could adversely affect our revenues.***

Our examination of secondhand vessels, which may not include physical inspection prior to purchase, does not provide us with the same knowledge about their condition and cost of any required (or anticipated) repairs that we would have had if these vessels had been built for and operated exclusively by us. Generally, we do not receive the benefit of warranties on secondhand vessels.

In general, the cost of maintaining a vessel in good operating condition increases with its age. As of April 1, 2018, the average age of the vessels in our fleet, including chartered in vessels, was approximately 9.3 years. Older vessels are typically less fuel efficient and more costly to maintain and operate 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.

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Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. If we sell vessels, the sales prices may not equal and could be less than their carrying values at that time.

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

We procure hull and machinery insurance, protection and indemnity insurance, which include environmental damage and pollution insurance coverage, and war risk insurance for our fleet. While we endeavor to be adequately insured against all known risks related to the operation of our ships, there remains the possibility that a liability may not be adequately covered and we may not be able to obtain adequate insurance coverage for our fleet in the future. The insurers may also not pay particular claims. Even if our insurance coverage is adequate, we may not be able to timely obtain a replacement vessel in the event of a loss. Our insurance policies contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs or lower our revenue. In addition, if one of our ships, or other ships managed by our manager and owned by an affiliated entity of our manager, were to incur significant costs from an accident, spill or other environmental liability, our insurance premiums and costs could increase significantly.

***Our major stockholder exerts considerable influence on the outcome of matters on which our stockholders are entitled to vote and his interests may be different from yours.***

Our major stockholder, our Chief Executive Officer, including through a company he controls, owns approximately 16.3% of our outstanding common stock as of April 1, 2018 and exerts considerable influence on the outcome of matters on which our stockholders are entitled to vote, including the election of our Board of Directors and other significant corporate actions. The interests of this stockholder may be different from your interests.

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

Under the United States Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of vessel owning or chartering corporations, such as our subsidiaries, that is attributable to transportation that begins or ends, but does not both begin and end, in the United States is characterized as United States-source shipping income. United States-source shipping income is subject to either a (i) 4% United States federal income tax without allowance for deductions or (ii) taxation at the standard United States federal income tax rates (and potentially to a 30% branch profits tax), unless derived by a corporation that qualifies for exemption from tax under Section 883 of the Code and the Treasury Regulations promulgated thereunder.

Generally, we and our subsidiaries will qualify for this exemption for a taxable year if our shares are treated as primarily and regularly traded on an established securities market in the United States. Our shares of common stock will be so treated if (i) the aggregate number of our shares of common stock traded during such year on an established securities market in the United States exceeds the aggregate number of our shares of common stock traded during that year on established securities markets in any other single country, (ii) either (x) our shares of common stock are regularly quoted during such year by dealers making a market in our shares or (y) trades in our shares of common stock are effected, other than in de minimis quantities, on an established securities market in the United States on at least 60 days during such taxable year and the aggregate number of our shares of common stock traded on an established securities market in the United States during such year equals at least 10% of the average number of our shares of common stock outstanding during such taxable year and (iii) our shares of common stock are not closely held during such taxable year. For these purposes, our shares of common stock will be treated as closely held during a

taxable year if, for more than one-half the number of days in such taxable year, one or more persons each of whom owns either directly or under applicable

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attribution rules, at least 5% of our shares of common stock, own, in the aggregate, 50% or more of our shares of common stock, unless we can establish, in accordance with applicable documentation requirements, that a sufficient number of the shares of common stock in the closely-held block are owned, directly or indirectly, by persons that are residents of foreign jurisdictions that provide United States shipping companies with an exemption from tax that is equivalent to that provided by Section 883 to preclude other stockholders in the closely-held block from owning 50% or more of the closely-held block of shares of common stock.

We believe that it is currently the case, and may also be the case in the future, that, one or more persons each of whom owns, either directly or under applicable attribution rules, at least 5% of our shares of common stock own, in the aggregate, 50% or more of our shares of common stock. In such circumstances, we and our subsidiaries may qualify for the exemption provided in Section 883 of the Code only if a sufficient number of shares of the closely-held block of our shares of common stock were owned or treated as owned by qualified stockholders so it could not be the case that, for more than half of the days in the taxable year, the shares of common stock in the closely-held block not owned or treated as owned by qualified stockholders represented 50% or more of our shares of common stock. For these purposes, a qualified stockholder includes an individual that owns or is treated as owning shares of our common stock and is a resident of a jurisdiction that provides an exemption that is equivalent to that provided by Section 883 of the Code and certain other persons; provided in each case that such individual or other person complies with certain documentation and certification requirements set forth in the Section 883 regulations and designed to establish status as a qualified stockholder.

Our Chief Executive Officer, who beneficially owned approximately 16.3% of our shares of common stock as of April 1, 2018, has entered into an agreement with us regarding his compliance, and the compliance by certain entities that he controls and through which he owns our shares, with the certification procedures designed to establish status as a qualified stockholder. In certain circumstances, his compliance and the compliance of such entities he controls with the terms of that agreement may enable us and our subsidiaries to qualify for the benefits of Section 883 even where persons (each of whom owns, either directly or under applicable attribution rules, 5% or more of our shares) own, in the aggregate, more than 50% of our outstanding shares. However, his compliance and the compliance of such entities he controls with the terms of that agreement may not enable us or our subsidiaries to qualify for the benefits of Section 883. We or any of our subsidiaries may not qualify for the benefits of Section 883 for any year.

If we or our subsidiaries do not qualify for the exemption under Section 883 of the Code for any taxable year, then we or our subsidiaries would be subject for those years to the 4% United States federal income tax on gross United States shipping income or, in certain circumstances, to net income taxation at the standard United States federal income tax rates (and potentially also to a 30% branch profits tax). The imposition of such tax could have a negative effect on our business and would result in decreased earnings available for distribution to our stockholders.

***We could become a passive foreign investment company, which would have adverse United States federal income tax consequences to United States holders and, in turn, us.***

A foreign corporation will be treated as a passive foreign investment company, or PFIC, for United States federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of passive income or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of passive income. For purposes of these tests, passive income includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute passive income and working capital and similar assets held pending investment in vessels will generally be treated as an asset which produces passive income. United States stockholders of a PFIC are subject to a disadvantageous United States federal income tax

regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

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In connection with determining our PFIC status we treat and intend to continue to treat the gross income that we derive or are deemed to derive from our time chartering and voyage chartering activities as services income, rather than rental income. We believe that our income from time chartering and voyage chartering activities does not constitute passive income and that the assets that we own and operate in connection with the production of that income do not constitute assets held for the production of passive income. We treat and intend to continue to treat, for purposes of the PFIC rules, the income that we derive from bareboat charters as passive income and the assets giving rise to such income as assets held for the production of passive income. There is, however, no legal authority specifically under the PFIC rules regarding our current and proposed method of operation and it is possible that the Internal Revenue Service, or IRS, may not accept our positions and that a court may uphold such challenge, in which case we and certain of our subsidiaries could be treated as PFICs. In this regard we note that a federal court decision addressing the characterization of time charters concludes that they constitute leases for federal income tax purposes and employs an analysis which, if applied to our time charters, could result in our treatment and the treatment of our vessel-owning subsidiaries as PFICs. In addition, in making the determination as to whether we are a PFIC, we intend to treat the deposits that we make on our newbuilding contracts and that are with respect to vessels we do not expect to bareboat charter as assets which are not held for the production of passive income for purposes of determining whether we are a PFIC. We note that there is no direct authority on this point and it is possible that the IRS may disagree with our position.

We do not believe that we were a PFIC for 2017. This belief is based in part upon our beliefs regarding the value of the assets that we hold for the production of or in connection with the production of passive income relative to the value of our other assets. Should these beliefs turn out to be incorrect, then we and certain of our subsidiaries could be treated as PFICs for 2017. In this regard we note that our beliefs and expectations regarding the relative values of our assets place us close to the threshold for PFIC status, and thus a relatively small deviance between our beliefs and expectations and actual values could result in the treatment of us and certain of our subsidiaries as PFICs. There can be no assurance that the U.S. Internal Revenue Service ( IRS ) or a court will not determine values for our assets that would cause us to be treated as a PFIC for 2017 or a subsequent year.

In addition, although we do not believe that we were a PFIC for 2017, we may choose to operate our business in the current or in future taxable years in a manner that could cause us to become a PFIC for those years. Because our status as a PFIC for any taxable year will not be determinable until after the end of the taxable year, and depends upon our assets, income and operations in that taxable year, there can be no assurance that we will not be considered a PFIC for 2018 or any future taxable year.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States stockholders would face adverse United States tax consequences. Under the PFIC rules, unless those stockholders make an election available under the Code (which election could itself have adverse consequences for such stockholders, as discussed below under Item 10 Additional Information Tax Consequences United States Federal Income Taxation of United States Holders ), such stockholders would be liable to pay United States federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our shares of common stock, as if the excess distribution or gain had been recognized ratably over the stockholder's holding period of our shares of common stock. See Item 10. Additional Information Tax Consequences United States Federal Income Tax Consequences United States Federal Income Taxation of United States Holders for a more comprehensive discussion of the United States federal income tax consequences to United States stockholders if we are treated as a PFIC. As a result of these adverse tax consequences to United States stockholders, such a finding by the IRS may result in sales of our common stock by United States stockholders, which could lower the price of our common stock and adversely affect our ability to raise capital.





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*As a foreign private issuer we are entitled to claim an exemption from certain Nasdaq corporate governance standards, and if we elected to rely on this exemption, you may not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements.*

As a foreign private issuer, we are entitled to claim an exemption from many of Nasdaq's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification of material non-compliance with Nasdaq corporate governance practices, and the establishment and composition of an audit and compensation committee and a formal written audit and compensation committee charter. Currently, our corporate governance practices comply with the Nasdaq corporate governance standards applicable to U.S. listed companies other than that, while Nasdaq requires listed companies to obtain prior shareholder approval for certain issuances of authorized stock in transactions not involving a public offering, as permitted under Marshall Islands law and our articles of incorporation and bylaws, we do not need prior shareholder approval to issue shares of authorized stock. To the extent we rely on this exemption for stock issuance or otherwise you may not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements.

*We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law or a bankruptcy act.*

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Stockholder 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 stockholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling stockholders than would stockholders of a corporation incorporated in a U.S. jurisdiction. The Marshall Islands has no established bankruptcy act, and as a result, any bankruptcy action involving our company would have to be initiated outside the Marshall Islands, and our public stockholders may find it difficult or impossible to pursue their claims in such other jurisdictions.

*It may be difficult to enforce service of process and judgments against us and our officers and directors.*

We are a Marshall Islands company, and our executive offices are located outside of the United States. All of our directors and officers reside outside of the United States, and most of our assets and their assets are located outside the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in the U.S. courts against us or these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws.

There is also substantial doubt that the courts of the Marshall Islands would enter judgments in original actions brought in those courts predicated on U.S., federal or state securities laws.

**Risks Related To Our Common Stock**

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

The market price of our common stock has fluctuated widely since our initial public offering in October 2005 and may continue to do so as a result of many factors, including our actual results of operations and perceived prospects, the prospects of our competition and of the shipping industry in general and in particular the LPG carrier sector, differences between our actual financial and operating results and those expected by investors

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and analysts, changes in analysts' recommendations or projections, changes in general valuations for companies in the shipping industry, particularly the LPG carrier sector, changes in general economic or market conditions and broad market fluctuations.

If the market price of our common stock remains below \$5.00 per share, under stock exchange rules, our stockholders will not be able to use such shares as collateral for borrowing in margin accounts. This inability to use shares of our common stock as collateral may depress demand and certain institutional investors are restricted from investing in or holding shares priced below \$5.00, which could lead to sales of such shares creating further downward pressure on and increased volatility in the market price of our common stock.

### ***Our Board of Directors suspended the payment of cash dividends as a result of market conditions in the international shipping industry.***

In light of the volatile global economic situation, which could reduce the revenues obtained from chartering our vessels and reduce the market value of our vessels, our Board of Directors decided, in the first quarter of 2009, to suspend dividend payments. Our board of directors will evaluate our dividend policy consistent with our cash flows and liquidity requirements. In addition, other external factors, such as our existing loan agreements, future financing arrangements and capital expenditures, as well as Marshall Islands law, may also restrict or prohibit our declaration and payment of dividends under some circumstances. For instance, we are not permitted to declare or pay cash dividends, or repurchase shares, in any twelve month period that exceed 50% of our free cash flow in the preceding twelve month period. Due to these constraints on dividend payments we may not be able to pay regular quarterly dividends in the future. See Item 5. Operating and Financial Review and Prospects Credit Facilities Financial Covenants.

The declaration and payment of dividends will be subject at all times to the discretion of our Board of Directors. The timing and amount of future dividends will depend on the state of the LPG carrier and tanker markets, our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our loan agreements or other financing arrangements, the provisions of Marshall Islands law affecting the payment of dividends and other factors. Marshall Islands law generally prohibits the payment of dividends other than from surplus or while a company is insolvent or would be rendered insolvent upon the payment of such dividends.

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

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

These provisions include:

authorizing our Board of Directors to issue blank check preferred stock without stockholder approval;

providing for a classified Board of Directors with staggered three-year terms;

prohibiting cumulative voting in the election of directors;

authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of 80% of the outstanding shares of our common stock entitled to vote for the directors;

limiting the persons who may call special meetings of stockholders;

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establishing advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and

prohibiting certain transactions with interested stockholders.

Our current loan agreements also require that our Chief Executive Officer, Harry Vafias, together with his immediate family, at all times own at least 10% of our outstanding capital stock and certain of our loan agreements provide that it would be an event of default if Harry Vafias ceased to serve as an executive officer or director of our company, Harry Vafias together with his immediate family, ceased to control our company or any other person or group controlled 25% or more of the voting power of our outstanding capital stock. These anti-takeover provisions 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 common stock and your ability to realize any potential change of control premium.

## **Item 4. Information on the Company**

### **A. History and Development of the Company**

StealthGas Inc. was incorporated in December 2004 in the Republic of the Marshall Islands. Our registered address in the Marshall Islands is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. The name of our registered agent at such address is The Trust Company of the Marshall Islands, Inc. Our principal executive offices are located at 331 Kifissias Avenue, Erithrea 14561 Athens, Greece. Our telephone number for calls originating from the United States is (011) (30) (210) 625-0001.

In October 2005, we completed an initial public offering of our common stock in the United States and our common stock began trading on the Nasdaq National Market and now trades on the Nasdaq Global Select Market under the symbol GASS .

Prior to the initial public offering, we owned nine LPG carriers. Since the initial public offering, we acquired an additional 63 LPG carriers, three product carriers and one Aframax crude oil tanker and sold 26 LPG carriers so that as of December 31, 2017, we had a fleet of 48 LPG carriers, including two LPG carriers we charter-in, three product carriers, and one Aframax crude oil tanker. In January 2018, we took delivery of two 22,000 cbm newbuilding LPG carriers. As of April 1, 2018, we also had an agreement to acquire one LPG carrier under construction with expected delivery in the second quarter of 2018. As the delivery of this newbuilding was concluded on April 17, 2018, our fleet is composed of 52 LPG carriers, including three vessels that are chartered-in which aggregate 19,734 cbm in capacity, with a total capacity of approximately 329,149 cubic meters (cbm), three medium range product carriers with a total capacity of 140,000 dwt and one 115,804 dwt Aframax tanker. The above vessel numbers do not take into consideration the memoranda of agreement for the disposal of the vessels *Gas Legacy* and *Gas Enchanted* to unaffiliated third parties.

Our company operates through a number of subsidiaries which either directly or indirectly own or charter in the vessels in our fleet. A list of our subsidiaries, including their respective jurisdiction of incorporation, as of April 1, 2018, all of which are wholly-owned by us, is set forth in Exhibit 8 to this Annual Report on Form 20-F.

### **B. Business Overview**

We own a fleet of LPG carriers providing international seaborne transportation services to LPG producers and users, as well as crude oil and product carriers chartered to oil producers, refiners and commodities traders. Our LPG carriers

carry various petroleum gas products in liquefied form, including propane, butane, butadiene, isopropane, propylene and vinyl chloride monomer, which are all byproducts of the production of crude oil and natural gas. The three medium range product carriers in our fleet are capable of carrying refined petroleum products such as gasoline, diesel, fuel oil and jet fuel, as well as edible oils and chemicals, while our Aframax tanker is used for carrying crude oil. We believe that we have established a reputation as a safe, cost-efficient

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operator of modern and well-maintained LPG carriers. We also believe that these attributes, together with our strategic focus on meeting our customers' chartering needs, has contributed to our ability to attract leading charterers as our customers and to our success in obtaining charter renewals. We are managed by Stealth Maritime, a privately owned company controlled by other members of the Vafias family, of which our Chief Executive Officer is a member.

As of April 1, 2018, our fleet consisted of 51 LPG carriers, including three chartered-in LPG carriers, with an average age of 9.3 years, two 2008-built product carriers, one 2009-built product carrier and one 2010-built Aframax crude oil tanker. We also had an agreement to acquire one LPG carrier newbuilding of 22,000 cbm capacity, which was delivered on April 17, 2018.

The table below describes our fleet and its deployment as of April 1, 2018.

**LPG Carriers (51 Vessels)**

| <b>Name</b>                  | <b>Year Built</b> | <b>Vessel Size (cbm)</b> | <b>Vessel Type</b> | <b>Employment Status</b> | <b>Expiration of Charter(1)</b> |
|------------------------------|-------------------|--------------------------|--------------------|--------------------------|---------------------------------|
| <i>Eco Arctic</i>            | 2018              | 22,000                   | semi-refrigerated  | Time Charter             | February 2020                   |
| <i>Eco Ice</i>               | 2018              | 22,000                   | semi-refrigerated  | Time Charter             | February 2020                   |
| <i>Eco Frost</i>             | 2017              | 22,000                   | semi-refrigerated  | Time Charter             | May 2018                        |
| <i>Eco Nical</i>             | 2016              | 7,541                    | fully-pressurized  | Time Charter             | December 2019                   |
| <i>Gas Cathar(2)(7)</i>      | 2001              | 7,517                    | fully-pressurized  | Spot                     |                                 |
| <i>Gas Husky</i>             | 2012              | 7,516                    | fully-pressurized  | Bareboat Charter         | January 2019                    |
| <i>Gas Esco</i>              | 2012              | 7,514                    | fully-pressurized  | Bareboat Charter         | June 2019                       |
| <i>Eco Dominator</i>         | 2016              | 7,221                    | fully-pressurized  | Time Charter             | January 2019                    |
| <i>Eco Galaxy</i>            | 2015              | 7,213                    | fully-pressurized  | Spot                     |                                 |
| <i>Eco Chios(3)</i>          | 2014              | 7,211                    | fully-pressurized  | Bareboat Charter         | June 2022                       |
| <i>Eco Stream(3)</i>         | 2014              | 7,210                    | fully-pressurized  | Bareboat Charter         | March 2022                      |
| <i>Gas Premiership(2)(7)</i> | 2001              | 7,200                    | fully-pressurized  | Spot                     |                                 |
| <i>Gas Haralambos</i>        | 2007              | 7,020                    | fully-pressurized  | Time Charter             | September 2018                  |
| <i>Gas Marathon(7)</i>       | 1995              | 6,572                    | fully-pressurized  | Spot                     |                                 |
| <i>Gas Flawless</i>          | 2007              | 6,337                    | fully-pressurized  | Time Charter             | March 2019                      |
| <i>Gas Ethereal</i>          | 2006              | 5,036                    | fully-pressurized  | Time Charter             | December 2018                   |
| <i>Gas Prodigy</i>           | 2003              | 5,031                    | fully-pressurized  | Spot                     |                                 |
| <i>Eco Enigma</i>            | 2015              | 5,025                    | fully-pressurized  | Time Charter             | December 2018                   |
| <i>Eco Universe</i>          | 2015              | 5,025                    | fully-pressurized  | Time Charter             | August 2019                     |
| <i>Eco Czar</i>              | 2015              | 5,020                    | fully-pressurized  | Time Charter             | August 2018                     |
| <i>Eco Nemesis</i>           | 2015              | 5,019                    | fully-pressurized  | Time Charter             | September 2018                  |
| <i>Gas Monarch</i>           | 1997              | 5,018                    | fully-pressurized  | Spot                     |                                 |
| <i>Gas Defiance</i>          | 2008              | 5,018                    | fully-pressurized  | Time Charter             | January 2020                    |
| <i>Gas Shuriken</i>          | 2008              | 5,018                    | fully-pressurized  | Time Charter             | November 2018                   |
| <i>Gas Elixir</i>            | 2011              | 5,018                    | fully-pressurized  | Time Charter             | March 2019                      |
| <i>Gas Cerberus</i>          | 2011              | 5,018                    | fully-pressurized  | Time Charter             | July 2018                       |
| <i>Gas Myth</i>              | 2011              | 5,018                    | fully-pressurized  | Time Charter             | December 2018                   |
| <i>Gas Inspiration</i>       | 2006              | 5,018                    | fully-pressurized  | Time Charter             | September 2018                  |
| <i>Astrid (2)</i>            | 2010              | 5,017                    | fully-pressurized  | Time Charter             | April 2019                      |
| <i>Eco Invictus</i>          | 2014              | 5,016                    | fully-pressurized  | Time Charter             | October 2018                    |



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|                         |      |       |                   |                  |                |
|-------------------------|------|-------|-------------------|------------------|----------------|
| <i>Gas Texiana .</i>    | 1995 | 5,001 | fully-pressurized | Time Charter     | December 2018  |
| <i>Eco Green(4)</i>     | 2015 | 4,991 | fully-pressurized | Time Charter     | November 2020  |
| <i>Eco Dream(4)</i>     | 2015 | 4,989 | fully-pressurized | Time Charter     | September 2020 |
| <i>Gas Sincerity(3)</i> | 2000 | 4,129 | fully-pressurized | Bareboat Charter | August 2018    |
| <i>Gas Spirit</i>       | 2001 | 4,112 | fully-pressurized | Spot             |                |

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|                                     |      |       |                   |                  |                |
|-------------------------------------|------|-------|-------------------|------------------|----------------|
| <i>Gas Nemesis II(ex. Gas Zael)</i> | 2001 | 4,111 | fully-pressurized | Time Charter     | April 2019     |
| <i>Gas Sikousis</i>                 | 2006 | 3,586 | fully-pressurized | Time Charter     | September 2018 |
| <i>Eco Loyalty(5)(6)</i>            | 2015 | 3,529 | fully-pressurized | Bareboat Charter | June 2022      |
| <i>Eco Elysium(5)</i>               | 2014 | 3,526 | fully-pressurized | Bareboat Charter | September 2021 |
| <i>Eco Royalty(5)(6)</i>            | 2015 | 3,525 | fully-pressurized | Bareboat Charter | April 2022     |
| <i>Eco Corsair</i>                  | 2014 | 3,524 | fully-pressurized | Time Charter     | December 2018  |
| <i>Eco Lucidity</i>                 | 2015 | 3,517 | fully-pressurized | Spot             |                |
| <i>Gas Evoluzione</i>               | 1996 | 3,517 | fully-pressurized | Time Charter     | April 2018     |
| <i>Gas Imperiale</i>                | 2008 | 3,515 | fully-pressurized | Time Charter     | April 2018     |
| <i>Gas Legacy(8)</i>                | 1998 | 3,514 | fully-pressurized | Time Charter     | April 2018     |
| <i>Gas Astrid(3)</i>                | 2009 | 3,514 | fully-pressurized | Bareboat Charter | April 2022     |
| <i>Gas Enchanted(8)</i>             | 2006 | 3,514 | fully-pressurized | Time Charter     | April 2018     |
| <i>Gas Exelero(3)</i>               | 2009 | 3,513 | fully-pressurized | Bareboat Charter | June 2022      |
| <i>Gas Alice</i>                    | 2006 | 3,513 | fully-pressurized | Time Charter     | August 2018    |
| <i>Gas Galaxy(7)</i>                | 1997 | 3,312 | fully-pressurized | Time Charter     | January 2021   |
| <i>Gas Pasha</i>                    | 1995 | 3,310 | fully-pressurized | Spot             |                |
| <b>307,149 cbm</b>                  |      |       |                   |                  |                |

- (1) Earliest date charters could expire.
- (2) Vessel chartered-in by us under a bareboat charter scheduled to expire in the fourth quarter of 2018 for *Gas Premiership*, in the second quarter of 2019 for *Astrid* and in the first quarter of 2020 for *Gas Cathar*.
- (3) Subject to a purchase option pursuant to which the charterer may purchase such vessel at any time during the charter at a price that declines over time by an agreed annual amount or pro-rated from the agreed value of the vessel at the time of entering into the charter in the first quarter of 2014.
- (4) Charterer has option to extend charter for an additional year.
- (5) Subject to purchase option pursuant to which charterer may purchase such vessel at the end of the charter at the price agreed at the time of entering into the agreement.
- (6) Charterer has option to extend charter for an additional three-year period.
- (7) Consecutive spot voyage charters.
- (8) In March and April 2018, the Company concluded separate memoranda of agreement for the disposal of the vessels *Gas Legacy* and *Gas Enchanted* to unaffiliated third parties for an aggregate price of \$13.9 million. These vessels had an aggregate \$17.4 million carrying value as at December 31, 2017.

***Newbuilding LPG Carrier Acquired After April 1, 2018 (1 Vessel)***

| Name                            | Vessel Size<br>(cbm) | Vessel Type        | Employment<br>Status | Expiration of<br>Charter(1) |
|---------------------------------|----------------------|--------------------|----------------------|-----------------------------|
| <i>Eco Freeze(2)</i>            | 22,000               | semi-refrigerated  | Time Charter         | April 2019                  |
| <b>22,000 cbm</b>               |                      |                    |                      |                             |
| <b>Total LPG Carrier Fleet:</b> | <b>52 vessels</b>    | <b>329,149 cbm</b> |                      |                             |

- (1) Earliest date charter could expire.
- (2) Vessel delivered on April 17, 2018.

***Product Carriers/Crude Oil Tanker (4 Vessels)***

| <b>Name</b>                              | <b>Year Built</b> | <b>Vessel Size (dwt)</b> | <b>Vessel Type</b> | <b>Employment Status</b> | <b>Expiration of Charter(1)</b> |
|--|-------------------|--------------------------|--------------------|--------------------------|---------------------------------|
| <i>Magic Wand (ex. Navig8 Fidelity)</i>  | 2008              | 47,000                   | MR product carrier | Spot                     |                                 |
| <i>Stealth Falcon (ex. Navig8 Faith)</i> | 2008              | 47,000                   | MR product carrier | Bareboat Charter         | February 2019                   |
| <i>Falcon Maryam (ex. Stealth Bahla)</i> | 2009              | 46,000                   | MR product carrier | Bareboat Charter         | September 2020                  |
| <i>Stealth Berana (ex. Spike)</i>        | 2010              | 115,804                  | Aframax oil tanker | Bareboat Charter         | March 2019                      |
|  |                   | <b>255,804 dwt</b>       |                    |                          |                                 |

(1) Earliest date charters could expire.

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We have a management agreement with Stealth Maritime, pursuant to which Stealth Maritime provides us with technical, administrative, commercial and certain other services. Stealth Maritime is a leading ship-management company based in Greece, established in 1999 in order to provide shipping companies with a range of services. Our manager's safety management system is ISM certified in compliance with IMO's regulations by Lloyd's Register. In relation to the technical services, Stealth Maritime is responsible for arranging for the crewing of the vessels, the day to day operations, inspections and vetting, maintenance, repairs, drydocking and insurance. Administrative functions include but are not limited to accounting, back-office, reporting, legal and secretarial services. In addition, Stealth Maritime provides services for the chartering of our vessels and monitoring thereof, freight collection, and sale and purchase. In providing most of these services, Stealth Maritime pays third parties and receives reimbursement from us. In addition, Stealth Maritime may subcontract technical management and crew management for some of our vessels to third parties, including Selandia Crew Management Philippines Inc. and Southfield Agencies Inc. both based in Manila and Brave Maritime (an affiliate of Stealth Maritime) based in Greece. The two crew managers and one technical manager are supervised by Stealth Maritime. As of April 1, 2018, the technical management of four of our ships was subcontracted by Stealth Maritime to Brave Maritime.

Under the November 2006 agreement, which was amended effective January 1, 2007, as approved by our Board of Directors, including all of our independent directors, we pay Stealth Maritime a fixed management fee of \$440 per vessel operating under a voyage or time charter per day on a monthly basis in advance, pro-rated for the calendar days we own the vessels. We pay a fixed fee of \$125 per vessel per day for each of our vessels operating on bareboat charter. We are also obligated to pay Stealth Maritime a fee equal to 1.25% of the gross freight, demurrage and charter hire collected from the employment of our vessels. Stealth Maritime will also earn a fee equal to 1.0% of the contract price of any vessel bought or sold by them on our behalf. In addition, as long as Stealth Maritime (or an entity with respect to which Harry N. Vafias is an executive officer, director or the principal shareholder) is our fleet manager or Harry N. Vafias is an executive officer or director of the Company, Stealth Maritime has granted us a right of first refusal to acquire any LPG carrier which Stealth Maritime may acquire in the future. In addition, Stealth Maritime has agreed that it will not charter-in any LPG carrier without first offering the opportunity to charter-in such vessels to us. This right of first refusal does not prohibit Stealth Maritime from managing vessels owned by unaffiliated third parties in competition with us, nor does it cover product carriers or crude oil tankers.

The initial term of our management agreement with Stealth Maritime expired in June 2010; however, unless six months' notice of non-renewal is given by either party prior to the end of the then current term, this agreement automatically extends for additional 12 month periods. No such notice has been given, and accordingly, this agreement will extend to June 2019.

For additional information about the management agreement, including the calculation of management fees, see Item 7. Major Shareholders and Related Party Transactions and our consolidated financial statements which are included as Item 18 to this Annual Report.

**Crewing and Employees**

Stealth Maritime ensures that all seamen have the qualifications and licenses required to comply with international regulations and shipping conventions, and that our vessels employ experienced and competent personnel. In 2017, Selandia, Crew Management Philippines Inc and Southfield Agencies Inc. each of which is based in Manila were responsible for providing the crewing of the LPG fleet, to the extent that these vessels were not deployed on bareboat charters. These responsibilities include training, compensation, transportation and additional insurance of the crew.



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### **Chartering of the Fleet**

We, through Stealth Maritime, manage the employment of our fleet. We deploy our LPG carriers and tankers on period charters, including time and bareboat charters that can last up to several years, and spot market charters (through voyage charters and short-term time charters), which generally last from one to six months, subject to market conditions. Time and bareboat charters are for a fixed period of time. A voyage charter is generally a contract to carry a specific cargo from a loading port to a discharging port for an agreed-upon total charge. Under voyage charters we pay for voyage expenses such as port, canal and fuel costs. Under a time charter the charterer pays for voyage expenses while under a bareboat charter the charterer pays for voyage expenses and operating expenses such as crewing, supplies, maintenance and repairs including special survey and dry-docking costs.

Vessels operating in the spot market generate revenues that are less predictable but may enable us to capture increased profit margins during periods of improvements in LPG charter rates, although we are then exposed to the risk of declining LPG carrier charter rates. Typically spot market charters can last from a few days up to two months. If we commit vessels to period charters, future spot market rates may be higher or lower than those rates at which we have period chartered our vessels.

In formulating our chartering strategy we evaluate past, present and future performance of the freight markets and balance the mix of our chartering arrangements in order to achieve optimal results for the fleet. As of April 1, 2018 and including our three chartered in vessels, we had 10 vessels operating in the spot market, 19 vessels on time charters expiring in 2018, 13 on time charters expiring from 2019 to 2021 and 13 on bareboat charters expiring from 2018 to 2022. In terms of charter coverage as of April 1, 2018, we had 67% of the available calendar days fixed under period charters for 2018, and 33% for 2019 in each case excluding the LPG carrier newbuilding delivered to us in the second quarter of 2018, for which we have arranged a one year time charter.

While the majority of our fleet is operating in the Far East, we deploy vessels globally. Some of the areas where we usually operate are the Middle East, the Mediterranean, North West Europe, Africa and Latin America. According to industry reports, the United States is currently expected to increase its exports of LPG products in the near future. In the event this creates more demand for vessels like ours, we would expect to deploy more vessels in the United States and the Caribbean. As freight rates usually vary between these areas as well as voyage and operating expenses, we evaluate such parameters when positioning our vessels for new employment.

### **Customers**

Our assessment of a charterer's financial condition and reliability is an important factor in negotiating employment for our vessels. Principal charterers include producers of LPG products, such as national, major and other independent energy companies and energy traders, and industrial users of those products. For the year ended December 31, 2017, we had 55 customers, with no customer accountable for more than 10% of our total revenues. In addition, vessels under bareboat charter may be sub-chartered to third parties.

### **Environmental and other Regulations**

Government regulations significantly affect the ownership and operation of our vessels. They are subject to international conventions and national, state and local laws and regulations in force in the countries in which they may operate or are registered.

A variety of governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (United States Coast Guard, harbor master or equivalent),

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

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We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations. However, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, any future requirements may limit our ability to do business, increase our operating costs, force the early retirement of one or more of our vessels, and/or affect their resale value, all of which could have a material adverse effect on our financial condition and results of operations.

*Environmental Regulations International Maritime Organization ( IMO )*

The International Maritime Organization ( IMO ), the United Nations agency for maritime safety and the prevention of pollution by ships, has negotiated international conventions relating to pollution by ships. In 1973, IMO adopted the International Convention for the Prevention of Pollution from Ships ( MARPOL ), which has been periodically updated with relevant amendments. MARPOL addresses pollution from ships by oil, noxious liquid substances carried in bulk, harmful substances carried by sea in packaged form, sewage, garbage, and air emissions. Our vessels are subject to standards imposed by the IMO.

In September 1997, the IMO adopted MARPOL Annex VI to address air pollution from ships. Effective in May 2005, Annex VI set limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibited deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also included a global cap on the sulfur content of fuel oil and allowed for special areas to be established with more stringent controls on sulfur emissions. Options for implementing the requirements of Annex VI include use of low sulfur fuels, modifications to vessel engines, or the addition of post combustion emission controls. Annex VI has been ratified by some, but not all IMO member states. Vessels that are subject to Annex VI must, if built before the effective date, obtain an International Air Pollution Prevention Certificate evidencing compliance with Annex VI not later than either the first dry docking after May 19, 2005, but no later than May 19, 2008. All vessels subject to Annex VI and built after May 19, 2005 must also have this Certificate.

In October 2008, the IMO adopted amendments to Annex VI, and United States ratified the Annex VI amendments in October 2008. Beginning in 2011 the amendments required a progressive reduction of sulfur levels in bunker fuels to be phased in by 2020 and imposed more stringent nitrogen oxide emission standards on marine diesel engines, depending on their date of installation. Since January 1, 2012, the amended Annex VI required that fuel oil contain no more than 3.50% sulfur. More stringent emission standards apply in coastal areas designated by the IMO as Emission Control Areas, or ECAs, such as the Baltic and North Seas, United States and Canadian coastal areas, and the United States Caribbean Sea. As of January 1, 2015, vessels operating within an ECA must use fuel with a sulfur content that does not exceed 0.10%. We have obtained International Air Pollution Prevention Certificates for all of our vessels and believe they are compliant in all material respects with current Annex VI requirements.

The IMO confirmed in October 2016 that a global 0.5% sulfur cap on marine fuels will come into force on January 1, 2020, as agreed in amendments adopted in 2008 for Annex VI to MARPOL. Annex VI sets progressively stricter regulations to control sulfur oxides (SOx) and nitrous oxides (NOx) emissions from ships, which present both environmental and health risks. The 0.5% sulfur cap marks a significant reduction from the current global sulfur cap of 3.5%, which had been implemented since January 1, 2012. When the 2020 sulfur cap was decided upon in 2008, it was also agreed that a review should be undertaken to assess whether there was sufficient compliant fuel available to meet the 2020 date, failing which, the date could be deferred to 2025. That review was completed in July 2016 by a



consortium of consultants led by CE Delft and submitted to the IMO's Marine Environment Protection Committee (MEPC) during their 70th session. The review concluded that

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sufficient compliant fuel would be available to meet the new requirement. However, there have been competing studies, that hold the opposing view that refining capacity will not be sufficient in 2020, with an estimated 60-70% additional sulfur plant capacity required by 2020. There have also been questions as to how the sulfur cap will be enforced, as it is up to individual parties to MARPOL to enforce fines and sanctions. We may incur costs to comply with the amended Annex VI requirements.

Our LPG carriers must have an IMO Certificate of Fitness demonstrating compliance with construction codes for LPG carriers. These codes, and similar regulations in individual member states, address fire and explosion risks posed by the transport of liquefied gases. Collectively, these standards and regulations impose detailed requirements relating to the design and arrangement of cargo tanks, vents, and pipes; construction materials and compatibility; cargo pressure; and temperature control. All of our LPG carriers have Certificates of Fitness and we intend to obtain such certificates for the vessels that we have agreed to acquire.

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 (the CLC) (the United States, with its separate OPA 90 regime described below, is not a party to the CLC). This convention generally applies to vessels that carry oil in bulk as cargo. Under this convention and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, the registered owner of a regulated vessel is strictly liable for pollution damage in the territorial waters or exclusive economic zone of a contracting state caused by the discharge of any oil from the ship, subject to certain defenses. Under an amendment to the 1992 Protocol that became effective on November 1, 2003, for vessels of 5,000 to 140,000 gross tons, liability per incident is limited to 4.51 million. Special Drawing Rights (SDR) plus 631 SDR for each additional gross ton over 5,000. The SDR is an International Monetary Fund unit pegged to a basket of currencies. The right to limit liability under the CLC is forfeited where the spill is caused by the owner's actual fault and, under the 1992 Protocol, where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to states that are parties to the CLC must provide evidence of insurance covering the liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law regimes govern, and liability is imposed either on the basis of fault or in a manner similar to that convention. We believe that our P&I insurance will cover any liability under the CLC.

In 2001, the IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, which imposes strict liability on ship owners for pollution damage caused by discharges of bunker oil in jurisdictional waters of ratifying states. The Bunker Convention also 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). Because the Bunker Convention does not apply to pollution damage governed by the CLC, it applies only to discharges from any of our vessels that are not transporting oil. The Bunker Convention entered into force on November 21, 2008 and as of March 10, 2015, has been ratified by 78 states. In other jurisdictions, liability for spill or releases of oil from ship's bunkers typically is determined by national or other domestic laws in the jurisdiction where the events occur.

Our LPG vessels and product carriers may also become subject to the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea adopted in 1996 as amended by the Protocol to the HNS Convention, adopted in April 2010 (2010 HNS Protocol) (collectively, the 2010 HNS Convention), if it enters into force. The Convention creates a regime of liability and compensation for damage from hazardous and noxious substances (or HNS), including liquefied gases. The 2010 HNS Convention sets up a two-tier system of compensation composed of compulsory insurance taken out by ship owners and an HNS Fund that will come into play when the insurance is insufficient to satisfy a claim or does not cover the incident. Under the 2010 HNS Convention, if damage is caused by bulk HNS, claims for compensation will first be sought from the ship

owner up to a maximum of 100 million Special Drawing Rights (or SDR). If the damage is caused by packaged HNS or by both bulk and packaged HNS, the maximum liability

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is 115 million SDR. Once the limit is reached, compensation will be paid from the HNS Fund up to a maximum of 250 million SDR. The 2010 HNS Convention has not been ratified by a sufficient number of countries to enter into force, and at this time we cannot estimate with any certainty the costs of compliance with its requirements should it enter into force.

At the international level, the IMO adopted the BWM Convention in February 2004. The 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 took effect on September 8, 2017. Many of the implementation dates originally contained in the BWM Convention had already passed prior to its effectiveness, so that the period for installation of mandatory ballast water exchange requirements would be very short, with several thousand ships per year needing to install the systems. Consequently, the IMO Assembly passed a resolution in December 2013 revising the dates for implementation of the ballast water management requirements so that they are triggered by the entry into force date. In effect, this makes all vessels constructed before September 8, 2017 existing vessels, allowing for the installation of ballast water management systems on such vessels at the first renewal IOPP survey following entry into force of the BWM Convention. In July 2017, the implementation scheme was further changed to require vessels with International Oil Pollution Prevention (IOPP) certificates expiring between September 8, 2017 and September 8, 2019 to comply at their second IOPP renewal. Each vessel in our current fleet has been issued or will be issued a BWM plan Statement of Compliance by the classification society with respect to the applicable IMO regulations and guidelines. The cost of compliance could increase for our vessels as a result of these requirements, although it is difficult to predict the overall impact of such a requirement on our operations.

The operation of our vessels is also affected by the requirements set forth in the ISM Code of the IMO. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive SMS 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. Vessel operators must obtain a Safety Management Certificate from the government of the vessel's flag state to verify that it is being operated in compliance with its approved SMS. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, decrease available insurance coverage for the affected vessels and result in a denial of access to, or detention in, certain ports. Currently, each of the vessels in our fleet is ISM code-certified. However, there can be no assurance that such certification will be maintained indefinitely.

The operations of our product carriers are subject to compliance with the IMO's International Code for the Construction and Equipment of Ships carrying Dangerous Chemicals in Bulk (IBC Code) for chemical tankers built after July 1, 1986. The IBC Code includes ship design, construction and equipment requirements and other standards for the bulk transport of certain liquid chemicals. Amendments to the IBC Code pertaining to revised international certificates of fitness for the carriage of dangerous goods entered into force in June 2014. We may need to make certain expenditures to comply with these amendments.

*Environmental Regulations The United States Oil Pollution Act of 1990 (OPA) and the U.S. Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)*

The United States 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 applies to discharges of any oil from a vessel, including discharges of fuel oil (bunkers) and lubricants. 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 include the United States territorial sea and its two hundred nautical mile exclusive economic zone. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. OPA and CERCLA both define owner

and operator in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Accordingly, both OPA and CERCLA impact our operations.

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Under OPA, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the discharge of pollutants 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 pollutants from their vessels. OPA broadly defines these other damages to include:

natural resources damage and the costs of assessment thereof;

real and personal property damage;

net loss of taxes, royalties, rents, fees and other lost revenues;

lost profits or impairment of earning capacity due to property or natural resources damage; and

net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

The current limits of OPA liability are the greater of \$2,200 per gross ton or \$18,796,800 for double-hulled tank vessels, subject to periodic adjustment for inflation. These limits of liability do not apply if an incident was directly caused by violation of applicable United States federal safety, construction or operating regulations or by a responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

OPA requires owners and operators of vessels over 300 gross tons to establish and maintain with the United States Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under the OPA. Under the United States Coast Guard regulations implementing OPA, vessel owners and operators may evidence their financial responsibility by showing proof of insurance, surety bond, self-insurance, or guaranty. Under the OPA regulations, an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessels in the fleet having the greatest maximum liability under OPA.

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

We currently maintain, for each of our vessels, pollution liability coverage insurance in the amount of \$1 billion per vessel per incident. In addition, we carry hull and machinery and protection and indemnity insurance to cover the risks

of fire and explosion. Under certain circumstances, fire and explosion could result in a catastrophic loss. While we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates. If the damages from a catastrophic spill exceeded our insurance coverage, it would have a severe effect on us and could possibly result in our insolvency.

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the maximum amount of liability to which the

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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. Under the self-insurance provisions, the ship owner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the United States Coast Guard regulations by providing a financial guaranty evidencing sufficient self-insurance.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states, which have enacted such legislation, have not yet issued implementing regulations defining vessels owners responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

Although the 2010 oil spill disaster in the Gulf of Mexico involved a drilling rig and well, it may result in additional legislative or regulatory initiatives for all vessels, including the raising or elimination of liability caps under OPA or more stringent operational requirements. We cannot predict what additional requirements may be enacted and what effect, if any, such requirements may have on our operations.

*Environmental Regulations Other Environmental Initiatives*

The EU has also adopted legislation that: (1) requires member states to refuse access to their ports to certain sub-standard vessels, according to vessel type, flag and number of previous detentions; (2) creates an obligation on member states to inspect at least 25% of vessels using their ports annually and provides for increased surveillance of vessels posing a high risk to maritime safety or the marine environment; (3) provides the EU with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies; and (4) requires member states to impose criminal sanctions for certain pollution events, such as the unauthorized discharge of tank washings. It is impossible to predict what additional legislation or regulations, if any, may be promulgated by the EU or any other country or authority.

On March 23, 2012, the U.S. Coast Guard adopted new ballast water discharge standards under the U.S. National Invasive Species Act, or NISA. The regulations, which became effective on June 21, 2012, set maximum acceptable discharge limits for living organisms and established standards for ballast water management systems, and they are consistent with the requirements under the 2004 BWM Convention described above. The new requirements are being phased in based on the size of the vessel and its next drydocking date. However, the U.S. Coast Guard must approve any ballast water management technology before it is placed on a vessel, but has yet to do so.

The U.S. Clean Water Act ( CWA ) prohibits the discharge of oil or hazardous substances in navigable waters 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 90. Under U.S. Environmental Protection Agency ( EPA ) regulations we are required to obtain a CWA permit to discharge ballast water and other wastewaters incidental to the normal operation of our vessels if we operate within the three mile territorial waters or inland waters of the United States. This permit, which the EPA has designated as the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or VGP, incorporates the current U.S. Coast Guard requirements for ballast water management, as well as supplemental ballast water requirements, and includes requirements applicable to 26 specific discharge streams, such as deck runoff, bilge water and gray water. The U.S. Coast Guard and the EPA have entered into a memorandum of understanding which provides for collaboration on the enforcement of the VGP requirements. As a result, it is expected that the U.S. Coast Guard will include the VGP as part of its normal Port State Control inspections. The EPA issued a new VGP that became



effective in December 2013. Among other things, it contained numeric ballast water discharge limits for most vessels and more stringent requirements for exhaust gas scrubbers and required the use of environmentally friendly lubricants. We have submitted NOIs (Notices Of

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Intent) for Discharges Incidental to the Normal Operation of a Vessel under the 2013 VGP to the U.S. EPA for all our ships trading in U.S. waters. Vessels are subject to the EPA and Coast Guard ballast water management requirements despite the lack of U.S. Coast Guard approved ballast water management technology. The U.S. Coast Guard has provided waivers to vessels that cannot install the as-yet unapproved technology. The EPA, on the other hand, has taken a different approach to enforcing the ballast water management standards in the 2013 VGP. Under a December 27, 2013 policy the agency may consider why vessels do not have the requisite ballast water management technology installed when taking actions to compel compliance with the requirements of the 2013 VGP. The ballast water management standards of the 2013 VGP were challenged by the Canadian Shipowners Association in the U.S. Second Circuit Court of Appeals. The U.S. Second Circuit Court of Appeals ruled on October 5, 2015 that EPA acted arbitrarily and capriciously with respect to certain of the ballast water provisions in the 2013 VGP. The Court remanded the issue to EPA to either justify its approach in the 2013 VGP or redraft the ballast water sections of the VGP consistent with the Court's ruling. In the meantime, the 2013 VGP will remain in effect. Compliance with the EPA and Coast Guard ballast water management 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 at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

*Climate Control Initiatives*

Although the Kyoto Protocol to the United Nations Framework Convention on Climate Change requires adopting countries to implement national programs to reduce emissions of greenhouse gases, emissions of greenhouse gases from international shipping are not currently subject to the Kyoto Protocol. The Kyoto Protocol was extended to 2020 at the 2012 United Nations Climate Change Conference, with the hope that a new climate change treaty would be adopted by 2015 and come into effect by 2020. The Paris Agreement adopted under the United Nations Framework Convention on Climate Change in December 2015, contemplates commitments from each nation party thereto to take action to reduce greenhouse gas emissions and limit increases in global temperatures but did not include any restrictions or other measures specific to shipping emissions. However, restrictions on shipping emissions are likely to continue to be considered and a new treaty may be adopted in the future that includes restrictions on shipping emissions. International or multi-national bodies or individual countries may adopt their own climate change regulatory initiatives. The IMO's Marine Environment Protection Committee adopted two new sets of mandatory requirements to address greenhouse gas emissions from shipping that entered into force in January 2013. The Energy Efficiency Design Index establishes minimum energy efficiency levels per capacity mile and applies to new vessels. Currently operating vessels must develop and implement Ship Energy Efficiency Plans. These new requirements could cause us to incur additional costs to comply. The IMO is also considering the development of market-based mechanisms for limiting greenhouse gas emissions from ships, but it is impossible to predict the likelihood of adoption of such a standard or the impact on our operations. In April 2015, the EU adopted regulations requiring the monitoring and reporting of greenhouse gas emissions from marine vessels (of over 5,000 gross tons) which went into effect in January 2018. The United States EPA has issued a finding that greenhouse gas emissions endanger the public health and safety and has adopted regulations under the Clean Air Act to limit emissions of greenhouse gases from certain mobile sources and proposed regulations to limit greenhouse gas emissions from large stationary sources. Although the mobile source regulations do not apply to greenhouse gas emissions from vessels, 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 initiatives by the IMO, the EU or the individual countries in which we operate that limit greenhouse gas emissions from vessels could require us to limit our operations or make significant financial expenditures that we cannot predict with certainty at this time. Passage of climate control initiatives that affect the demand for LPG products and oil may also materially affect our business. Even in the absence of climate control legislation and regulations, our business may be materially affected to the extent that climate change may result in sea level changes or more intense weather events.

On June 29, 2017, the Global Industry Alliance, or the GIA, was officially inaugurated. The GIA is a program, under the Global Environmental Facility-United Nations Development Program- IMO project, which

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supports shipping, and related industries, as they move towards a low carbon future. Organizations including, but not limited to, shipowners, operators, classification societies, and oil companies, signed to launch the GIA.

In addition, the United States is currently experiencing changes in its environmental policy, the results of which have yet to be fully determined. For example, in April 2017, the U.S. President signed an executive order regarding the environment that targets the United States offshore energy strategy, which affects parts of the maritime industry and may affect our business operations.

### *Vessel Security Regulations*

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002, or MTSA, came into effect in the United States. To implement certain portions of the MTSA, in July 2003, the United States Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to the International Convention for the Safety of Life at Sea, or SOLAS, created a new chapter of the convention dealing specifically with maritime security. The new chapter went into effect in July 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facilities Security or, ISPS, Code. Among the various requirements are:

on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications;

on-board installation of ship security alert systems;

the development of vessel security plans; and

compliance with flag state security certification requirements.

The United States Coast Guard regulations aim to align with international maritime security standards exempted non-United States vessels from MTSA vessel security measures provided such vessels have on board, by July 1, 2004, a valid International Ship Security Certificate (ISSC) that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. We have obtained ISSCs for all of our vessels and implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Codes to ensure that our vessels attain compliance with all applicable security requirements within the prescribed time periods. We do not believe these additional requirements will have a material financial impact on our operations.

### **Classification and Inspection**

All our vessels are certified as being in class by a classification society member of the International Association of Classification Societies such as Lloyds Register of Shipping, Bureau Veritas, American Bureau of Shipping, RINA SpA, DNV and Nippon Kaiji Kyokai. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard contracts and memoranda of agreement. If the vessel is not certified on the date of closing, we have no obligation to take delivery of the vessel. Most insurance underwriters make it a condition for insurance

coverage that a vessel be certified as in class by a classification society that is a member of the International Association of Classification Societies. Every vessel's hull and machinery is classed by a classification society authorized by its country of registry. The classification society certifies that the vessel has been built and maintained in accordance with the rules of such classification society and complies with applicable rules and regulations of the country of registry of the vessel and the international conventions of which that country is a member. Each vessel is inspected by a surveyor of the classification society every year an annual survey, every two to three years an intermediate survey, and every four to five years a special survey. Vessels also may be required, as part of the intermediate survey process, to be dry-docked every 30 to 36 months for inspection of the underwater parts of the vessel and for necessary repairs related to such inspection; alternatively, such requirements may be met concurrently with the special survey.

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In addition to the classification inspections, many of our customers, including the major oil companies, regularly inspect our vessels as a precondition to chartering voyages on these vessels. We believe that our well-maintained, high quality tonnage should provide us with a competitive advantage in the current environment of increasing regulations and customer emphasis on quality of service.

All areas subject to surveys 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 are drydocked for the special survey 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 the prescribed time limits.

## **Risk of Loss and Liability Insurance**

### *General*

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. While we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

### *Hull and Machinery Insurance*

We have obtained marine hull and machinery and war risk insurance, which include the risk of actual or constructive total loss, for all of our vessels. The vessels are each covered up to at least fair market value, with deductibles of \$100,000 per vessel.

We also maintain increased value insurance for most of our vessels. Under the increased value insurance, in case of total loss of the vessel, we will be able to recover the sum insured under the increased value policy in addition to the sum insured under the Hull and Machinery policy. Increased value insurance also covers excess liabilities which are not recoverable in full by the Hull and Machinery policies by reason of under insurance.

### *Protection and Indemnity Insurance*

Protection and indemnity insurance, a form of mutual indemnity insurance, which covers our third party liabilities in connection with our shipping activities, is provided by mutual protection and indemnity associations, or P&I Associations or clubs. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargoes, claims arising from collisions with other vessels, damage to other third-party properties, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Subject to the capping discussed below, our coverage, except for pollution, is unlimited.

Our current protection and indemnity insurance coverage for pollution is \$1.0 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Claims pooling between the clubs

is regulated by the Pooling Agreement which defines the risks that can be pooled and how losses are to be shared between the participating clubs. The Pool provides a mechanism for sharing all claims in excess of US\$10 million up to, approximately US\$8 billion.

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Under the current structure, clubs' contributions to claims in the lower pool layer from \$10 million to \$45 million are assessed on a tripartite formula which takes account of each club's contributing tonnage, premium and claims record. For claims falling in the upper pool layer from \$45 million to \$80 million, 7.5% is retained by the club bringing the claim and 92.5% is shared by all on a tonnage-weighted basis.

The Group clubs arrange a common market reinsurance contract to provide reinsurance for claims which exceed the upper limit of the pool (US \$80 million) up to an amount of US \$2.08 billion any one claim (US \$1 billion for oil pollution claims). It is said to be the largest single marine reinsurance contract in the market.

As a member of a Mutual P&I Association, we may become subject to unbudgeted supplementary calls payable to the P&I Club depending on its financial year results that they are determined by 3 main parameters, i.e the exposure from payment of claims, the income through premium and the income arising from investments. Our aim at every renewal is to concluding our P&I insurance with only A rated P&I clubs as this, amongst other benefits, eliminates the risk of unbudgeted supplementary calls being imposed.

## **Disclosure of Activities pursuant to Section 13(r) of the U.S. Securities Exchange Act of 1934**

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act. Section 13(r) requires an issuer to disclose whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran. Disclosure is required even where the activities, transactions or dealings are conducted in compliance with applicable law. Provided in this section is information concerning the activities of us and our affiliates that occurred in 2017 and which we believe may be required to be disclosed pursuant to Section 13(r) of the Exchange Act.

In 2017 six vessels of our vessels made an aggregate of 82 port calls to Iran to load C3+ (a petrochemical gas) which was subsequently discharged in China. These port calls were made while the vessels were on consecutive voyage charters to an international Far Eastern trader operating under such charterer's instructions. These port calls represented 2.67% of the 3,074 total port calls made by all the vessels owned by us in 2017. As the vessel owner, we earned revenues at the agreed daily charter rates from the charterer. The aggregate gross revenue attributable to these port calls in 2017 was approximately \$15.1 million while the aggregate net profit before finance charges (we do not attribute finance charges to individual vessel voyages) was approximately \$2.2 million. All the charter party agreements for our vessels restrict the charterers from calling in Iran in violation of U.S. sanctions, or carrying any cargo to or from Iran which is subject to U.S. sanctions.

We do not believe that any of these transactions or activities are sanctionable. January 16, 2016 was implementation day under the Joint Comprehensive Plan of Action ( JCPOA ) among the P5+1 (China, France, Germany, Russia, the United Kingdom, and the United States), the E.U., and Iran to ensure that Iran's nuclear program will be exclusively peaceful, and the United States and the E.U. lifted nuclear-related sanctions on Iran. All activities, transactions and dealings reported in this section occurred after the implementation date of the JCPOA. We intend to continue to charter our vessels to charterers who may make, or may sub-let the vessels to sub-charterers who may make, port calls to Iran, so long as the activities continue to be permissible and not sanctionable under applicable U.S. and E.U. and other applicable laws.

## **Competition**

We operate in a highly competitive global market based primarily on supply and demand of vessels and cargoes. While the worldwide LPG sector is comparatively smaller than other shipping sectors, consisting of vessels of varying sizes between 1,000 and 85,000 cbm, it is a diversified global market with many charterers, owners and operators of



vessels. As of April 1, 2018, our LPG carrier fleet, including our three chartered in vessels, had an average age of 9.3 years and we had one newbuilding scheduled to be delivered in the second quarter of 2018. Accordingly, we believe we are well positioned from a competitive standpoint in terms of our vessels meeting the ongoing needs of charterers. Also, as of April 1, 2018, we had one of the largest single-

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owned fleets in our primary sector segment (3,000 cbm to 8,000 cbm), which, in our view, also positions us well from the standpoint of charterers and competitors. We believe, however, that the LPG shipping sector will continue to be highly competitive, and will be driven by both energy production and consumption.

Ownership of medium range product carriers and crude oil tankers capable of transporting crude oil and refined petroleum products, such as gasoline, diesel, fuel oil and jet fuel, as well as edible oils and chemicals, is highly diversified and is divided among many independent tanker owners. Many oil companies and other oil trading companies, the principal charterers of our product carriers and crude oil tankers, also operate their own vessels and transport oil for themselves and third party charterers in direct competition with independent owners and operators. Competition for charters, including for the transportation of oil and oil products, can be intense and depends on price as well as on the location, size, age, condition, specifications and acceptability of the vessel and its operator to the charterer and is frequently tied to having an available vessel with the appropriate approvals from oil majors. Principal factors that are important to our charterers include the quality and suitability of the vessel, its age, technical sophistication, safety record, compliance with IMO standards and the heightened industry standards that have been set by some energy companies, and the competitiveness of the bid in terms of overall price.

## **Seasonality**

The LPG carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of propane and butane for heating during the winter months. Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere, but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues may be stronger in fiscal quarters ended December 31 and March 31 and relatively weaker during the fiscal quarters ended June 30 and September 30, as was the case in each of the last five fiscal years.

## **C. Organizational Structure**

As of December 31, 2017, we were the sole owner of all the outstanding shares of the subsidiaries listed in Exhibit 8.

## **D. Properties**

Other than our vessels we do not have any material property. For information on our fleet see Item 4. Information on the Company Business Overview. Our vessels are subject to priority mortgages, which secure our obligations under our various credit facilities. For further details regarding our credit facilities, refer to Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Credit Facilities.

We have no freehold or material leasehold interest in any real property. We lease office space from an affiliated company of Stealth Maritime. See Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Office Space.

## **Item 4A. Unresolved Staff Comments**

None.

**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 the notes to those statements included elsewhere in this Annual Report. This

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discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under Item 3. Key Information Risk Factors and elsewhere in this Annual Report, our actual results may differ materially from those anticipated in these forward-looking statements.

### **Overview**

We are a provider of international seaborne transportation services to LPG producers and users, as well as crude oil and product carriers to oil producers, refineries and commodities traders. As of December 31, 2017 we operated a fleet of 48 LPG carriers, including 46 vessels we own and two vessels we charter-in, that carry various petroleum gas products in liquefied form, including propane, butane, butadiene, isopropane, propylene and VCM ( Vinyl Chloride Monomer ), three medium range product carriers that carry refined petroleum products such as gasoline, diesel, fuel oil and jet fuel, as well as edible oils and chemicals, and one Aframax tanker which is used for carrying crude oil. In 2018, we have taken delivery of two 22,000 cbm LPG carrier newbuildings in January 2018, one 22,000 cbm LPG carrier newbuilding in April 2018 and chartered-in one 5,017 cbm LPG carrier until the second quarter of 2019. Accordingly as of April 20, 2018 our fleet is composed of 49 LPG carriers, excluding the three vessels that are chartered in, with a total capacity of 309,415 cbm, three medium range product carriers with a total capacity of 140,000 dwt and one 115,804 dwt crude oil tanker. For the years ended December 31, 2015, 2016 and 2017, we owned an average of 48.8, 53.4 and 52.6 vessels, respectively, generating revenues of \$141.3 million, \$144.1 million and \$154.3 million, respectively.

We, through Stealth Maritime, manage the employment of our fleet. We intend to continue to deploy our fleet under period charters including time and bareboat charters, which can last up to several years, and spot market or voyage charters, which generally last from one to six months, subject to market conditions. Period charters and short term time charters are for a fixed period of time.

*Charters and revenues.* Under a time charter, the charterer pays a fixed rate per day over the term of the charter; a time charter, including a short term time charter, may provide for rate adjustments and profit sharing. Under a bareboat charter, the charterer pays us a fixed rate for its use of our ship for the term of the charter. Under a voyage charter, we agree to transport a specified cargo from a loading port to a discharging port for a fixed amount.

*Charters and expenses.* Under a time charter, we are responsible for the vessel's operating costs (crew, provisions, stores, lubricants, insurance, maintenance and repairs) incurred during the term of the charter, while the charterer pays voyage expenses (port, canal and fuel costs) that are unique to each particular voyage. Under a bareboat charter, the charterer is responsible for all vessel operating expenses and voyage expenses incurred during the term of the charter. Under a voyage or spot charter, we are responsible for both the vessel operating expenses and the voyage expenses incurred in performing the charter.

As of April 1, 2018, 10 of our LPG carriers, two of our medium range product carriers and our Aframax crude oil tanker were deployed on bareboat charters, under which the charterer is responsible for the costs associated with the operations of the vessels. Of the remaining vessels in our fleet, as of April 1, 2018, 10 were employed in the spot market, with the remaining vessels deployed on time charters. As of April 1, 2018, 67% of our anticipated fleet days for the existing fleet were covered by period charter contracts for the remainder of 2018 and 33 % for 2019 (in each case excluding the newbuilding LPG carrier delivered to us in April 2018 and for which we have arranged a one-year time charter). The corresponding forward coverage as of April 1, 2017 was 67% for the remainder of 2017 and 24% for 2018. We are, however, exposed to prevailing charter rate fluctuations for the remaining anticipated fleet days not

covered by period charter contracts, as well as performance by our counterparties for the chartered days.

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**Table of Contents****A. Operating Results****Factors Affecting Our Results of Operations**

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

*Calendar days.* We define calendar days as the total number of days in a period during which each vessel in our fleet was in our possession including off-hire days associated with major repairs, drydockings or special or intermediate surveys. Calendar days are an indicator of the size of our fleet over a period and affect both the amount of revenue and the amount of expense that we record during that period. We may also elect to sell additional older vessels in our fleet from time to time. Five of our LPG carriers are subject to arrangements pursuant to which the charterer has options to purchase the vessels at declining stipulated prices at any time during the current charter for the respective vessels, in addition three of our vessels are subject to arrangements pursuant to which the charterer has options to purchase the vessels at the end of their current charters in 2021 and 2022. If any of these purchase options were to be exercised, the expected size of our LPG carrier fleet would be reduced, and as a result our anticipated level of calendar days and revenues would be reduced.

*Voyage days.* We define voyage days as the total number of days in a period during which each vessel in our fleet was in our possession net of off-hire days associated with major repairs, drydockings or special or intermediate surveys. The shipping industry uses voyage days (also referred to as available days) to measure the number of days in a period during which vessels are available to generate revenues.

*Fleet utilization; Fleet operational utilization.* We calculate fleet utilization by dividing the number of our voyage days during a period by the number of our calendar days during that period, and we calculate fleet operational utilization by dividing the number of our voyage days (excluding commercially idle days) during a period by the number of our calendar days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in minimizing the amount of days that its vessels are off-hire for reasons such as scheduled repairs, vessel upgrades or drydockings and other surveys, and uses fleet operational utilization to also measure a company's efficiency in finding suitable employment for its vessels.

*Cyclical.* The international gas carrier market, including the transport of LPG, is cyclical with attendant volatility in profitability, charter rates and vessel values, resulting from changes in the supply of, and demand for, LPG carrier capacity. From the last quarter of 2011 until the third quarter of 2014, LPG carrier market conditions generally improved from low levels with higher LPG carrier charter rates and utilization levels, however, the impact of the dramatic decline in oil prices on demand for LPG adversely affected LPG carrier charter rates and utilization levels from the fourth quarter of 2014 until the latter part of 2017, particularly in the smaller vessel classes. In 2017, there were increases in oil prices and in the second half of 2017 some limited improvement in LPG carrier charter rates and utilization levels which continued in 2018. As of April 1, 2018, we had 10 vessels trading in the spot market and 19 LPG carriers with charters expiring in 2018. On April 17, 2018, we took delivery of one 22,000 cbm LPG carrier newbuilding for which we have arranged a one-year time charter.

Charter rates remain subject to downside risks, including in the event of any renewed weakness in the global economy and lower demand for the seaborne transport of LPG, which may result from lower oil prices and reduced supply from lower oil and natural gas production.

With regard to the vessels in the spot market, we are exposed to changes in spot rates for LPG carriers and such changes affect our earnings and the value of our LPG carriers at any given time. When LPG vessel prices are considered to be low, companies not usually involved in shipping may make speculative vessel orders, thereby increasing the global supply of LPG carriers, satisfying demand sooner and potentially suppressing charter rates. With regard to the four tankers in our fleet, one of our product carriers is employed in the spot market and two of the product carriers are deployed on fixed

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rate bareboat charters expiring in February 2019 and September 2020, while the Aframax tanker is deployed on a fixed rate bareboat charter that expires in March 2019, which has limited our exposure to fluctuations in charter rates for these vessels. However we are exposed further to prevailing charter rates in the product and crude tanker sectors when these vessels' existing charters expire. Currently tanker market rates are declining therefore it is likely that any negotiation of the charter rates of new period contracts in the near term will occur at lower levels.

*Seasonality.* The LPG carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of propane and butane for heating during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues may be stronger in fiscal quarters ending December 31 and March 31 and relatively weaker during the fiscal quarters ending June 30 and September 30, as was the case in 2015, 2016 and 2017. We have had limited exposure to seasonality with respect to our product carriers and Aframax tanker as these are deployed on long term or medium term fixed rate charters; however, we are exposed to seasonal changes in the tanker markets, which are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance, to the extent we charter our tankers on shorter term charters.

Our ability to control our fixed and variable expenses, including those for commission expenses, crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses also affect our financial results. Factors beyond our control, such as developments relating to market premiums for insurance and the value of the U.S. dollar compared to currencies in which certain of our expenses, primarily crew wages, are denominated can also cause our vessel operating expenses to increase. In addition, our net income is affected by our financing arrangements, including our interest rate swap arrangements.

**Basis of Presentation and General Information*****Revenues***

Our voyage revenues are driven primarily by the number of vessels in our fleet, the number of voyage days during which our vessels generate revenues and the amount of daily charter hire that our vessels earn under charters which, in turn, are affected by a number of factors, including our decisions relating to vessel acquisitions and disposals, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend in dry dock undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels and the levels of supply and demand in the LPG carrier, product carrier and crude oil tanker charter markets.

We employ our vessels under time, bareboat and spot charters. Bareboat charters provide for the charterer to bear the cost of operating the vessel and as such typically market rates for bareboat charters are lower than those for time charters. Vessels operating on period charters, principally time and bareboat charters, provide more predictable cash flows, but can yield lower profit margins than vessels operating in the spot charter market during periods characterized by favorable market conditions. As a result, during the time our vessels are committed on period charters we will be unable, during periods of improving charter markets, to take advantage of improving charter rates as we could if our vessels were employed only on spot charters. Vessels operating in the spot charter market generate revenues that are less predictable but may enable us to capture increased profit margins during periods of improving charter rates, although we are then exposed to the risk of declining LPG carrier, product carrier or crude oil tanker charter rates, which may have a materially adverse impact on our financial performance. If we commit vessels on



period charters, future spot market rates may be higher or lower than those rates at which we have time chartered our vessels.

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**Table of Contents*****Voyage Expenses***

Voyage expenses include port and canal charges, bunkers (fuel oil) expenses and commissions. These charges and expenses increase in periods during which vessels are employed on the spot market, because under these charters, these expenses are for the account of the vessel owner. Under period charters, these charges and expenses, including bunkers (fuel oil) but excluding commissions which are always paid by the vessel owner, are paid by the charterer. Bunkers (fuel oil), the price of which declined beginning in the third quarter of 2014 into 2017 when prices began to increase, accounted for 42.4 % of total voyage expenses for the year ended December 31, 2017, 39.7% of total voyage expenses for the year ended December 31, 2016 and 48.7% of total voyage expenses for the year ended December 31, 2015. Commissions on hire are paid to our manager Stealth Maritime and/or third party brokers. Stealth Maritime receives a fixed brokerage commission of 1.25% on freight, hire and demurrage for each vessel based on our management agreement since 2005. In 2017, port and canal charges and bunker expenses represented a relatively small portion of our vessels' overall expenses, 6.6%, because the majority of our vessels were employed under period charters, including time and bareboat charters, that require the charterer to bear such expenses. As of April 1, 2018, we had 10 vessels in the spot market for which we pay voyage expenses; the corresponding number as of April 1, 2017 was 8 and as of April 1, 2016 was 13.

***Vessel Operating Expenses***

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Our ability to control these fixed and variable expenses, also affects our financial results. In addition, the type of charter under which our vessels are employed (time, bareboat or spot charter) also affects our operating expenses because we do not pay the operating expenses of vessels that we deploy on bareboat charters. Factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market prices for insurance and regulations related to safety and environmental matters may also cause these expenses to increase.

***Management Fees***

During 2017, we paid Stealth Maritime, our fleet manager, a fixed rate management fee of \$440 per day for each vessel in our fleet under spot or time charter and a fixed rate fee of \$125 per day for each of the vessels operating on bareboat charter. These rates have been in effect since January 1, 2007. Stealth Maritime also receives a fee equal to 1.0% calculated on the price stated in the relevant memorandum of agreement for any vessel bought or sold by them on our behalf. From these management fees paid to Stealth Maritime, Stealth Maritime pays one technical manager that is responsible for the technical management of some of our vessels that are not technically managed by Stealth Maritime on a day-to-day basis.

***General and Administrative Expenses***

We incur general and administrative expenses that consist primarily of legal fees, audit fees, office rental fees, officers and board remuneration or reimbursement, directors and officers insurance, listing fees and other general and administrative expenses. Our general and administrative expenses also include our direct compensation expenses and the value of non-cash executive services provided through, and other expenses arising from, our management agreement with Stealth Maritime, our directors' compensation and the value of the lease expense for the space we rent from Stealth Maritime. For our compensation expenses, pursuant to our management agreement, we reimburse Stealth Maritime for its payment of the compensation of our Chief Executive Officer, Deputy Chairman and Executive Director, Chief Technical Officer, and Internal Auditor. During the year ended December 31, 2017, such compensation was in the aggregate amount of \$1.1 million plus \$0.1 million of stock-based compensation expense

relating to vesting in 2017 of equity awards issued to our executive officers and non-executive members of our Board of Directors in 2014.

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**Table of Contents*****Inflation***

Inflation has only a moderate effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, administrative and financing expenses.

***Depreciation and Dry docking***

We depreciate our vessels on a straight-line basis over their estimated useful lives, determined to be 30 years from the date of their initial delivery from the shipyard in the case of our LPG carriers and 25 years in the case of our product carriers and crude oil tanker. Depreciation is based on cost less the estimated scrap value of the vessels. We expense costs associated with dry dockings and special and intermediate surveys as incurred which may affect the volatility of our results. During 2017, we dry docked 7 vessels at a total cost of \$3.5 million. We expect that during 2018 our dry docking costs will be lower, as 6 vessels are scheduled to be dry docked in 2018.

***Impairment Loss***

Based on the accounting standards followed by the Company, impairment losses are recognized on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts and the asset's carrying value exceeds its fair value. If indicators of impairment are present, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value and the difference is recorded as an impairment loss in the consolidated statements of operations. For the years ended December 31 2017, 2016 and 2015, we recognized an impairment loss of \$6.5 million on seven of our oldest vessels, \$5.7 million on six of our oldest vessels and \$8.2 million with respect to three of our older vessels.

***Net (Gain)/Loss on Sale of Vessels***

The carrying value of our vessels includes the original cost of the vessels plus capitalized expenses since acquisition relating to improvements and upgrading of the vessel, less accumulated depreciation and less any impairment. Depreciation is calculated using the straight line method, from the date the vessel was originally built, over an estimated useful life of 25 years for the tankers in our fleet and 30 years for the LPG carriers in our fleet. LPG carriers tend to trade for longer periods due to the less corrosive nature of the cargoes they carry. Residual values used in depreciation calculations are based on \$350 per light weight ton.

In 2017, we sold the *Gas Moxie*, the *Gas Nirvana*, the *Gas Icon* and the *Gas Emperor*, for further trading, for which we recognized an aggregate loss of \$0.1 million. In 2016, we sold the *Gas Arctic* for demolition and the *Gas Ice* for further trading, for which we recognized an aggregate gain of \$0.1 million. In 2015, we sold the *Gas Kaizen* and the *Gas Crystal*, both for demolition; we recognized a gain of \$0.02 million and \$0.01 million respectively on the sale of these two vessels.

During the year ended December 31, 2014, we sold two vessels, the *Gas Cathar* and the *Gas Premiership*, that were leased back by our Company on a bareboat hire basis. The aforementioned transaction is classified as a sale and lease back transaction and in accordance with US GAAP ASC 840-40, the net gain on sale of vessels of \$0.8 million must be amortized throughout the lease period of the vessels. These leases are scheduled to expire in the first quarter of 2020 and the fourth quarter of 2018, respectively.

***Loss on Derivatives***

All of our six interest rate swaps, as of December 31, 2017, are accounted for as cash flow hedges and the changes in their fair values are recorded in Accumulated other comprehensive income. Two interest rate swaps

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that were not accounted for as cash flow hedges expired in March 2016. All changes in the fair value of our cash flow interest rate swaps and foreign currency exchange agreements that are not accounted for as cash flow hedges, are recorded in earnings under Loss on Derivatives. To the extent we have interest rate swaps and foreign currency exchange agreements in this category, this increases the potential volatility in our reported earnings, in comparison to the case where such arrangements did qualify for hedge accounting, due to the recognition of non-cash fair value movements of our cash flow interest rate swaps and foreign currency exchange arrangements directly in our statement of operations.

***Interest Expense and Finance Costs***

We have entered into credit facilities to fund a portion of the purchase price of the vessels in our fleet, which are described in the Credit Facilities section below. We incur interest expense on outstanding indebtedness under these credit facilities, which we include in interest expense. We also incurred financing costs in connection with establishing those facilities, which are deferred and amortized over the period of the facility, which we also include in interest expense. We will incur additional interest expenses under any new credit facilities we enter into to finance or refinance the purchase price of additional vessels as described in the Liquidity and Capital Resources section below.

**Results of Operations*****Year ended December 31, 2017 compared to the year ended December 31, 2016***

The average number of vessels in our fleet was 52.6 for the year ended December 31, 2017 compared to 53.4 for the year ended December 31, 2016.

**REVENUES** Voyage revenues for the year ended December 31, 2017 were \$154.3 million compared to \$144.1 million for the year ended December 31, 2016, an increase of \$10.2 million, primarily due to improved market conditions. Total calendar days for our fleet were 19,917 for the year ended December 31, 2017 compared to 20,275 for the year ended December 31, 2016; due to the decrease in the average number of vessels in our fleet. Of the total calendar days in 2017, 4,934 or 24.8% were bareboat charter days and 11,838 or 59.4% were time charter days. This compares to 5,080 or 25.1% bareboat charter days and 10,751 or 53.0% time charter days in 2016. Our fleet operational utilization was 96.2% and 91.1% for the years ended December 31, 2017 and December 31, 2016, respectively.

**VOYAGE EXPENSES** Voyage expenses were \$15.7 million for the year ended December 31, 2017 compared to \$15.4 million for the year ended December 31, 2016, an increase of \$0.3 million, or 1.9%. This was primarily due to higher fuel prices prevailing throughout the year 2017 compared to year 2016. Voyage expenses consisted largely of bunker charges in the amount of \$6.7 million for 2017 compared to bunker charges in the amount of \$6.1 million for 2016, an increase of \$0.6 million. Under spot charters we are responsible for paying the vessels' bunkers consumption, as well as most expenses. Voyage expenses also included port expenses of \$2.5 million for the year ended December 31, 2017 compared to \$3.3 million for the year ended December 31, 2016, a decrease of \$0.8 million and commissions to third parties which were \$2.7 million for the year ended December 31, 2017, compared to \$2.5 million for the year ended December 31, 2016, an increase of \$0.2 million.

**VESSEL OPERATING EXPENSES** Vessel operating expenses were \$59.4 million for the year ended December 31, 2017 compared to \$58.8 million for the year ended December 31, 2016, an increase of \$0.6 million, or 1.0%. The increase in operating expenses was driven by one of our product tankers coming off bareboat as well as increased maintenance costs for some vessels in the fleet. Other components of vessel operating expenses were repairs and maintenance costs which increased from \$5.7 million in the year ended December 31, 2016 to \$6.4 million in the year ended December 31, 2017.

**DRY DOCKING COSTS** Dry docking costs were \$3.5 million for the year ended December 31, 2017 compared to \$3.6 million for the year ended December 31, 2016, a decrease of \$0.1 million, or 2.8%. For the

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year ended December 31, 2017 seven vessels were dry docked compared to ten vessels for the year ended December 31, 2016. In 2017 the Company faced higher drydocking cost as per vessel drydocked due to the trading areas of some of the vessels due for drydock.

**MANAGEMENT FEES** Management fees were \$7.2 million for the year ended December 31, 2017 compared to \$7.3 million for the year ended December 31, 2016, a decrease of \$0.1 million or 1.4%. The decrease was due to the lower average number of vessels in the fleet; 52.6 for the year ended December 31, 2017 compared to 53.4 for the year ended December 31, 2016. The daily management fees per vessel did not change during these periods and remained \$440 per day for vessels under time and spot charter and \$125 per day for vessels under bareboat charter. The decrease in management fees in 2017 resulted from decrease in the total number of calendar days, which was due to the decrease in the average size of our fleet.

**GENERAL AND ADMINISTRATIVE EXPENSES** General and administrative expenses for the year ended December 31, 2017 were \$2.9 million compared to \$3.1 million for the year ended December 31, 2016, a decrease of \$0.2 million or 6.5%. Included in the general and administrative expenses for both years ended December 31, 2017 and December 31, 2016 are \$1.1 million paid to our manager for the services of the Company's executive officers pursuant to our management agreement. Stock based compensation expense for the vested and non-vested shares, which is also part of the general and administrative expenses, decreased to \$0.1 million during the year ended December 31, 2017 from \$0.3 million during the year ended December 31, 2016.

**DEPRECIATION** Depreciation expenses for the 52.6 average number of vessels in our fleet for the year ended December 31, 2017 were \$38.9 million compared to \$39.1 million for the 53.4 average number of vessels in our fleet for the year ended December 31, 2016 a decrease of \$0.2 million, or 0.5%.

**IMPAIRMENT LOSS** During the year ended December 31, 2017, the Company recognized an impairment loss of \$6.5 million for seven of its oldest vessels, four of which were sold in 2017 while for the year ended December 31, 2016 the Company recognized an impairment loss of \$5.7 million for six of its oldest vessels.

**NET (GAIN)/ LOSS ON SALE OF VESSELS** During the year ended December 31, 2017 we sold four of our oldest vessels, the *Gas Moxie*, the *Gas Nirvana*, the *Gas Icon* and the *Gas Emperor* all for further trading. The net loss on the sale of these vessels was \$77.3 thousands. During the year ended December 31, 2016, we sold two vessels, the *Gas Arctic* for demolition and the *Gas Ice* for further trading. The net gain on the sale of these vessels was \$118.4 thousands.

**OTHER OPERATING COSTS** On November 17, 2016 and on July 18, 2017 at our request due to charter market conditions, the delivery dates for the four 22,000 cbm newbuildings were delayed. As a consequence, for the postponement of the delivery date the Company agreed to pay to the shipbuilder an additional charge. These charges of \$1.1 million were included in the accompanying consolidated statement of operations under the caption **Other Operating Costs** for the year ended December 31, 2017.

**INTEREST AND FINANCE COSTS** Interest and finance costs were \$16.7 million for the year ended December 31, 2017 compared to \$14.3 million for the year ended December 31, 2016, an increase of \$2.4 million, or 16.8%. The increase in interest and finance cost was mainly due to an increase in loan interest expenses, mainly as a result of the increase in Libor rates.

**LOSS ON DERIVATIVES** Included in the results for the year ended December 31, 2017 are net losses from interest rate derivative instruments of \$0.4 million. Interest paid on interest rate swap arrangements amounted to \$0.4 million for the year ended December 31, 2017, compared to \$1.1 million for the year ended December 31, 2016 and net gains



from change in fair value of the same arrangements was nil for the year ended December 31, 2017 compared to gains of \$0.3 million for the year ended December 31, 2016.

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**INTEREST INCOME** Interest income was \$0.3 million for the year ended December 31, 2017 compared to \$0.5 million for the year ended December 31, 2016, a decrease of \$0.2 million, related mostly to a lower amount of time deposits.

**NET INCOME/(LOSS)** As a result of the above factors, we recorded a net loss of \$1.2 million for the year ended December 31, 2017, compared to net loss of \$7.8 million for the year ended December 31, 2016.

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

The average number of vessels in our fleet was 53.4 for the year ended December 31, 2016 compared to 48.8 for the year ended December 31, 2015.

**REVENUES** Voyage revenues for the year ended December 31, 2016 were \$144.1 million compared to \$141.3 million for the year ended December 31, 2015, an increase of \$2.8 million. Total calendar days for our fleet were 20,275 for the year ended December 31, 2016 compared to 18,541 for the year ended December 31, 2015; due to the increase in the average number of vessels in our fleet. Of the total calendar days in 2016, 5,080 or 25.1% were bareboat charter days and 10,751 or 53.0% were time charter days. This compares to 5,543 or 29.9% bareboat charter days and 8,973 or 48.4% time charter days in 2015. Our fleet operational utilization was 91.1% and 92.5% for the years ended December 31, 2016 and December 31, 2015, respectively. Although rates decreased between the two periods, revenues increased in 2016 due primarily to the higher number of voyage days for our fleet.

**VOYAGE EXPENSES** Voyage expenses were \$15.4 million for the year ended December 31, 2016 compared to \$17.6 million for the year ended December 31, 2015, a decrease of \$2.2 million, or 12.5%. This was primarily due the lower number of vessels operating under spot charters and lower fuel prices. Voyage expenses consisted largely of bunker charges in the amount of \$6.1 million for 2016 compared to bunker charges in the amount of \$8.6 million for 2015, a decrease of \$2.5 million, due to the decrease in the number of vessels operating in the spot market and lower fuel prices. Under spot charters we are responsible for paying the vessels' bunkers consumption, as well as most expenses. Voyage expenses also included port expenses of \$3.3 million for the year ended December 31, 2016 compared to \$4.0 million for the year ended December 31, 2015, a decrease of \$0.7 million and commissions to third parties which were \$2.5 million for the year ended December 31, 2016, compared to \$2.4 million for the year ended December 31, 2015, an increase of \$0.1 million.

**VESSEL OPERATING EXPENSES** Vessel operating expenses were \$58.8 million for the year ended December 31, 2016 compared to \$50.7 million for the year ended December 31, 2015, an increase of \$8.1 million, or 16.0%. The increase in operating expenses was driven by the increase in vessel calendar days by 9.4% and one vessel coming off bareboat charter. Other components of vessel operating expenses were spares and consumable stores, which increased from \$8.0 million in the year ended December 31, 2015 to \$8.5 million in the year ended December 31, 2016 while repairs and maintenance costs were \$5.1 million in the year ended December 31, 2015 compared to \$5.7 million in the year ended December 31, 2016.

**DRY DOCKING COSTS** Dry docking costs were \$3.6 million for the year ended December 31, 2016 compared to \$1.8 million for the year ended December 31, 2015, an increase of \$1.8 million, or 100%. Dry docking costs increased due to a higher number of vessels having to undergo dry docking inspections in the year ended December 31, 2016 compared to the number of vessels that underwent dry docking inspections in the year ended December 31, 2015. For the year ended December 31, 2016 ten vessels were dry docked compared to four vessels for the year ended December 31, 2015.

**MANAGEMENT FEES** Management fees were \$7.3 million for the year ended December 31, 2016 compared to \$6.5 million for the year ended December 31, 2015, an increase of \$0.8 million or 12.3%. The increase was due to the higher average number of vessels in the fleet; 53.4 for the year ended December 31, 2016 compared to 48.8 for the year ended December 31, 2015. The daily management fees per vessel did not change

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during these periods. For the year ended December 31, 2016, 73.6% of our total calendar days related to vessels under time or spot charter while for the year ended December 31, 2015, 69.6% related to vessels under time or spot charter. The increase in management fees in 2016 resulted from increases in both the total number of calendar days, which was due to the increase in the average size of our fleet, and the number of time and spot charter days, for which the higher rate of \$440 per vessel per day management fee was paid, compared to bareboat charter days, for which the lower \$125 per vessel per day management fee was paid.

**GENERAL AND ADMINISTRATIVE EXPENSES** General and administrative expenses for the year ended December 31, 2016 were \$3.1 million compared to \$3.7 million for the year ended December 31, 2015, a decrease of \$0.6 million or 16.2%. Included in the general and administrative expenses for both years ended December 31, 2016 and December 31, 2015 are \$1.1 million paid to our manager for the services of the Company's executive officers pursuant to our management agreement. Stock based compensation expense for the vested and non-vested shares, which is also part of the general and administrative expenses, decreased to \$0.3 million during the year ended December 31, 2016 from \$1.1 million during the year ended December 31, 2015.

**DEPRECIATION** Depreciation expenses for the 53.4 average number of vessels in our fleet for the year ended December 31, 2016 were \$39.1 million compared to \$35.9 million for the 48.8 average number of vessels in our fleet for the year ended December 31, 2015 an increase of \$3.2 million, or 8.9%. The increase is due to the higher average number of vessels in our fleet in the 2016 period.

**IMPAIRMENT LOSS** During the year ended December 31, 2016, the Company recognized an impairment loss of \$5.7 million for six of its oldest vessels, while for the year ended December 31, 2015 the Company recognized an impairment loss of \$8.2 million for three of its oldest vessels, two of which were impaired to their scrap value.

**NET GAIN ON SALE OF VESSELS** During the year ended December 31, 2016 we sold two of our oldest vessels, the *Gas Arctic* for demolition and the *Gas Ice* for further trading. The net gain on the sale of these vessels was \$118.4 thousands. During the year ended December 31, 2015, we sold two vessels, the *Gas Kaizen* and the *Gas Crystal*, for demolition. The net gain on the sale of these vessels was \$33.3 thousands.

**INTEREST AND FINANCE COSTS** Interest and finance costs were \$14.3 million for the year ended December 31, 2016 compared to \$10.4 million for the year ended December 31, 2015, an increase of \$3.9 million, or 37.5%. The increase in interest and finance cost was mainly due to an increase in loan interest expenses, mainly as a result of the increase in Libor rates.

**LOSS ON DERIVATIVES** Included in the results for the year ended December 31, 2016 are net losses from interest rate derivative instruments of \$0.8 million. Interest paid on interest rate swap arrangements amounted to \$1.1 million for the year ended December 31, 2016, compared to \$1.4 million for the year ended December 31, 2015 and net gains from change in fair value of the same arrangements amounted to \$0.3 million for the year ended December 31, 2016 compared to \$1.2 million for the year ended December 31, 2015.

**INTEREST INCOME** Interest income was \$0.5 million for the year ended December 31, 2016 compared to \$0.2 million for the year ended December 31, 2015, an increase of \$0.3 million, related mostly to higher interest on deposits offered by financial institutions.

**NET INCOME/(LOSS)** As a result of the above factors, we recorded a net loss of \$7.8 million for the year ended December 31, 2016, compared to net income of \$2.6 million for the year ended December 31, 2015.

**B. Liquidity and Capital Resources**

As of December 31, 2017, we had cash and cash equivalents of \$51.8 million and restricted cash of \$3.2 million classified as current assets.

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Our principal sources of funds for our liquidity needs are cash flows from operations and long-term bank borrowings. Additional sources of funds include proceeds from vessel sales and any equity offerings.

We had net proceeds of \$11.5 million in 2017 from vessel sales, \$1.5 million from vessel sales in 2016 and \$2.0 million from vessel sales in 2015. We last raised capital in 2014, through three registered common stock offerings with net proceeds of approximately \$112.3 million. Our principal use of funds has been to acquire our vessels, maintain the quality of our vessels, service our debt and fund working capital requirements, as well as to repurchase shares of our common stock as described below.

Our liquidity needs, as of December 31, 2017 through the end of 2018, primarily relate to scheduled debt repayments, funding expenses for operating our vessels, general and administrative expenses and capital expenditures related to the acquisition of three LPG carrier newbuildings under construction; two of which were delivered in January 2018 and the last one was delivered in April 2018. Generally, our primary sources of funds, in the short term, have been cash from operating activities and, in the long term, bank borrowings and equity financings. The remaining purchase price, as of December 31, 2017, of \$103.3 million for the three newbuilding vessels scheduled to be delivered in 2018, was expected to be funded with available cash and borrowings under two new credit facilities which we have entered into 2016 and 2017. As of December 31, 2017, we had paid a total of \$109.9 million in deposits for four LPG carrier newbuildings including the delivery installment for one of them. In January 2018, we paid an aggregate of \$64.7 million in installment payments, financed with borrowings under credit facilities we entered into in 2016 and 2017, upon the delivery of two of these newbuildings and \$5.2 million in a scheduled installment for the one remaining newbuilding from available cash. On April 17, 2018 we took delivery of a 22,000 cbm newbuilding LPG vessel where the remaining amount of the purchase price of \$33.4 million was funded through borrowings under a credit facility we entered into in 2017.

As of December 31, 2017, our aggregate debt outstanding net of capitalized arrangement fees was \$384.9 million, of which \$42.0 million was payable within 12 months. We believe our working capital is sufficient for our present short-term liquidity requirements. We believe our internally generated cash flows and borrowings under our arranged credit facilities will be sufficient to fund our operations, including working capital requirements, for at least 12 months taking into account our existing capital commitments and debt service requirements.

For a description of our credit facilities please refer to the discussion under the heading **Credit Facilities** below.

On November 26, 2014, we publicly announced that our Board of Directors had authorized the repurchase of up to \$10,000,000 of shares of our common stock and on February 26, 2015 we publicly announced that our Board of Directors had approved an additional \$20,000,000 of common stock repurchases. There is no fixed time period for this repurchase program. As of April 1, 2018, 3,872,232 shares of common stock had been repurchased for an aggregate of \$20.3 million, with no shares having been repurchased since April 2016. Our dividend policy will also affect our liquidity position. See **Item 8. Financial Information Dividend Policy**.

**Cash Flows**

Net cash provided by operating activities was \$52.4 million for the year ended December 31, 2017, \$36.2 million for the year ended December 31, 2016 and \$48.1 million for the year ended December 31, 2015. This represents the net amount of cash, after expenses, generated by chartering our vessels. Net cash provided by operating activities increased in 2017 compared to 2016, mainly due to the increase in revenue as a result of improved fleet utilization and a rise in freight rates. The decrease in net cash provided by operating activities in 2016 compared to 2015 was mainly due to the net loss as a result of further decline in freight rates, low demand that took place in 2016 and the increase in our operating costs due to our fleet expansion.

Net cash used in investing activities was \$48.9 million for the year ended December 31, 2017, \$54.1 million for the year ended December 31, 2016 and \$151.8 million for the year ended December 31, 2015.

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During 2017, we acquired one LPG vessel, the *Eco Frost*, for which we paid a total of \$33.3 million while we paid an amount of \$27.3 million as advances related to the three remaining LPG newbuilding deliveries two of which were delivered in January 2018. During 2016, we acquired two LPG vessels, the *Eco Nical* and the *Eco Dominator* for which we paid a total of \$33.0 million while we paid an amount of \$23.2 million as advances related to the four remaining LPG newbuilding deliveries. During 2015, we acquired ten LPG vessels, the *Eco Lucidity*, the *Eco Enigma*, the *Eco Galaxy*, the *Eco Universe*, the *Eco Royalty*, the *Eco Loyalty*, the *Eco Dream*, the *Eco Green*, the *Eco Nemesis* and the *Eco Czar*, for which we paid a total of \$149.9 million. In addition to payments related to vessel deliveries for 2015, during the aforementioned year we paid an amount of \$5.2 million as advances for the five vessels expected to be delivered in future years. With regards to the sale of vessels, during 2017 we sold four of our oldest vessels, the *Gas Moxie*, the *Gas Nirvana*, the *Gas Icon* and the *Gas Emperor* all for further trading with net sale proceeds of \$11.5 million. In 2016, we sold two of our oldest vessels, the *Gas Arctic* for demolition and the *Gas Ice* for further trading, with net sale proceeds of \$1.5 million. In 2015, we sold two of our oldest vessels, the *Gas Kaizen* and the *Gas Crystal*, for demolition, with net sale proceeds of \$2.0 million.

Net cash provided by/ (used in) financing activities net cash used in financing activities was \$14.1 million for the year ended December 31, 2017 consisting mainly of \$56.3 million of loan repayments and \$43.0 million of debt proceeds. Net cash used in financing activities was \$27.2 million for the year ended December 31, 2016 consisting mainly of \$31.2 million in proceeds from long-term debt offset by \$55.6 million in loan repayments. Net cash provided by financing activities was \$87.9 million for the year ended December 31, 2015 consisting mainly of \$155.1 million in proceeds from long-term debt while \$55.9 million in loan repayments of which \$42.4 million were regular loan installments and \$13.5 million was a voluntary repayment of an existing credit facility. In addition, in the year ended December 31, 2015, \$13.4 million was spent in relation to the Company's stock repurchase program.

As and when we identify assets that we believe will provide attractive returns, we generally enter into specific term loan facilities and borrow amounts under these facilities as the vessels are delivered to us. This is the primary driver of the timing and amount of cash provided to us by our financing activities, however, from time to time to bolster our cash position and take advantage of financing opportunities, including to refinance the acquisition cost of vessels acquired earlier, we have entered into and may in the future borrow under credit facilities secured by previously unencumbered vessels in our then-existing fleet.

**Credit Facilities**

We, and certain of our subsidiaries, have entered into a number of credit facilities in connection with financing the acquisition of certain vessels in our fleet. The following summarizes certain terms of our credit facilities under which we had aggregate outstanding indebtedness of \$384.9 million, as of December 31, 2017 which is reflected in our balance sheet as Long-term debt and Current portion of long-term debt. For a description of our credit facilities also see Note 11 to our consolidated financial statements included elsewhere in this report.

| Credit Facility   | Outstanding Principal Amount (in millions) | Maturity | Installment Frequency | Installment Amount (in millions) | Balloon (in millions) | Mortgaged Vessels                 |
|-------------------|--|----------|-----------------------|----------------------------------|-----------------------|-----------------------------------|
| February 12, 2008 | \$ 14.38                                   | Feb 2020 | Quarterly             | \$ 0.63                          | \$ 8.75               | Stealth Falcon (ex. Navig8 Faith) |



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|                 |          |          |             |         |         |                               |
|-----------------|----------|----------|-------------|---------|---------|-------------------------------|
| July 30, 2008   | \$ 15.79 | Nov 2020 | Semi-Annual | \$ 0.97 | \$ 9.97 | Gas Defiance,<br>Gas Shuriken |
| October 9, 2008 | \$ 6.31  | Oct 2020 | Semi-Annual | \$ 0.39 | \$ 3.97 | Gas Sikousis                  |

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| <b>Credit Facility</b> | <b>Outstanding Principal Amount (in millions)</b> | <b>Maturity</b> | <b>Installment Frequency</b> | <b>Installment Amount (in millions)</b> | <b>Balloon (in millions)</b> | <b>Mortgaged Vessels</b>   |
|------------------------|---|-----------------|------------------------------|---|------------------------------|--|
| April 14, 2014         | \$ 13.10  | Apr 2020        | Quarterly                    | \$ 0.35                                 | \$ 9.60                      | Gas Astrid, Gas Exelero  |
| April 16, 2014         | \$ 18.38  | Apr 2020        | Quarterly                    | \$ 0.52                                 | \$ 13.18                     | Gas Haralambos, Eco Lucidity   |
|                        | \$ 0.63   | Apr 2018        | Quarterly                    | \$ 0.31                                 | \$                           | Gas Spirit   |
| September 15, 2016     | \$ 17.11  | Sep 2021        | Quarterly                    | \$ 1.01                                 | \$ 2.01                      | Stealth Berana (ex.Spike), Gas Zael  |
| February 1, 2011       | \$ 27.95  | Mar 2024        | Quarterly                    | \$ 0.83                                 | \$ 7.88                      | Gas Elixir<br>Gas Cerberus<br>Gas Myth   |
| March 1, 2011          | \$ 13.13  | Jan 2020        | Quarterly                    | \$ 0.38                                 | \$ 9.75                      | Gas Husky  |
|                        | \$ 13.25  | Jun 2020        | Quarterly                    | \$ 0.38                                 | \$ 9.50                      | Gas Esco   |
| September 23, 2013     | \$ 23.74  | Sept 2020       | Quarterly                    | \$ 1.26                                 | \$ 9.84                      | Gas Ethereal,<br>Gas Alice,<br>Gas Enchanted,<br>Gas Inspiration,<br>Gas Imperiale |
| March 24, 2014         | \$ 12.74  | Mar 2021        | Semi-Annual                  | \$ 0.63                                 | \$ 8.33                      | Eco Stream   |
|                        | \$ 12.74  | Jun 2021        | Semi-Annual                  | \$ 0.63                                 | \$ 8.33                      | Eco Chios  |
|                        | \$ 13.76  | Jul 2022        | Semi-Annual                  | \$ 0.54                                 | \$ 8.33                      | Eco Galaxy   |
| June 12, 2014          | \$ 10.36  | Oct 2020        | Quarterly                    | \$ 0.22                                 | \$ 7.72                      | Eco Invictus   |
| June 20, 2014          | \$ 8.21   | Jan 2023        | Quarterly                    | \$ 0.17                                 | \$ 4.64                      | Eco Corsair  |
|                        | \$ 8.82   | Jan 2023        | Quarterly                    | \$ 0.19                                 | \$ 4.93                      | Eco Elysium  |
| July 29, 2014          | \$ 10.30  | Jul 2023        | Quarterly                    | \$ 0.26                                 | \$ 4.23                      | Eco Enigma   |
|                        | \$ 10.30  | Jul 2023        | Quarterly                    | \$ 0.26                                 | \$ 4.23                      | Eco Universe   |
| July 4, 2014           | \$ 9.55   | Aug 2021        | Quarterly                    | \$ 0.20                                 | \$ 6.50                      | Eco Czar   |
|                        | \$ 9.55   | Sep 2021        | Quarterly                    | \$ 0.20                                 | \$ 6.50                      | Eco Nemesis  |
| December 20, 2013      | \$ 13.75  | Sep 2022        | Quarterly                    | \$ 0.25                                 | \$ 9.00                      | Eco Dream  |
|                        | \$ 13.75  | Sep 2022        | Quarterly                    | \$ 0.25                                 | \$ 9.00                      | Eco Green  |
|                        | \$ 13.89  | Feb 2023        | Quarterly                    | \$ 0.25                                 | \$ 8.74                      | Eco Nical  |
|                        | \$ 14.13  | Jun 2023        | Quarterly                    | \$ 0.25                                 | \$ 8.74                      | Eco Dominator  |
| December 24, 2015      | \$ 9.71   | Dec 2022        | Quarterly                    | \$ 0.19                                 | \$ 5.97                      | Eco Royalty  |
|                        | \$ 9.71   | Dec 2022        | Quarterly                    | \$ 0.19                                 | \$ 5.97                      | Eco Loyalty  |

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|                  |          |          |           |         |          |            |
|------------------|----------|----------|-----------|---------|----------|------------|
| December 7, 2017 | \$ 10.50 | Dec 2022 | Quarterly | \$ 0.33 | \$ 4.00  | Magic Wand |
| May 18, 2016     | \$ 31.48 | May 2025 | Quarterly | \$ 0.51 | \$ 16.25 | Eco Frost  |

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The interest rates on the outstanding loans as of December 31, 2017 are based on Libor plus a margin which varies from 0.80% to 3.00%. The average interest rates (including the margin) on the above outstanding loans were 3.97% for the year ended December 31, 2017 and 3.43% for the year ended December 31, 2016. As of December 31, 2017, \$68.9 million of our outstanding loans were covered by the interest rate swap agreements paying fixed rates ranging from 1.52% to 2.60% and received floating rates based on LIBOR.

On March 27, 2018, we entered into a term loan with a bank to refinance the existing term loan dated February 1, 2011. The new term loan amounting to \$27,675,000 will be repayable in twenty-four consecutive quarterly installments plus a balloon payment payable together with the last installment. An installment amounting to \$275,000 was paid on January 22, 2018 relating to the existing term loan dated February 1, 2011. Remaining obligations of the term loan dated February 1, 2011, have been presented as long-term in accordance with US GAAP as we had the intent and ability to refinance the obligation of \$27,675,000, on a long term basis through the term loan that we had entered on March 27, 2018 discussed above.

As of April 1, 2018, nine of our vessels, the *Gas Evoluzione*, the *Gas Texiana*, the *Gas Prodigy*, the *Gas Flawless*, the *Gas Monarch*, the *Gas Marathon*, the *Gas Pasha*, the *Gas Sincerity* and the *Gas Legacy*, were unencumbered. Other than amounts to be drawn down under the credit facility for the partial financing of the LPG vessel under construction, as further described below, we had no other undrawn borrowing capacity under our existing credit facilities.

As of April 1, 2018, our credit facility, dated March 1, 2017, had remaining undrawn borrowing capacity of up to \$39.1 million available to partially finance our final 22,000 cbm LPG carrier newbuilding delivered on April 17, 2018. The amount drawn was \$35.3 million which covered in full the last delivery installment of the vessel amounting to \$33.4 million. In addition to a first priority mortgage over the vessel being financed, the term loan will be secured by the assignment of the vessel's insurances, earnings, operating and retention accounts and the guarantee of the ship owning subsidiary.

**Financial Covenants**

Our credit facilities contain financial covenants requiring us to:

ensure that our leverage, which is defined as total debt net of cash/total market adjusted assets, does not at any time exceed 80%;

maintain a ratio of the aggregate market value of the vessels securing the loan to the principal amount outstanding under such loan (which we sometimes refer to as the value maintenance or security coverage clause) at all times in excess of a range from 125% to 130% depending on our different loan agreements;

ensure that our ratio of EBITDA to interest expense over the preceding twelve months is at all times more than 2.5 times; and

to maintain on a monthly basis a cash balance of a proportionate amount of the next installment and relevant interest plus a minimum aggregate cash balance of \$7,917,738 in the earnings account with the relevant banks.

We are also required to maintain at the end of each quarter a free cash balance of \$10,000,000.

Our current loan agreements also require that our Chief Executive Officer, Harry Vafias, together with his immediate family, at all times own at least 10% of our outstanding capital stock and certain of our loan agreements provide that it would be an event of default if Harry Vafias ceased to serve as an executive officer or director of our company, Harry Vafias, together with his immediate family, ceased to control our company or any other person or group controlled 25% or more of the voting power of our outstanding capital stock. In addition, our loan agreements include restrictions on the payment of dividends in amounts exceeding 50% of our free cash flow in any rolling 12-month period.

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Our existing credit facility agreements contain customary events of default with respect to us and our applicable subsidiaries, including upon the non-payment of amounts due under the credit facility; breach of covenants; matters affecting the collateral under such facility; insolvency proceedings and the occurrence of any event that, in light of which, the lender considers that there is a significant risk that the borrowers are, or will later become, unable to discharge their liabilities as they fall due.

Our credit facilities provide that upon the occurrence of an event of default, the lenders may require that all amounts outstanding under the credit facility be repaid immediately and terminate our ability to borrow under the credit facility and foreclose on the mortgages over the vessels and the related collateral. Our credit facilities also contain cross-default clauses.

### **C. Research and Development, Patents and Licenses**

None

### **D. Trend Information**

Our results of operations depend primarily on the charter hire rates that we are able to realize. In turn, charter rates are determined by the underlying balance in demand and supply for our vessels. Demand for LPG transportation is influenced by various global economic factors and trade patterns, while the supply is primarily a factor of the fleet growth, determined by the number of vessels in the order book entering the fleet and the number of vessels exiting the fleet, primarily sold for demolition. As a result, the LPG shipping sector has been a highly cyclical industry experiencing volatility in charter hire rates and vessel values.

After increasing throughout 2007 and into 2008, charter rates for small LPG carriers declined in the second half of 2008 and in 2009 as a result of slowdown in the world economy. Although there had been some improvement from the fourth quarter of 2011 to the third quarter of 2014, charter rates subsequently declined sharply, due largely to the dramatic decline in oil prices, and despite some limited improvement in the second half of 2017 and early 2018 rates remain well below levels reached in 2007 and 2008. Although prospects for the small LPG segment, are favorable as the orderbook for 2018 is negligible while currently zero for the years thereafter, future growth in the demand for LPG carriers and charter rates will depend on economic growth in the world economy and demand for LPG. Global financial conditions remain volatile and demand for LPG transportation may decrease in the future. We believe that the future growth in demand for LPG carriers and the charter rate levels will depend primarily upon the supply and demand for LPG particularly supply in the United States and the economies of the Middle East where large quantities are produced, and demand in the Far East and developing countries like Asia and Africa and in general upon seasonal and regional changes in supply/demand and changes to the capacity of the world fleet.

As a result of the volatility and rate declines witnessed in the overall shipping markets during the past few years and the global financial conditions, credit to finance vessel acquisitions has become scarcer. Companies in the shipping sector generally depend on credit facilities, to partially finance their acquisitions.

### **E. Off Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

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Contractual obligations as of December 31, 2017 were:

|   | Payments due by period (in thousands) |                            |                          |                          | More than<br>5 years<br>(After<br>January 1,<br>2023) |
|---|---------------------------------------|----------------------------|--------------------------|--------------------------|---|
|   | Total                                 | Less than<br>1 year (2018) | 1-3 years<br>(2019-2020) | 3-5 years<br>(2021-2022) |   |
| Long-term debt obligations                                    | \$ 386,976                            | \$ 42,580                  | \$ 160,544               | \$ 112,353               | \$ 71,499   |
| Interest on principal amounts<br>outstanding(1)               | \$ 66,412                             | \$ 17,032                  | \$ 30,022                | \$ 15,383                | \$ 3,975  |
| Interest on interest rate swap<br>arrangements outstanding(1) | \$ (1,099)                            | \$ (41)                    | \$ (646)                 | \$ (260)                 | \$ (152)  |
| Management fees(2)  | \$ 11,158                             | \$ 7,439                   | \$ 3,719                 | \$                       | \$  |
| Operating lease obligations                                   | \$ 5,490                              | \$ 3,540                   | \$ 1,950                 | \$                       | \$  |
| Vessel purchase commitments                                   | \$ 103,308                            | \$ 103,308                 | \$                       | \$                       | \$  |
| <b>Total</b>  | <b>\$ 572,245</b>                     | <b>\$ 173,858</b>          | <b>\$ 195,589</b>        | <b>\$ 127,476</b>        | <b>\$ 75,322</b>                                      |

- (1) Based on assumed 3M LIBOR rates of 2.22% for 2018, 2.45% for 2019, 2.63% for 2020, 2.71% for 2021, 2.76% for 2022 and thereafter and assumed 6M LIBOR rates of 2.36% for 2018, 2.80% for 2019, 2.95% for 2020, 2.99% for 2021, 3.00% for 2022 and thereafter, and the effect of our interest rate swap arrangements.
- (2) Based on our management agreement with Stealth Maritime, we pay it \$125 per vessel per day for vessels on bareboat charter and \$440 per vessel per day for vessels not on bareboat charter for our existing fleet (but excluding our contracted vessels). We also pay 1.25% of the gross freight, demurrage and charter hire collected from employment of our ships and 1.0% of the contract price of any vessels bought or sold on our behalf. The initial term of our management agreement with Stealth Maritime expired in June 2010 but is extended on a year-to-year basis thereafter unless six-months written notice is provided prior to the expiration of the term. No such notice was provided up to December 31, 2017, therefore the current term of our management agreement expires in June 2019.

**Critical Accounting Policies**

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

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies that involve a high degree of judgment and the methods of their application. For a description of all of our significant accounting policies, see Note 2 to our consolidated financial statements included

elsewhere herein.

*Impairment or disposal of long-lived assets:* We follow the Accounting Standards Codification ( ASC ) Subtopic 360-10, Property, Plant and Equipment ( ASC 360-10 ), which requires long-lived assets used in operations be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. We perform an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets in connection, with our performance of an annual review on December 31 and whenever indicators of impairment are present. If the carrying value of the related asset exceeds the undiscounted cash flows and the fair market value of the asset, the carrying value is reduced to its fair value and the difference is recorded as an impairment loss in the consolidated statement of operations.



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We review certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions including any regulatory changes that may have a material impact on the vessel lives. The decline in the values of some of the vessels included in our LPG fleet and the decline in the global economy were considered to be indicators of potential impairment. As of the end of each respective quarter of 2017, we performed step one, the undiscounted cash flow test as required by the ASC guidance. We determined undiscounted projected net operating cash flows for each vessel and compared it to the vessel's carrying value. This assessment was made at the individual vessel level since separately identifiable cash flow information for each vessel was available. In developing estimates of future cash flows to be generated over remaining useful lives of the vessels, we made assumptions about the future, such as: (1) vessel charter rates, (2) vessel utilization rates, (3) vessel operating expenses, (4) dry docking costs, (5) vessel scrap values at the end of vessels remaining useful lives and (6) the remaining useful lives of the vessels. These assumptions were based on historical trends as well as future expectations in line with our historical performance and our expectations for future fleet utilization under our current fleet deployment strategy, vessel sales and purchases, and overall market conditions.

Projected cash flows were determined for the vessels by considering the revenues from existing charters for those vessels that have long term employment, and:

revenue estimates based on nine year historical average rates (base rate) for periods for which there is no charter in place for vessels of less than twenty years of age and,

revenue estimates based on five year historical average rates for periods for which there is no charter in place for vessels of twenty years of age and above,  
with an annual 1% revenue increase for both categories.

We also assumed an average annual inflation rate of 1.5% for operating expenses using as a base rate:

the actual operating expenses as per vessel for each respective period for the vessels of less than twenty years of age, and

the average operating expenses of the last five years for the vessels of twenty years of age and above.  
Utilization rate was assumed to be:

94.0% for vessels of less than twenty years of age, and

actual five year historical average utilization rate for the vessels of twenty years of age and above.  
Based on our historical experience and future expectations, we believe the use of different assumptions for these items depending on whether a vessel is less than 20 years old or 20 years old or more, provides a better estimate of the expected future chartering profile and associated operating expenses for vessels in these different age groups. Although we believe that the assumptions we use to calculate future cash flows are reasonable and appropriate, such

assumptions are highly subjective.

As of June 30, 2017, the Company identified and recorded an impairment loss of \$897,965 relating to one of the oldest vessels of the fleet, *Gas Monarch*, and as of September 30, 2017, the Company identified and recorded an impairment loss of \$1,258,037, relating to two of the oldest vessels of the fleet, *Gas Pasha* and *Gas Evoluzione*. In addition, during the first nine months of 2017, the Company identified and recorded an impairment loss of \$4,305,271 for four of its oldest vessels, the *Gas Moxie*, the *Gas Nirvana*, the *Gas Icon* and the *Gas Emperor* which were sold during the year 2017, for further trading. For the three months ended December 31, 2017, no impairment loss was identified and recorded for the Company's vessels that are held for use. Furthermore, as of December 31, 2017, the fair market value of each vessel of 20 years of age and above exceeded its carrying value. For 2016 we had six of our oldest vessels of the fleet impaired, the *Gas Moxie*, the *Gas Emperor*, the *Gas Marathon*, the *Gas Texiana*, the *Gas Nirvana* and the *Gas Galaxy*, as in each case the

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undiscounted net operating cash flows of each of these vessels did not exceed the respective vessel's carrying value. The total impairment loss identified and recorded by the Company was \$6,461,273 during the year ended December 31, 2017 and \$5,735,086 as of December 31, 2016. As of December 31, 2015, the Company identified and recorded an impairment loss of \$8,238,987.

The carrying values of our vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings.

*Sensitivity Analysis.*

The impairment test is highly sensitive to variances in future charter rates. When we conducted the analysis of the impairment test as of December 31, 2017 we also performed a sensitivity analysis related to the future cash flow estimates. Set forth below is an analysis, as of December 31, 2017, of the percentage difference between the current average rates for our fleet compared with the base rates used in the impairment test as described above, as well as an analysis of the impact on our impairment analysis if we were to utilize the most recent five-year, three-year and one-year historical average rates, which shows the number of vessels whose carrying value would not have been recovered and the aggregate carrying value that would not have been recovered.

|                  | Percentage<br>difference between<br>our average<br>2017<br>rates as<br>compared<br>with the base<br>rates<br>for the vessels<br>of less than<br>twenty years<br>of age | 5-year historical<br>average rate |                        | 3-year historical<br>average rate |                        | 1-year historical<br>average rate |                        |
|------------------|--|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|
|                  |  | No<br>of<br>vessels               | Amount<br>(\$ million) | No<br>of<br>vessels               | Amount<br>(\$ million) | No<br>of<br>vessels               | Amount<br>(\$ million) |
| LPG Carriers     | -6.39%   |                                   |                        | 1                                 | 0.07                   | 1                                 | 0.07                   |
| Product Carriers | -31.88%  |                                   |                        |                                   |                        | 1                                 | 12.64                  |
| Aframax Tanker   | -0.88%   |                                   |                        |                                   |                        |                                   |                        |

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

Based on the carrying value of each of our vessels as of December 31, 2017 and what we believe the charter-free market values of each of our vessels was as of December 31, 2017, 25 of our 50 owned vessels in the water have current carrying values above their market values (27 of our 53 vessels in the water as at December 31, 2016). We believe that the aggregate carrying value of these vessels, assessed separately, exceeds their aggregate charter-free market value by approximately \$78 million and \$77 million as of December 31, 2017 and 2016, respectively.

The Company's estimates of market values assume that the vessels are all in good and seaworthy condition without need for repair and, if inspected, would be certified as being in class without recommendations of any kind. In addition, because vessel values are highly volatile, these estimates may not be indicative of either the current or future prices that the Company could achieve if it were to sell any of the vessels. The Company would not record an impairment charge for any of the vessels for which the fair market value is below its carrying value unless and until the Company either determines to sell the vessel for a loss or determines that the vessel's carrying amount is not recoverable. The Company believes that the undiscounted projected net operating cash flows over the estimated remaining useful lives for those vessels that have experienced declines in estimated market values below their carrying values exceed such vessels' carrying values as of December 31, 2017, and accordingly has not recorded an impairment charge.

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*Vessel depreciation:* We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation and impairment, if any. We depreciate our vessels on a straight-line basis over their estimated useful lives, estimated to be 25 to 30 years from date of initial delivery from the shipyard. We believe that a 30-year depreciable life is consistent with that of other gas vessel owners and reflects management's intended use and a 25-year depreciable life is consistent with other product carrier vessel owners and reflects management's intended use. Depreciation is based on cost less the estimated residual scrap value. An increase in the useful life of the vessel or in the 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 the vessel or in the residual value would have the effect of increasing the annual depreciation charge. No events or circumstances occurred in 2017 that would require us to revise estimates related to depreciation and such revisions are not expected to occur in the future.

*Interest Rate Swap Agreements:* We designate our derivatives based upon the criteria established by the FASB in its accounting guidance for derivatives and hedging activities. The accounting guidance for derivatives requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The accounting for the changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. For a derivative that does not qualify as a cash flow hedge, the change in fair value is recognized at the end of each accounting period in the income statement. For a derivative that qualifies as a cash flow hedge, the change in fair value is recognized at the end of each reporting period in accumulated other comprehensive income/(loss) (effective portion) until the hedged item is recognized in income. The ineffective portion of a derivative's change in fair value is immediately recognized in the income statement.

We discontinue cash flow hedge accounting if the hedging instrument expires, is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or we revoke the designation. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in Company's equity until the forecasted transaction occurs. When the forecasted transaction occurs, any cumulative gain or loss on the hedging instrument is recognized in profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in Company's equity is transferred to net profit or loss for the year as financial income or expense.

An increase in interest rates will have a positive effect while a decrease in interest rates will have a negative effect, on the fair value of our interest rate swap agreements.

Please see Note 2 (Significant Accounting Policies) and Note 12 (Derivatives and Fair Value Disclosures) to our consolidated financial statements included elsewhere in this report.

**G. Safe Harbor**

See section "Forward-Looking Information" at the beginning of this annual report.

**Table of Contents****Item 6. Directors, Senior Management and Employees****A. Directors, Senior Management and Employees**

The following table sets forth, as of April 1, 2018, information for each of our directors and executive officers.

| Name                | Age | Positions  | Year                           |  |
|---------------------|-----|--|--------------------------------|--|
|                     |     |  | Director<br>Became<br>Director | Director<br>Current<br>Term<br>Expires |
| Harry N. Vafias     | 40  | Chief Executive, President, Chief Financial Officer and Class III Director | 2004                           | 2018                                   |
| Michael G. Jolliffe | 68  | Chairman of the Board, Class II Director                                   | 2004                           | 2019                                   |
| Lambros Babilis     | 50  | Deputy Chairman and Class I Director                                       | 2007                           | 2020                                   |
| Markos Drakos       | 58  | Class III Director   | 2006                           | 2018                                   |
| John Kostoyannis    | 52  | Class II Director  | 2010                           | 2019                                   |

Certain biographical information about each of these individuals is set forth below.

*Harry N. Vafias* has been our President and Chief Executive Officer and a member of our Board of Directors since our inception in December 2004 and our Chief Financial Officer since January 2014. Mr. Vafias has been actively involved in the tanker and gas shipping industry since 1999. Mr. Vafias worked at Seascope, a leading ship brokering firm specializing in sale and purchase of vessels and chartering of oil tankers. Mr. Vafias also worked at Braemar, a leading ship brokering firm, where he gained extensive experience in tanker and dry cargo chartering. Seascope and Braemar merged in 2001 to form Braemar Seascope Group plc, a public company quoted on the London Stock Exchange and one of the world's largest ship brokering and shipping service groups. From 2000 until 2004, he worked at Brave Maritime and Stealth Maritime, companies providing comprehensive ship management services, where Mr. Vafias headed the operations and chartering departments of Stealth Maritime and served as manager for the sale and purchase departments of both Brave Maritime and Stealth Maritime. Mr. Vafias graduated from City University Business School in the City of London in 1999 with a B.A. in Management Science and from Metropolitan University in 2000 with a Masters degree in Shipping, Trade and Transport.

*Michael G. Jolliffe* has been Chairman of our Board of Directors since 2004. He is a director of a number of companies in shipping, agency representation, shipbroking, capital services, mining and telemarketing. Mr. Jolliffe is Vice Chairman of Tsakos Energy Navigation Ltd, an oil, product carrier and LNG shipping company listed on the New York Stock Exchange. He is also Chairman of the Wighams Group of companies owning companies involved in shipbroking, agency representation and capital markets businesses. Mr. Jolliffe is also a director of ColdHarbour Marine, a company manufacturing equipment for the marine industry and quoted on the London AIM market. Mr. Jolliffe is also a Trustee of Honeypot Children's Charity.

*Lambros Babilis* has been Deputy Chairman of our Board of Directors and an Executive Director since 2007. Mr. Babilis was the Technical Manager of Stealth Maritime Corporation from 2006 until 2011 when he became the Chief Operating Officer, and has worked for the Stealth Maritime Corporation since 2000. From 1997 until 2000, Mr. Babilis worked in the Technical Department of Multi Trading Ship Management, a company specializing in chemical tankers. From 1993 until 1997, Mr. Babilis worked in a consulting or research capacity for various EEC Shipping related projects and worked as a consultant to shipping companies and as a representative of the Technical Chamber of Greece to the Joint Committee of Health and Safety of Ship Repair (Perama Zone). In addition, from

1996 until 1997, Mr. Babilis was involved in the construction of the Landing Ships at Eleusis Shipyards (Detachment of Hellenic Navy). From 1992 until 1993, Mr. Babilis worked for an international consortium, including PricewaterhouseCoopers and Port and Transport Consulting of Bremen, for the design of the Port Management Information System of Piraeus Port Authority. Mr. Babilis started his career

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in the Operations Department of Trade and Transport Inc. Mr. Babilis has been involved in the research center of Athens University of Economics and Business and in the Ocean Transportation Economics department at the National Technical University of Athens. From 1994 until 1996, Mr. Babilis was the General Secretary of the Hellenic Association of Naval Architects. Mr. Babilis graduated from the National Technical University of Athens, department of Naval Architecture and Marine Engineering, in 1990, and received an honorary scholarship from the Hellenic Scholarship foundation.

*Markos Drakos* has been a member of our Board of Directors since 2006 and Chairman of our Audit Committee. In 1988, Mr. Drakos co-founded Touche Ross & Co (Cyprus), later renamed Deloitte & Touche, Nicosia and served as co-managing partner of the company's Nicosia office in Cyprus until 2002. Following the December 2002 reorganization of Deloitte & Touche, Nicosia, Mr. Drakos founded Markos Drakos Consultants Group, a consulting company, which served as successor to the consulting, special services and international business division of Deloitte & Touche, Nicosia. From 2000 until 2003, Mr. Drakos also served as Vice Chairman of the Cyprus Telecommunications Authority, the leading telecommunications company in Cyprus. Mr. Drakos has also served as a member of the Offshore, Shipping & Foreign Investment Committee of the Institute of Certified Public Accountants of Cyprus. Mr. Drakos received a Bachelor of Science degree in Economics from the London School of Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Certified Public Accountants of Cyprus.

*John Kostoyannis* joined our Board of Directors in 2010. Mr. Kostoyannis is a Managing Director at Allied Shipbroking Inc., a leading shipbroking house in Greece, providing Sale and Purchase and Chartering services in the shipping industry. Before joining Allied Shipbroking, from 1991 until September 2001, Mr. Kostoyannis worked in several prominent shipbroking houses in London and Piraeus. He is a member of the Hellenic Shipbrokers Association. Mr. Kostoyannis graduated from the City of London Polytechnic in 1988 where he studied Shipping and Economics.

**B. Compensation of Directors and Senior Management**

The Chairman of our Board of Directors receives annual fees of \$70,000, plus reimbursement for his out-of-pocket expenses, while each of our other independent directors receives fees of up to \$35,000 per annum, plus reimbursement of their out-of-pocket expenses. Executive directors received no compensation for their services as directors. We do not have service contracts with any of our directors. In addition, we have not paid any compensation to our executive officers. Under our management agreement with Stealth Maritime, we reimburse Stealth Maritime for its payment of the compensation to our Chief Executive Officer, Chief Financial Officer, Deputy Chairman and Executive Director, Internal Auditor and our Chief Technical Officer. The aggregate of such compensation for the years 2015, 2016 and 2017 was \$1.1 million each year.

Our executive officers and directors are also eligible to receive awards under our equity compensation plan described below under Equity Compensation Plan. In November 2014, we awarded an aggregate of 230,713 restricted shares of common stock to directors and officers, 50% of which vested on November 20, 2015, 25% of which vested on November 20, 2016 and 25% of which vested on November 20, 2017. The restricted shares are subject to forfeiture until they become vested. We did not grant any awards under our equity compensation plan to directors or officers of the Company during the years ended December 31, 2017, 2016 and 2015. We recognized share-based compensation expense of \$1.1 million, \$0.3 million and \$0.1 million in 2015, 2016 and 2017, respectively.

**C. Board Practices**



The Board of Directors may change the number of directors by a vote of a majority of the entire Board. Each director is elected to serve until the third succeeding annual meeting of stockholders and until his or her successor shall have been duly elected and qualified, except in the event of death, resignation or removal. A vacancy on the board created by death, resignation, removal (which may only be for cause), or failure of the

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stockholders to elect the entire class of directors to be elected at any election of directors or for any other reason, may be filled only by an affirmative vote of a majority of the remaining directors then in office, even if less than a quorum, at any special meeting called for that purpose or at any regular meeting of the board of directors. Our Board of Directors is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term.

At December 31, 2017 and April 1, 2018, we had five members on our Board of Directors named above. Our Board of Directors has determined that Michael G. Jolliffe, Markos Drakos and John Kostoyannis are independent directors within the meaning of the applicable Nasdaq listing requirements and SEC independence requirements applicable to Audit Committee members since none of them has received any compensation from the Company except for director's fees and restricted stock awards to directors and none of them has any relationship or has had any transaction with the Company which the Board believes would compromise their independence. Officers are elected from time to time by vote of our Board of Directors and hold office until a successor is elected.

We have no service contracts with any of our directors that provide for benefits upon termination of employment.

During the fiscal year ended December 31, 2017, the full Board of Directors held four meetings. Each director attended all of the meetings of the Board of Directors and meetings of committees.

To promote open discussion among the independent directors, those directors met four times in 2017 in regularly scheduled executive sessions without participation of our Company's management and will continue to do so in the remainder of 2018 and in 2019. Mr. Jolliffe has served as the presiding director for purposes of these meetings. Stockholders who wish to send communications on any topic to the Board of Directors or to the independent directors as a group, or to the presiding director, Mr. Jolliffe, may do so by writing to StealthGas Inc., 331 Kifissias Avenue, Erithrea 14561 Athens, Greece.

## **Corporate Governance**

Our Board of Directors and our Company's management reviews our corporate governance practices in order to oversee our compliance with the applicable corporate governance rules of the Nasdaq Stock Market and the SEC.

We have adopted a number of key documents that are the foundation of our corporate governance, including:

a Code of Business Conduct and Ethics;

a Nominating and Corporate Governance Committee Charter;

a Compensation Committee Charter; and

an Audit Committee Charter.

We will provide a paper copy of any of these documents upon the written request of a stockholder. Stockholders may direct their requests to the attention of Investor Relations, c/o Harry Vafias, StealthGas Inc., 331 Kifissias Avenue, Erithrea 14561 Athens, Greece. These documents are also available on our website at [www.stealthgas.com](http://www.stealthgas.com) under the

heading Corporate Governance.

**Committees of the Board of Directors**

The Board of Directors has established an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee. As of April 1, 2018, the Audit Committee consists of Messrs.

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Markos Drakos (Chairman), Michael Jolliffe, and John Kostoyannis. The Nominating and Corporate Governance Committee consists of Messrs. Michael Jolliffe (Chairman), Markos Drakos and John Kostoyannis. The Compensation Committee consists of Messrs. Michael Jolliffe (Chairman), Markos Drakos and John Kostoyannis. Each of the directors on these committees has been determined by our Board of Directors to be independent under the standards of the Nasdaq Stock Market, and, in the case of the Audit Committee, the Securities and Exchange Commission.

### ***Audit Committee***

The Audit Committee is governed by a written charter, which is approved and annually adopted by the Board. The Board has determined that the members of the Audit Committee meet the applicable independence requirements of the SEC and the Nasdaq Stock Market, that all members of the Audit Committee fulfill the requirement of being financially literate and that Mr. Drakos is an Audit Committee financial expert as defined under current SEC regulations.

The Audit Committee is appointed by the Board and is responsible for, among other matters, overseeing the:

integrity of the Company's financial statements, including its system of internal controls;

Company's compliance with legal and regulatory requirements;

independent auditor's appointment, qualifications and independence;

retention, setting of compensation for, termination and evaluation of the activities of the Company's independent auditors, subject to any required shareholder approval; and

performance of the Company's independent audit function and independent auditors, as well preparing an Audit Committee Report to be included in our annual proxy statement.

### ***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee is appointed by the Board and is responsible for, among other matters:

reviewing the Board structure, size and composition and making recommendations to the Board with regard to any adjustments that are deemed necessary;

evaluating and recommending to the Board the slate of nominees for directors to be elected by the stockholders at the Company's next annual meeting of stockholders and, where applicable, to fill vacancies;

recommending to the Board the responsibilities of the Board committees, including each committee's structure, operations, and authority to delegate to subcommittees;

evaluating and recommending to the Board those directors to be appointed to the various Board committees, including the persons recommended to serve as chairperson of each committee;

reviewing annually the compensation of non-employee directors and the principles upon which such compensation is determined;

consulting with the Chief Executive Officer, as appropriate, and other Board members to ensure that its decisions are consistent with the sound relationship among the Board, Board committees, individual directors and management;

overseeing the Board's annual evaluation of its own performance and the performance of other Board committees;

retaining, setting compensation and retention terms for and terminating any search firm to be used to identify candidates; and

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developing and recommending to the Board for adoption a set of Corporate Governance Guidelines applicable to the Company and periodically reviewing the same.

***Compensation Committee***

The Compensation Committee is appointed by the Board and is responsible for, among other matters:

establishing and periodically reviewing the Company's compensation programs;

administering the Company's equity compensation plan;

reviewing the performance of directors, officers and employees of the Company who are eligible for awards and benefits under any plan or program and adjust compensation arrangements as appropriate based on performance;

reviewing and monitoring management development and succession plans and activities;

from time to time when necessary, reviewing with the Chief Executive Officer the latter's proposed succession plan for each executive officer and the Chief Executive Officer's evaluation of each such executive officer;

in case of unexpected unavailability, reviewing with the Board the Company's succession plan for the CEO and other executive officers, including plans for emergency succession;

retaining, setting compensation and retention terms for, and terminating any consultants, legal counsel or other advisors that the Compensation Committee determines to employ to assist it in the performance of its duties; and

preparing any Compensation Committee report included in our annual proxy statement.

**D. Employees**

Our manager employs and provides us with the services of our Chief Executive Officer and Chief Financial Officer, our Deputy Chairman and Executive Director, our Internal Auditor and our Chief Technical Officer. In each case, their services are provided under the management agreement with Stealth Maritime. Stealth Maritime compensates each of these individuals for their services and we, in turn, reimburse Stealth Maritime for their compensation.

As of December 31, 2017, 414 officers and 432 crew members served on board the vessels in our fleet. However, these officers and crew are not directly employed by the Company.

**E. Share Ownership**

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

### **Equity Compensation Plan**

We have an equity compensation plan, the 2015 Equity Compensation Plan (the 2015 Plan ), which was approved by our stockholders on September 17, 2015 and replaced our previous equity compensation plan (the 2007 Plan ) which expired in August 2015. The 2015 Plan is generally administered by the Compensation Committee of our Board of Directors, except that the full board may act at any time to administer the 2015 Plan, and authority to administer any aspect of the 2015 Plan, other than grants of awards to executive officers and as prohibited by law or stock exchange regulation, may be delegated by our Board of Directors or by the Compensation Committee to an executive officer or any other person. The 2015 Plan allows the plan

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administrator to grant awards of shares of our common stock or the right to receive or purchase shares of our common stock (including options to purchase common stock, restricted stock and stock units, bonus stock, share units, performance units, and stock appreciation rights) to officers, directors or other persons or entities providing significant services to us or our subsidiaries. The actual terms of an award, including the number of shares of common stock relating to the award, any exercise or purchase price, any vesting, forfeiture or transfer restrictions, the time or times of exercisability for, or delivery of, shares of common stock, are determined by the plan administrator and set forth in a written award agreement with the participant.

The aggregate number of shares of our common stock for which awards may be granted under the 2015 Plan cannot exceed 10% of the number of shares of our common stock issued and outstanding at the time any award is granted. Awards made under the 2015 Plan that have been forfeited (including our repurchase of shares of common stock subject to an award for the price, if any, paid to us for such shares of common stock, or for their par value), cancelled or have expired, will not be treated as having been granted for purposes of the preceding sentence. In November 2014, we awarded an aggregate of 230,713 restricted shares of common stock to directors and officers, 50% of which vested on November 20, 2015, 25% of which vested on November 20, 2016 and 25% of which vested on November 20, 2017, the third anniversary of grant. No equity awards were made for the years ended December 31, 2017, 2016 and 2015. As of April 1, 2018, no awards had been granted under the 2015 Plan and awards with respect to 555,479 shares of our common stock were granted under our 2007 Plan from its adoption in 2005 to its expiration in August 2015. No additional awards can be granted under our 2007 Plan.

The 2015 Plan permits the plan administrator to make an equitable adjustment to the number, kind and exercise price per share of awards in the event of our recapitalization, reorganization, merger, spin-off, share exchange, dividend of common stock, liquidation, dissolution or other similar transaction or events. In addition, the plan administrator may make adjustments in the terms and conditions of any awards in recognition of any unusual or nonrecurring events.

Except in connection with a corporate transaction, including any stock dividend, distribution, stock split, extraordinary cash dividend, recapitalization, change in control, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of common shares or other securities, or similar transactions, we may not, without obtaining stockholder approval, (i) amend the terms of outstanding stock options or stock appreciation rights to reduce the exercise price of such outstanding stock options or base price of such stock appreciation rights, (ii) cancel outstanding stock options or stock appreciation rights in exchange for stock options or stock appreciation rights with an exercise price or base price, as applicable, that is less than the exercise price or base price of the original stock options or stock appreciation rights or (iii) cancel outstanding stock options or stock appreciation rights with an exercise price or base price, as applicable, above the current stock price in exchange for cash or other securities.

The 2015 Plan provides for double trigger vesting after a change in control. Unless the plan administrator determines otherwise, if a change in control occurs in which the Company is not the surviving corporation (or the Company survives only as a subsidiary of another corporation), all outstanding awards that are not exercised or paid at the time of the change in control will be assumed by, or replaced with awards that have comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation). Unless the award agreement provides otherwise, if a participant's employment is terminated by us without cause, or the participant terminates employment for good reason, in either case within 12 months following the change in control, the participant's outstanding awards will become fully vested as of the date of termination. If the vesting of any such award is based, in whole or in part, on performance, the applicable award agreement will specify how the portion of the award that becomes vested upon termination will be calculated.

In the event of a change in control, if all outstanding awards are not assumed by, or replaced with awards with comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation), the plan



administrator may take any of the following actions with respect to any or all outstanding awards, without the consent of any participant: (i) may determine that outstanding stock options and stock appreciation rights will automatically accelerate and become fully exercisable, and the restrictions and conditions on outstanding awards

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will immediately lapse; (ii) may determine that participants will receive a payment in settlement of outstanding awards in such amount and form as may be determined by the plan administrator; (iii) may require that participants surrender their outstanding stock options and stock appreciation rights in exchange for a payment, in cash or stock as determined by the plan administrator, equal to the amount (if any) by which the fair market value of the shares of common stock subject to the unexercised stock option and stock appreciation right exceed the stock option exercise price or base price and (iv) the plan administrator may terminate outstanding stock options and stock appreciation rights after giving participants an opportunity to exercise the outstanding stock options and stock appreciation rights. Such surrender, termination or payment will take place as of the date of the change in control or such other date as the plan administrator may specify. If the per share fair market value of our stock does not exceed the per share exercise price or base price, as applicable, we will not be required to make any payment to the participant upon surrender of the stock option or stock appreciation right.

Our Board of Directors may, at any time, alter, amend, suspend or discontinue the 2015 Plan. The 2015 Plan will automatically terminate ten years after it has been most recently approved by our stockholders.

**Item 7. Major Shareholders and Related Party Transactions****A. Major Shareholders**

The following table sets forth certain information regarding the beneficial ownership of our outstanding shares of common stock as of April 1, 2018 by:

each person or entity that we know beneficially owns 5% or more of our shares of common stock;

our Chief Executive Officer and our other members of senior management;

each of our directors; and

all of our current directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. In general, a person who has or shares voting power and/or dispositive power with respect to securities is treated as a beneficial owner of those securities. It does not necessarily imply that the named person has the economic or other benefits of ownership. For purposes of this table, shares subject to options, warrants or rights currently exercisable or exercisable within 60 days of April 1, 2018 are considered as beneficially owned by the person holding such options, warrants or rights. Each shareholder is entitled to one vote for each share held. The applicable percentage of ownership for each shareholder is based on 39,860,563 shares of common stock outstanding as of April 1, 2018. Information for certain holders is based on their latest filings with the Securities and Exchange Commission or information delivered to us.

| Name of Beneficial Owner | Shares Beneficially Owned |            |
|--------------------------|---------------------------|------------|
|                          | Number                    | Percentage |

**Principal Stockholders**

|                                    |           |       |
|------------------------------------|-----------|-------|
| Flawless Management Inc.(1)        | 6,073,095 | 15.2% |
| MSDC Management, L.P.(2)           | 3,708,819 | 9.3%  |
| Glendon Capital Management L.P.(3) | 2,452,531 | 6.2%  |
| Redwood Capital Management, LLC(4) | 2,415,287 | 6.1%  |
| FMR LLC(5)                         | 2,370,274 | 5.9%  |
| Royce & Associates, LP(6)          | 2,126,056 | 5.3%  |
| Boston Partners(7)                 | 2,038,540 | 5.1%  |

**Executive Officers and Directors**

|   |           |       |
|---|-----------|-------|
| Harry N. Vafias(1)  | 6,491,189 | 16.3% |
| Michael G. Jolliffe   | *         | *     |
| Lambros Babilis   | *         | *     |
| Markos Drakos   | *         | *     |
| John Kostoyannis  | *         | *     |
| All executive officers and directors as a group (5 persons) | 6,578,442 | 16.5% |

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\* Less than 1%.

- (1) According to a Schedule 13D jointly filed with the SEC on February 5, 2018 by Flawless Management Inc. and Harry N. Vafias, Harry N. Vafias beneficially owns 6,491,189 shares of common stock, of which 6,073,095 shares are owned by Flawless Management Inc. Harry N. Vafias has sole voting power and sole dispositive power with respect to all such shares. Excludes any shares of common stock which maybe held by members of Mr. Vafias immediate family in accordance with the determination of beneficial ownership under Section 13(d) of the Securities Exchange Act of 1934.
- (2) According to Amendment No. 2 to a Schedule 13G jointly filed by and on behalf of each of MSDC Management, L.P. ( MSDC ) and MSD Credit Opportunity Master Fund, L.P. with the SEC on February 16, 2016, MSDC is the investment manager of, and may be deemed to beneficially own 3,708,819 shares of common stock beneficially owned by, MSD Credit Opportunity Master Fund, L.P. and has sole voting power and joint dispositive power with respect to all such shares.
- (3) According to a Schedule 13G jointly filed on behalf of Glendon Capital Management L.P. and Matthew S. Barrett, Holly Kim, Eitan Melamed, Michael Keegan and Brian Berman, each of whom may be deemed to have shared voting power and joint dispositive power with respect to all such shares owned by Glendon Capital Management L.P., on February 14, 2017.
- (4) According to Amendment No. 2 to a Schedule 13G jointly filed by and on behalf of each Redwood Capital Management, LLC, Redwood Master Fund, Ltd. and Jonathan Kolatch, which may each be deemed to have shared voting power and joint dispositive power with respect to all such shares, on February 11, 2016.
- (5) According to Amendment No. 3 to a Schedule 13G jointly filed by and on behalf of each of FMR LLC, Edward C. Johnson 3d, Abigail P. Johnson and Select Energy Service Portfolio with the SEC on February 13, 2018.
- (6) According to a Schedule 13G filed by Royce & Associates, LP on January 24, 2018.
- (7) According to a Schedule 13G filed by Boston Partners on February 13, 2018, Boston Partners may be deemed to be a beneficial owner of 2,038,540 shares of common stock held by Boston Partners for the discretionary account of certain clients.

We effected a registered public offering of our common stock and our common stock began trading on the Nasdaq Stock Market in October 2005. Our major stockholders have the same voting rights as our other shareholders. As of April 1, 2018, we had approximately 16 shareholders of record. Three of the stockholders of record were located in the United States and held in the aggregate 32,835,813 shares of common stock representing approximately 82.4% of our outstanding shares of common stock. However, the three United States shareholders of record include CEDEFEST, which, as nominee for The Depository Trust Company, is the record holder of 32,835,513 shares of common stock. Accordingly, we believe that the shares held by CEDEFEST include shares of common stock beneficially owned by both holders in the United States and non-United States beneficial owners. As a result, these numbers may not accurately represent the number of beneficial owners in the United States. We are not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

On November 26, 2014, we publicly announced that our Board of Directors had authorized the repurchase of up to \$10,000,000 of shares of our common stock and on February 26, 2015 we publicly announced that our Board of Directors had approved an additional \$20,000,000, of common stock repurchases. Shares may be purchased from time to time in open market or privately negotiated transactions, which may include derivative transactions, at times and prices that are considered to be appropriate by the Company and the program may be discontinued at any time. There is no fixed time period for this repurchase program. As of April 1, 2018, 3,872,232 shares of common stock had been repurchased with no repurchase since April 2016 (843,022 in 2014, 2,372,097 in 2015, 657,113 in 2016 and nil in 2017 and 2018), for an aggregate of \$20.3 million.

**B. Related Party Transactions**

Pursuant to our Audit Committee Charter, our Audit Committee is responsible for establishing procedures for the approval of all related party transactions involving executive officers and directors, which procedures

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require the audit committee to approve any such transaction. Our Code of Business Conduct and Ethics requires our Audit Committee to review and approve any related party transaction as defined in Item 7.B of Form 20-F before it is consummated.

***Management Affiliations***

Harry Vafias, our president, chief executive officer and one of our directors, is an officer, director and the sole shareholder of Flawless Management Inc., our largest stockholder. He is also the son of the principal and founder of Brave Maritime, an affiliate of Stealth Maritime, which is our management company. Stealth Maritime subcontracts the technical management of some of our LPG carriers to Brave Maritime the fees for which technical management services are paid by Stealth Maritime out of the fees we pay to it as described below.

***Management and Other Fees***

We have a management agreement with Stealth Maritime, pursuant to which Stealth Maritime provides us with technical, administrative, commercial and certain other services. In relation to the technical services, Stealth Maritime is responsible for arranging for the crewing of the vessels, the day to day operations, inspections and vetting, supplies, maintenance, repairs, bunkering drydocking and insurance. Administrative functions include but are not limited to accounting, back-office, reporting, legal and secretarial services. In addition, Stealth Maritime provides services for the chartering of our vessels and monitoring thereof, freight collection, and sale and purchase. In providing most of these services, Stealth Maritime pays third parties and receives reimbursement from us. Under the management agreement Stealth Maritime may subcontract certain of its obligations.

In the year ended December 31, 2017, we paid Stealth Maritime a fixed management fee of \$440 per vessel operating under a voyage or time charter per day, pro-rated for the calendar days we own the vessels. We paid a fixed fee of \$125 per vessel per day for each of our vessels operating on bareboat charter. These fixed daily fees are based on the management agreement with Stealth Maritime and have not changed since 2007. Management fees for the years ended December 31, 2015, 2016 and 2017 were \$6.5 million, \$7.3 million and \$7.2 million, respectively. In addition, our manager arranges for supervision onboard the vessels, when required, by superintendent engineers and when such visits exceed a period of five days in a twelve-month period we are charged \$500 for each additional day. In the years ended December 31, 2015, 2016 and 2017 we paid \$0.25 million, \$0.17 million and \$0.13 million, respectively, related to onboard supervision. We pay our manager, Stealth Maritime, a fee equal to 1.25% of the gross freight, demurrage and charter hire collected from the employment of our vessels. For the years ended December 31, 2015, 2016 and 2017, total brokerage commissions of 1.25% amounted to \$1.7 million, \$1.8 million and \$1.9 million, respectively, and were included in our consolidated statements of operations under Voyage expenses related party. Stealth Maritime also receives a fee equal to 1.0% calculated on the price as stated in the relevant memorandum of agreement for any vessel bought or sold by them on our behalf. For the years ended December 31, 2015, 2016 and 2017, the amounts of \$1.9 million, \$0.4 million and \$0.5 million, respectively, were capitalized to the cost of the vessels in respect of the 1.0% purchase fee.

For the years ended December 31, 2015, 2016 and 2017, the amounts of \$0.02 million, \$0.01 million and \$0.1 million, respectively, were recognized as commission expenses relating to the sale of vessels and are included in our consolidated statements of operations under the caption Net (gain)/loss on sale of vessels .

We also reimburse Stealth Maritime for its payment for executive services related to our Chief Executive Officer, Deputy Chairman and Executive Director, Chief Financial Officer, Internal Auditor and Chief Technical Officer. During the years ended December 31, 2015, 2016 and 2017, such compensation was in the aggregate amount of \$1.1 million in each aforementioned year.



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

The initial term of our management agreement with Stealth Maritime expired in June 2010 but is extended on a year-to-year basis thereafter unless six-month written notice is provided prior to the expiration of the term. Such notice has not been given by either party.

On May 26, 2014, we entered into an agreement with Brave Maritime for the supervision of the construction of eight of our newbuilding vessels for a fixed fee of Euro 390,000 per vessel. On January 25, 2016, we entered into a new supervision agreement with Brave Maritime for the supervision of the construction of our four 22,000 cbm semi-refrigerated newbuilding vessels at Euro 490,000 per ship. For the years ended December 31, 2015, 2016 and 2017, the supervision fees amounted to \$1,726,265, \$854,022, and \$535,864, respectively, and were capitalized to the cost of the respective vessels.

***Right of First Refusal***

As long as Stealth Maritime (or an entity with respect to which Harry N. Vafias is an executive officer, director or shareholder) is our fleet manager or Harry N. Vafias, is an executive officer or director of the Company, Stealth Maritime has granted us a right of first refusal to acquire any LPG carrier, which Stealth Maritime may acquire in the future. Stealth Maritime has also agreed that it will not charter-in any LPG carrier without first offering the opportunity to charter-in such vessel to us. Our President and Chief Executive Officer Harry N. Vafias has granted us an equivalent right with respect to any entity that he is an executive officer, director or principal shareholder of, so long as he is an executive officer or director of us. This right of first refusal does not prohibit Stealth Maritime or an entity controlled by Mr. Vafias from managing vessels owned by unaffiliated third parties in competition with us, nor does it cover product carriers or crude oil tankers.

***Office Space***

We lease office space from an entity affiliated with Stealth Maritime. In the years ended December 31, 2015, 2016 and 2017, we made lease payments of \$72,753, \$72,907 and \$82,192, respectively. The lease rate for 2018 is 72,000 per year.

***Vessel Charters***

In April 2012, we entered into time charter out agreements with an entity affiliated with members of the Vafias family for the vessels *Alpine Endurance* (renamed *Stealth Bahla*) and *Gas Esco*. The *Alpine Endurance* charter commenced in June 2012, upon its delivery from the previous charterer. The duration of the charter was four years and there was an option to extend the charter for an additional year. The charter was not extended and instead the vessel was fixed in August 2016 to a one year bareboat charter to a charterer not related to the Company. The five-year charter for the *Gas Esco* commenced in June 2012 and expired in June 2017. Following the charter expiration, *Gas Esco* was fixed on a two year bareboat charter to a charterer not related to the Company. Revenues from these two charters for the years ended December 31, 2015, 2016 and 2017 were \$9.8 million, \$7.6 million and \$2.0 million, respectively, which are recorded in our consolidated statements of operations under Revenues related party. The vessel operating expenses in accordance with the terms of the respective time charter agreements for the *Stealth Bahla* and the *Gas Esco*, for the years ended December 31, 2015, 2016 and 2017, were \$3.9 million, \$3.0 million and \$0.8 million, respectively, which are recorded in our consolidated statements of operations under Vessel Operating Expenses related party.

**C. Interest of Experts and Counsel**



Not applicable

**Item 8. Financial Information**

See Item 18. Financial Statements below.

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*Significant Changes.* Other than as described in Note 21 Subsequent Events to our consolidated financial statements included in this Annual Report, no significant change has occurred since the date of such consolidated 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. 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 material effect on our financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our financial position, results of operations or liquidity.

## **Item 9. The Offer and Listing**

### **Trading on the Nasdaq Stock Market**

Following our initial public offering in the United States in October 2005, our shares of common stock were quoted on the Nasdaq National Market, and are now listed on the Nasdaq Global Select Market, under the symbol GASS. The following table shows the high and low closing prices for our shares of common stock during the indicated periods.

|                              | <b>High</b> | <b>Low</b> |
|------------------------------|-------------|------------|
| Year Ended December 31, 2013 | \$ 12.88    | \$ 8.10    |
| Year Ended December 31, 2014 | 11.67       | 5.37       |
| Year Ended December 31, 2015 | 7.02        | 3.03       |
| Year Ended December 31, 2016 | 5.05        | 2.49       |
| Year Ended December 31, 2017 | 4.69        | 2.94       |
| 2016                         |             |            |
| First Quarter                | 3.59        | 2.49       |
| Second Quarter               | 5.05        | 3.61       |
| Third Quarter                | 3.84        | 3.16       |
| Fourth Quarter               | 4.00        | 2.70       |
| 2017                         |             |            |
| First Quarter                | 4.69        | 3.35       |
| Second Quarter               | 3.91        | 3.02       |
| Third Quarter                | 3.34        | 2.94       |
| Fourth Quarter               | 4.38        | 3.29       |
| October 2017                 | 3.72        | 3.29       |
| November 2017                | 4.08        | 3.45       |
| December 2017                | 4.38        | 3.82       |
| 2018                         |             |            |
| First Quarter                | 4.56        | 3.89       |
| January 2018                 | 4.56        | 4.10       |
| February 2018                | 4.55        | 4.14       |
| March 2018                   | 4.37        | 3.89       |

April 2018 (through and including April 24)

4.13

3.87

**Item 10. Additional Information**

**A. Share Capital**

Under our articles of incorporation, our authorized capital stock consists of 5,000,000 shares of preferred stock, \$0.01 par value per share, none of which is issued or outstanding and 100,000,000 shares of common

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stock, \$0.01 par value per share, of which 44,285,108 shares were issued, including 4,424,545 shares repurchased by the Company and held as treasury stock, and 39,860,563 shares outstanding and fully paid as of December 31, 2017 and April 1, 2018. All of our shares of stock are in registered form.

### ***Common Stock***

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of shares of common stock are entitled to receive ratably all dividends, if any, declared by our Board of Directors out of funds legally available for dividends. Holders of common stock do not have conversion, redemption or preemptive rights to subscribe to any of our securities. All outstanding shares of common stock are, and the shares to be sold in this offering when issued and paid for will be, fully paid and non-assessable. The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of any shares of preferred stock which we may issue in the future.

### ***Blank Check Preferred Stock***

Under the terms of our articles of incorporation, our Board of Directors has authority, without any further vote or action by our stockholders, to issue up to 5,000,000 shares of blank check preferred stock. Our Board of Directors could issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

### ***Dividends***

We have not paid a dividend since March 2009. In the first quarter of 2009, our Board of Directors determined to suspend the payment of cash dividends as a result of weak market conditions in the international shipping industry and to preserve the Company's liquid cash resources. Our board of directors will evaluate our dividend policy consistent with our cash flows and liquidity requirements.

Declaration and payment of any dividend is subject to the discretion of our Board of Directors. The timing and amount of dividend payments will be dependent upon our earnings, financial condition, cash requirements and availability, restrictions in our loan agreements, or other financing arrangements, the provisions of Marshall Islands law affecting the payment of distributions to stockholders and other factors. Because we are a holding company with no material assets other than the stock of our subsidiaries, our ability to pay dividends will depend on the earnings and cash flow of our subsidiaries and their ability to pay dividends to us. Marshall Islands law generally prohibits the payment of dividends other than from surplus or while a company is insolvent or would be rendered insolvent upon the payment thereof.

Under the terms of our existing credit facilities, we are generally permitted to declare or pay cash dividends in any twelve month period as long as the amount of the dividends and share repurchases do not exceed 50% of the Company's free cash flow (as defined in our credit agreements) and provided we are not in default under the other covenants contained in these credit facilities. See Item 3. Key Information Risk Factors Risks Related To Our Common Stock Our Board of Directors has suspended the payment of cash dividends as a result of market conditions in the international shipping industry .

## **B. Articles of Incorporation and Bylaws**

Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act, or BCA. Our articles of incorporation and bylaws do not impose any limitations on the ownership rights of our stockholders.

Under our bylaws, annual stockholder meetings will be held at a time and place selected by our Board of Directors. The meetings may be held in or outside of the Marshall Islands. Special meetings may be called by the

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**Board of Directors.** Our Board of Directors may set a record date between 15 and 60 days before the date of any meeting to determine the stockholders that will be eligible to receive notice and vote at the meeting.

**Directors.** Our directors are elected by a plurality of the votes cast at a meeting of the stockholders by the holders of shares entitled to vote in the election. There is no provision for cumulative voting.

The Board of Directors may change the number of directors by a vote of a majority of the entire board. Each director shall be elected to serve 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 Board of Directors has the authority to fix the amounts which shall be payable to the members of our Board of Directors for attendance at any meeting or for services rendered to us.

**Dissenters' Rights of Appraisal and Payment.** Under the BCA, our stockholders have the right to dissent from various corporate actions, including any merger or sale of all or substantially all of our assets not made in the usual course of our business, and receive payment of the fair value of their shares. However, the right of a dissenting stockholder under the BCA to receive payment of the fair value of his shares is not available for the shares of any class or series of stock, which shares or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of the stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a securities exchange or admitted for trading on an interdealer quotation system or (ii) held of record by more than 2,000 holders. The right of a dissenting stockholder to receive payment of the fair value of his or her shares shall not be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation. In the event of any further amendment of our articles of incorporation, a stockholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting stockholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting stockholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the circuit court in the judicial circuit in the Marshall Islands in which our Marshall Islands office is situated. The value of the shares of the dissenting stockholder is fixed by the court after reference, if the court so elects, to the recommendations of a court-appointed appraiser.

**Stockholders' Derivative Actions.** Under the BCA, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of common stock both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

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

**Blank Check Preferred Stock.** Under the terms of our articles of incorporation, our Board of Directors has authority, without any further vote or action by our stockholders, to issue up to 5,000,000 shares of blank check preferred stock. Our Board of Directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

*Classified Board of Directors.* Our articles of incorporation provide for a Board of Directors serving staggered, three-year terms. Approximately one-third of our Board of Directors will be elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting

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to obtain control of our company. It could also delay stockholders who do not agree with the policies of the Board of Directors from removing a majority of the Board of Directors for two years.

*Election and Removal of Directors.* Our articles of incorporation and bylaws prohibit cumulative voting in the election of directors. Our bylaws require parties other than the Board of Directors to give advance written notice of nominations for the election of directors. Our bylaws also provide that our directors may be removed only for cause and only upon the affirmative vote of the holders of at least 80% of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

*Calling of Special Meetings of Stockholders.* Our bylaws provide that special meetings of our stockholders may be called only by resolution of our Board of Directors.

*Advance Notice Requirements for Stockholder Proposals and Director Nominations.* Our bylaws provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of stockholders must provide timely notice of their proposal in writing to the corporate secretary.

Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days or more than 120 days prior to the first anniversary date of the previous year's annual meeting. If, however, the date of our annual meeting is more than 30 days before or 60 days after the first anniversary date of the previous year's annual meeting, a stockholder's notice must be received at our principal executive offices by the later of (i) the close of business on the 90th day prior to the annual meeting date or (ii) the close of business on the tenth day following the date on which such annual meeting date is first publicly announced or disclosed by us. Our bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may impede stockholders' ability to bring matters before an annual meeting of stockholders or make nominations for directors at an annual meeting of stockholders.

*Business Combinations.* Our articles of incorporation prohibit us from engaging in a business combination with certain persons for three years following the date the person becomes an interested stockholder. Interested stockholders generally include:

persons who are the beneficial owners of 15% or more of the outstanding voting stock of the corporation;  
and

persons who are affiliates or associates of the corporation and who hold 15% or more of the corporation's outstanding voting stock at any time within three years before the date on which the person's status as an interested stockholder is determined.

Subject to certain exceptions, a business combination includes, among other things:

certain mergers or consolidations of the corporation or any direct or indirect majority-owned subsidiary of the company;



the sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets having an aggregate market value equal to 10% or more of either the aggregate market value of all assets of the corporation, determined on a consolidated basis, or the aggregate value of all the outstanding stock of the corporation;

certain transactions that result in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series, or securities convertible into the stock of any class or series, of the corporation that is owned directly or indirectly by the interested stockholder; and

any receipt by the interested stockholder of the benefit (except as a stockholder) of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

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These provisions of our articles of incorporation do not apply to a business combination if:

before a person becomes an interested stockholder, the board of directors of the corporation approves the business combination or transaction in which the stockholder became an interested stockholder;

upon consummation of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, other than certain excluded shares;

following a transaction in which the person became an interested stockholder, the business combination is (a) approved by the board of directors of the corporation and (b) authorized at a regular or special meeting of stockholders, and not by written consent, by the vote of the holders of at least two-thirds of the voting stock of the corporation not owned by the stockholder; or

a transaction with a stockholder that was or became an interested stockholder prior to the consummation of our initial public offering.

### **C. Material Contracts**

We refer to Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources and Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions for a discussion of our material agreements that we have been a party to 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 and Other Limitations Affecting Stockholders**

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. On July 22, 2015, Greece implemented capital controls restricting the transfer of funds out of Greece, which restricted our use of the limited amount of cash we held in Greece at that date for remittances outside of Greece. Cash deposited in Greek banks after that date is not restricted for remittances outside Greece.

We are not aware of any limitations on the rights to own our common stock, including rights of non-resident or foreign stockholders to hold or exercise voting rights on our common stock, imposed by foreign law or by our articles of incorporation or bylaws.

### **E. Tax Considerations**

#### ***Marshall Islands Tax Consequences***

We are incorporated in the Marshall Islands. Because we and our subsidiaries do not, and we do not expect that we and our subsidiaries will, conduct business or operations in the Republic of The Marshall Islands, under current Marshall Islands law we are not subject to tax on income or capital gains and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to our stockholders so long as such stockholders do not reside in, maintain offices in, or engage in business in the Republic of The Marshall Islands. In addition, holders of shares of our common stock will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of shares of our common stock and will not be required by the Republic of The Marshall Islands to file a tax return relating to such common stock.

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**Table of Contents*****United States Federal Income Tax Consequences***

Except as otherwise noted, this discussion is based on the assumption that we will not maintain an office or other fixed place of business within the United States. We have no current intention of maintaining such an office. References in this discussion to we and us are to StealthGas Inc. and its subsidiaries on a consolidated basis, unless the context otherwise requires.

***United States Federal Income Taxation of Our Company******Taxation of Operating Income: In General***

Unless exempt from United States federal income taxation under the rules discussed below, a foreign corporation is subject to United States 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 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 United States-source shipping income.

Shipping income attributable to transportation that both begins and ends in the United States is generally considered to be 100% from sources within the United States. We do not expect 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-United States ports is generally 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 United States federal income tax.

In the absence of exemption from tax under Section 883, our gross United States-source shipping income, unless determined to be effectively connected with the conduct of a United States trade or business, as described below, would be subject to a 4% tax imposed without allowance for deductions as described below.

***Exemption of Operating Income from United States Federal Income Taxation***

Under Section 883 of the Code, an entity, such as us and our vessel-owning subsidiaries, that is treated for United States federal income tax purposes as a non-United States on-United States corporation will be exempt from United States federal income taxation on its United States-source shipping income if:

- (i) the entity is organized in a country other than the United States (an equivalent exemption jurisdiction) that grants an exemption to corporations organized in the United States that is equivalent to that provided for in Section 883 of the Code (an equivalent exemption); and
- (ii) either (A) for more than half of the days in the relevant tax year more than 50% of the value of the entity's stock is owned, directly or under applicable constructive ownership rules, by individuals who are residents of equivalent exemption jurisdictions or certain other qualified shareholders (the 50% Ownership Test) and certain ownership certification requirements are complied with or (B) for the relevant tax year the entity's stock is primarily and regularly traded on an established securities market in an equivalent exemption jurisdiction or the United States (the

Publicly-Traded Test ).

We believe, based on Revenue Ruling 2008-17, 2008-12 IRB 626, and the exchanges of notes referred to therein, that each of Cyprus, Liberia, Malta and the Marshall Islands, the jurisdictions in which we and our vessel-owning subsidiaries are organized, is an equivalent exemption jurisdiction with respect to income from

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bareboat and time or voyage charters. Under the rules described in the preceding paragraph, our wholly-owned vessel-owning subsidiaries that are directly or indirectly wholly-owned by us throughout a taxable year will be entitled to the benefits of Section 883 for such taxable year if we satisfy the 50% Ownership Test or the Publicly-Traded Test for such year. Due to the widely-held ownership of our stock, it may be difficult for us to satisfy the 50% Ownership Test. Our ability to satisfy the Publicly-Traded Test is discussed below.

The Section 883 regulations provide, in pertinent part, that stock of a foreign corporation will be considered to be primarily traded on an established securities market in a particular country if the number of shares of each class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. Our common stock, which is the sole class of our issued and outstanding stock, is primarily traded on the Nasdaq Global Select Market.

Under the regulations, our common stock will be considered to be regularly traded on an established securities market if one or more classes of our stock representing more than 50% of our outstanding shares, by total combined voting power of all classes of stock entitled to vote and total value, is listed on the market. We refer to this as the listing threshold. Since our common stock is our sole outstanding class of stock and is listed on the Nasdaq Global Select Market, we will satisfy the listing requirement.

It is further required that with respect to each class of stock relied upon to meet the listing threshold (i) such class of the stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or 1/6 of the days in a short taxable year; and (ii) the aggregate number of shares of such class of stock traded on such market is at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year. We believe we will satisfy the trading frequency and trading volume tests. Even if this were not the case, the regulations provide that the trading frequency and trading volume tests will be deemed satisfied if, as we believe to be the case with our common stock, such class of stock is traded on an established market in the United States and such stock is regularly quoted by dealers making a market in such stock.

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

For purposes of being able to determine the persons who own 5% or more of our stock, or 5% Stockholders, the regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the United States Securities and Exchange Commission, or the SEC, as having a 5% or more beneficial interest in 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% Stockholder for such purposes.

Our shares of common stock have in the past and may in the future also be, owned, actually or under applicable attribution rules, such that 5% Stockholders own, in the aggregate, 50% or more of our common stock. In such circumstances, we will be subject to the 5% Override Rule unless we can establish that among the shares included in the closely-held block of our shares of common stock are a sufficient number of shares of common stock that are owned or treated as owned by qualified share-holders that the shares of common stock included in such block that are not so treated could not constitute 50% or more of the shares of our common stock for more than half the number of days during the taxable year. In order to establish this, such qualified share-holders would have to comply with certain documentation and certification requirements designed to substantiate their identity as qualified share-holders. For

these purposes, a qualified share-holder includes (i) an individual that owns or is treated as owning shares of our common stock and is a resident of a jurisdiction that provides an

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exemption that is equivalent to that provided by Section 883 of the Code and (ii) certain other persons. There can be no assurance that we will not be subject to the 5% Override Rule.

Our Chief Executive Officer, who is treated under applicable ownership attribution rules as owning approximately 16.3% of our shares of common stock as of April 1, 2018, has entered into an agreement with us regarding his compliance, and the compliance by certain entities that he controls and through which he owns our shares, with the certification requirements designed to substantiate status as qualified stockholders. In certain circumstances, his compliance and the compliance of such entities he controls with the terms of that agreement may enable us and our subsidiaries to qualify for the benefits of Section 883 even where persons each of whom owns, either directly or under applicable attribution rules, 5% or more of our shares own, in the aggregate, more than 50% of our outstanding shares. There can be no assurance, however, that his compliance and the compliance of such entities he controls with the terms of that agreement will enable us or our subsidiaries to qualify for the benefits of Section 883.

We do not believe that we or our subsidiaries derived a material amount of United States-source shipping income in 2017.

There can be no assurance that we or any of our subsidiaries will qualify for the benefits of Section 883 for any year.

To the extent the benefits of Section 883 are unavailable, our United States-source shipping income and that at our subsidiaries, to the extent not considered to be effectively connected with the conduct of a United States 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, we expect that no more than 50% of our shipping income and that of our subsidiaries would be treated as being derived from United States-sources, we expect that the maximum effective rate of United States federal income tax on such gross shipping income would never exceed 2% under the 4% gross basis tax regime.

To the extent the benefits of the Section 883 exemption are unavailable and our United States-source shipping income or that of our subsidiaries is considered to be effectively connected with the conduct of a United States trade or business, as described below, any such effectively connected United States-source shipping income, net of applicable deductions, would be subject to the United States federal corporate income tax currently imposed at rates of up to 21%. In addition, we or our subsidiaries may be subject to the 30% branch profits taxes 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 a United States trade or business by us or our subsidiaries.

Our United States-source shipping income and that of our subsidiaries, other than leasing income, will be considered effectively connected with the conduct of a United States trade or business only if:

we or our subsidiaries 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 (at least 90%) of our United States-source shipping income, other than leasing income or that of a subsidiary, is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.



We do not intend to have, or permit circumstances that would result in having, any vessel operating to the United States on a regularly scheduled basis.

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Our United States-source shipping income from leasing or that of our subsidiaries will be considered effectively connected with the conduct of a United States trade or business only if:

we or our subsidiaries have, or are considered to have, a fixed place of business in the United States that is involved in the meaning of such leasing income; and

substantially all (at least 90%) of our United States-source shipping income from leasing or that of a subsidiary is attributable to such fixed place of business.

For these purposes, leasing income is treated as attributable to a fixed place of business where such place of business is a material factor in the realization of such income and such income is realized in the ordinary course of business carried on through such fixed place of business. Based on the foregoing and on the expected mode of our shipping operations and other activities, we believe that none of our United States-source shipping income or that of our subsidiaries is effectively connected with the conduct of a United States trade or business.

*United States Taxation of Gain on Sale of Vessels*

Regardless of whether we qualify for exemption under Section 883, we will not be subject to United States federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under United States 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 will be so structured that it will be considered to occur outside of the United States.

*United States Federal Income Taxation of United States Holders*

As used herein, the term *United States Holder* means a beneficial owner of common stock that is a United States citizen or resident, United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States 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 United States persons have the authority to control all substantial decisions of the trust.

This discussion applies only to beneficial owners of common stock that own the common stock as capital assets (generally, for investment purposes) and does not comment on all aspects of U.S. federal income taxation that may be important to certain shareholders in light of their particular circumstances, such as shareholders subject to special tax rules (e.g., financial institutions, regulated investment companies, real estate investment trusts, insurance companies, traders in securities that have elected the mark-to-market method of accounting for their securities, persons liable for alternative minimum tax, broker-dealers, tax-exempt organizations, partnerships or other pass-through entities and their investors or former citizens or long-term residents of the United States) or shareholders that will hold common stock as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes, all of whom may be subject to U.S. federal income tax rules that differ significantly from those summarized below.

If a partnership (or an entity treated as a partnership for United States federal income tax purposes) holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common stock, you are encouraged to consult your tax

advisor.

*Distributions*

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common stock to a United States 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

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or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the United States Holder's tax basis in his common stock on a dollar for dollar basis and thereafter as capital gain. Because we are not a United States corporation, United States Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common stock will generally be treated as passive category income or, in the case of certain types of United States Holders, general category income for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on our common stock to a United States Holder who is an individual, trust or estate (a United States Individual Holder) should be treated as qualified dividend income that is taxable to such United States Individual Holders at preferential tax rates provided that (1) the common stock is readily tradable on an established securities market in the United States (such as the Nasdaq Global Select Market); (2) we are not a passive foreign investment company, or PFIC, for the taxable year during which the dividend is paid or the immediately preceding taxable year see the discussion under the heading PFIC Status and Significant Tax Consequences below for a discussion of our potential qualification as a PFIC; and (3) the United States Individual Holder owns the common stock (and has not been protected from risk of loss) for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividend. Special rules may apply to any extraordinary dividend. Generally, an extraordinary dividend is a dividend in an amount which is equal to or in excess of ten percent of a stockholder's adjusted basis (or fair market value in certain circumstances) in a share of common stock paid by us. If we pay an extraordinary dividend on our common stock that is treated as qualified dividend income, then any loss derived by a United States Individual Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend. There is no assurance that any dividends paid on our common stock will be eligible for these preferential rates in the hands of a United States Individual Holder. Any dividends paid by us which are not eligible for these preferential rates will be taxed to a United States Individual Holder at the standard ordinary income rates. Legislation has been proposed which, if enacted into law in its present form, would likely preclude, prospectively from the date of enactment, our dividends from being treated as qualified dividend income eligible for the preferential tax rates described above.

*Sale, Exchange or other Disposition of Common Stock*

Assuming we do not constitute a PFIC for any taxable year, a United States 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 United States Holder from such sale, exchange or other disposition and the United States Holder's tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the United States Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as United States-source income or loss, as applicable, for United States foreign tax credit purposes. A United States Holder's ability to deduct capital losses is subject to certain limitations.

*PFIC Status and Significant Tax Consequences*

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

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

at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income.

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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 percent of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services will not constitute passive income. By contrast, rental income will generally constitute passive income unless we are treated under specific rules as deriving our rental income in the active conduct of a trade or business.

We may hold, directly or indirectly, interests in other entities that are PFICs ( Subsidiary PFICs ). If we are a PFIC, each United States Holder will be treated as owning its pro rata share by value of the stock of any such Subsidiary PFICs.

In connection with determining our PFIC status we treat and intend to continue to treat the gross income that we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. We believe that our income from time chartering activities does not constitute passive income and that the assets that we own and operate in connection with the production of that income do not constitute assets held for the production of passive income. We treat and intend to continue to treat, for purposes of the PFIC rules, the income that we derive from bareboat charters as passive income and the assets giving rise to such income as assets held for the production of passive income. We believe there is substantial 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. There is, however, no legal authority specifically under the PFIC rules regarding our current and proposed method of operation and it is possible that the Internal Revenue Service, or IRS, may not accept our positions and that a court may uphold such challenge, in which case we and certain of our subsidiaries could be treated as PFICs. In this regard we note that a federal court decision, *Tidewater Inc. and Subsidiaries v. United States*, 565 F.3d 299 (5th Cir. 2009), held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of the foreign sales corporation rules under the Code. The IRS has stated that it disagrees with and will not acquiesce to the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. However, the IRS's statement with respect to the *Tidewater* decision was an administrative action that cannot be relied upon or otherwise cited as precedent by taxpayers. Consequently, in the absence of any binding legal authority specifically relating to the statutory provisions governing PFICs, there can be no assurance that the IRS or a court would agree with the *Tidewater* decision. In addition, in making the determination as to whether we are a PFIC, we intend to treat the deposits that we make on our newbuilding contracts and that are with respect to vessels we do not expect to bareboat charter as assets which are not held for the production of passive income for purposes of determining whether we are a PFIC. We note that there is no direct authority on this point and it is possible that the IRS may disagree with our position. However, if the principles of the *Tidewater* decision were applicable to our time charters, or our new build deposits were treated as assets producing passive income, we would likely be treated as a PFIC. Moreover, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC, we cannot assure you that the nature of our assets, income and operations will not change, or that we can avoid being treated as a PFIC for any taxable year.

We do not believe that we were a PFIC for 2017. This belief is based in part upon our beliefs regarding the value of the assets that we hold for the production of or in connection with the production of passive income relative to the value of our other assets. Should these beliefs turn out to be incorrect, then we and certain of our subsidiaries could be treated as PFICs for 2017. In this regard we note that our beliefs and expectations regarding the relative values of our assets place us close to the threshold for PFIC status, and thus a relatively small deviance between our beliefs and expectations and actual values could result in the treatment of us and certain of our subsidiaries as PFICs. There can be no assurance that the IRS or a court will not determine values for our assets that would cause us to be treated as a PFIC for 2017 or a subsequent year. In addition, although we do not believe that we were a PFIC for 2017, we may choose to operate our business in the current or in future taxable years in a manner that could cause us to become a

PFIC for those years. Because our status as a PFIC for any taxable year will not be determinable until after the end of the taxable year, and depends upon our assets, income

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and operations in that taxable year, there can be no assurance that we will not be considered a PFIC for 2017 or any future taxable year.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a United States Holder would be subject to different taxation rules depending on whether the United States Holder makes an election to treat us as a Qualified Electing Fund, which election we refer to as a QEF election. As an alternative to making a QEF election, a United States Holder should be able to make a mark-to-market election with respect to our common stock, as discussed below. Regardless of whether a United States Holder makes a QEF election or a mark-to-market election, if we were to be treated as a PFIC for any taxable year ending on or after December 31, 2017, the United States Holder generally would be required to file an IRS Form 8621 reporting his ownership of shares in a PFIC.

*Taxation of United States Holders Making a Timely QEF Election*

If a United States Holder makes a timely QEF election, which United States Holder we refer to as an Electing Holder, the Electing Holder must report each year for United States federal income tax purposes his pro-rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. Generally, a QEF election should be made on or before the due date for filing the electing United States Holder's U.S. federal income tax return for the first taxable year in which our common stock is held by such United States Holder and we are classified as a PFIC. The Electing Holder's adjusted tax basis in the common stock will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common stock and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common stock. A United States Holder would make a QEF election with respect to any year that our company and any PFIC Subsidiary is a PFIC by filing one copy of IRS Form 8621 with his United States federal income tax return and a second copy in accordance with the instructions to such form. If we were aware that we were to be treated as a PFIC for any taxable year, we would provide each United States Holder with all necessary information in order to make the QEF election described above with respect to our common stock and the stock of any Subsidiary PFIC.

*Taxation of United States Holders Making a Mark-to-Market Election*

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate, our common stock is treated as marketable stock, a United States Holder would be allowed to make a mark-to-market election with respect to our common stock, provided the United States Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the United States Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common stock at the end of the taxable year over such holder's adjusted tax basis in the common stock. The United States Holder would also be permitted an ordinary loss in respect of the excess, if any, of the United States Holder's adjusted tax basis in the common stock over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A United States Holder's tax basis in his common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common stock would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the United States Holder. A mark-to-market election under the PFIC rules with respect to our common stock would not apply to a Subsidiary PFIC, and a United States Holder would not be able to make such a mark-to-market election in respect of its indirect ownership interest in that Subsidiary PFIC. Consequently, United States Holders of our common stock could be subject to the PFIC rules with



respect to income of the Subsidiary PFIC, the value of which already had been taken into account indirectly via mark-to-market adjustments.

**Table of Contents***Taxation of United States Holders Not Making a Timely QEF or Mark-to-Market Election*

If we were to be treated as a PFIC for any taxable year, a United States Holder who does not make either a QEF election or a mark-to-market election for that year, whom we refer to as a Non-Electing 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 percent of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock), and (2) any gain realized on the sale, exchange or other disposition of our common stock. Under these special rules:

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

the amount allocated to the current taxable year or to any portion of the United States Holder's holding period prior to the first taxable year for which we were 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.

These penalties would not apply to a pension or profit sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of our common stock.

*Other PFIC Elections.*

If a United States Holder held our stock during a period when we were treated as a PFIC but the United States Holder did not have a QEF election in effect with respect to us, then in the event that we were not treated as a PFIC for a subsequent taxable year, the United States Holder could elect to cease to be subject to the rules described above with respect to those shares by making a deemed sale or, in certain circumstances, a deemed dividend election with respect to our stock. If the United States Holder makes a deemed sale election, the United States Holder will be treated, for purposes of applying the rules described above under the heading *Taxation of United States Holders Not Making a Timely QEF or Mark-to-Market Election*, as having disposed of our stock for its fair market value on the last day of the last taxable year for which we qualified as a PFIC (the termination date). The United States Holder would increase his, her or its basis in such common stock by the amount of the gain on the deemed sale described in the preceding sentence. Following a deemed sale election, the United States Holder would not be treated, for purposes of the PFIC rules, as having owned the common stock during a period prior to the termination date when we qualified as a PFIC.

If we were treated as a controlled foreign corporation for United States federal income tax purposes for the taxable year that included the termination date, then a United States Holder could make a deemed dividend election with respect to our common stock. If a deemed dividend election is made, the United States Holder is required to include in income as a dividend his, her or its pro rata share (based on all of our stock held by the United States Holder, directly or under applicable attribution rules, on the termination date) of our post-1986 earnings and profits as of the close of the taxable year that includes the termination date (taking only earnings and profits accumulated in taxable years in which we were a PFIC into account). The deemed dividend described in the preceding sentence is treated as an excess distribution for purposes of the rules described above under the heading *Taxation of United States Holders Not*

making a Timely QEF or Mark-to-Market Election . The United States Holder would increase his, her or its basis in our stock by the amount of the deemed dividend. Following a deemed dividend election, the United States Holder would not be treated, for purposes of the PFIC rules, as having owned the stock during a period prior to the termination date when we qualified as a PFIC. For purposes of determining whether the deemed dividend election is available, we generally will be treated as a controlled foreign corporation for a taxable year when, at any time during that year, United States persons, each of whom owns, directly or under applicable attribution rules, shares having 10% or more of the total voting

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power of our stock, in the aggregate own, directly or under applicable attribution rules, shares representing more than 50% of the voting power or value of our stock.

A deemed sale or deemed dividend election must be made on the United States Holder's original or amended return for the shareholder's taxable year that includes the termination date and, if made on an amended return, such amended return must be filed not later than the date that is three years after the due date of the original return for such taxable year. Special rules apply where a person is treated, for purposes of the PFIC rules, as indirectly owning our common stock.

### *United States Federal Income Taxation of Non-United States Holders*

A beneficial owner of common stock that is not a United States Holder and is not treated as a partnership for United States federal income tax purposes is referred to herein as a Non-United States Holder.

### *Dividends on Common Stock*

Non-United States Holders generally will not be subject to United States 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-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income generally is taxable only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States.

### *Sale, Exchange or Other Disposition of Common Stock*

Non-United States Holders generally will not be subject to United States 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-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain generally is taxable only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States; or

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

### ***Backup Withholding and Information Reporting***

In general, dividend payments, or other taxable distributions, made within the United States to a non-corporate United States Holder will be subject to information reporting requirements and backup withholding tax if such holder:

fails to provide an accurate taxpayer identification number;

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is notified by the Internal Revenue Service that you have failed to report all interest or dividends required to be shown on your federal income tax returns; or

in certain circumstances, fails to comply with applicable certification requirements.

Non-United States Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

If a holder sells our common stock to or through a United States office or broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless the holder certifies that it is a non-United States person, under penalties of perjury, or the holder otherwise establishes an exemption. If a holder sells our common stock through a non-United States office of a non-United States broker and the sales proceeds are paid outside the United States then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if a holder sells our common stock through a non-United States office of a broker that is a United States person or has some other contacts with the United States.

Backup withholding tax is not an additional tax. Rather, a holder generally may obtain a refund of any amounts withheld under backup withholding rules that exceed such stockholder's income tax liability by filing a refund claim with the Internal Revenue Service.

## **F. Dividends and Paying Agents**

Not applicable.

## **G. Statement by Experts**

Not applicable.

## **H. Documents on Display**

We are subject to the informational requirements of the Exchange Act. In accordance with these requirements, we file reports and other information as a foreign private issuer with the SEC. You may inspect and copy our public filings without charge at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549. 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 from the Public Reference Section of the SEC at its principal office at 100 F Street, N.E., Washington, D.C. 20549. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

## **I. Subsidiary Information**

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures About Market Risk**

**Our risk management policy**

Our primary market risks relate to adverse movements in freight rates for small LPG carriers and any declines that may occur in the value of our assets which are made up primarily of small LPG carriers. Our policy is to also continuously monitor our exposure to other business risks, including the impact of changes in interest rates, currency rates, and bunker prices on earnings and cash flows. We assess these risks and, when appropriate,

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enter into derivative contracts with credit-worthy counter parties to minimize our exposure to the risks. In regard to bunker prices, as our employment policy for our vessels has continued to be and is expected to continue with a high percentage of our fleet on period employment, we are not directly exposed for the majority of our fleet to increases in bunker fuel prices as these are the responsibility of the charterer under period charter arrangements.

For the remainder of the fleet operating in the spot market we do not intend to enter into bunker hedging arrangements.

**Interest rate risk**

We are subject to market risks relating to changes in interest rates, because we have floating rate debt outstanding under our loan agreements on which we pay interest based on LIBOR plus a margin. In order to manage our exposure to changes in interest rates due to this floating rate indebtedness, we enter into interest rate swap agreements. Set forth below is a table of our interest rate swap arrangements converting floating interest rate exposure into fixed as of December 31, 2017 and 2018.

|               | Effective Date     | Termination Date   | Notional Amount Fixed on Effective Date (StealthGas) (in millions) | Rate (StealthGas pays) | Floating Rate (StealthGas Receives) | Fair Value December 31, 2017 (in millions) | Notional Amount December 31, 2017 (in millions) | Notional Amount December 31, 2018 (in millions) |
|---------------|--------------------|--------------------|--|------------------------|-------------------------------------|--|---|---|
| <b>Swap 1</b> | September 30, 2015 | September 30, 2020 | \$ 17.6  | 2.60%                  | 3 month U.S. dollar LIBOR           | \$ 0.13                                    | \$ 11.9   | \$ 9.3  |
| <b>Swap 2</b> | September 30, 2015 | September 30, 2020 | \$ 17.6  | 1.69%                  | 3 month U.S. dollar LIBOR           | \$ (0.09)                                  | \$ 11.9   | \$ 9.3  |
| <b>Swap 3</b> | October 2, 2015    | October 2, 2020    | \$ 12.1  | 1.54%                  | 3 month U.S. dollar LIBOR           | \$ (0.13)                                  | \$ 10.4   | \$ 9.5  |
| <b>Swap 4</b> | November 4, 2015   | August 4, 2021     | \$ 11.2  | 1.52%                  | 3 month U.S. dollar LIBOR           | \$ (0.17)                                  | \$ 9.5  | \$ 8.7  |
| <b>Swap 5</b> | December 3, 2015   | September 3, 2021  | \$ 11.2  | 1.55%                  | 3 month U.S. dollar LIBOR           | \$ (0.17)                                  | \$ 9.5  | \$ 8.7  |
| <b>Swap 6</b> | August 16, 2017    | May 16, 2025       | \$ 16.0  | 2.12%                  | 3 month U.S. dollar LIBOR           | \$ (0.09)                                  | \$ 15.7   | \$ 14.7   |
| <b>Swap 7</b> | March 12, 2018     | December 11, 2022  | \$ 21.6  | 2.74%                  | 3 month U.S. dollar LIBOR           | \$   | \$  | \$ 19.5   |
| <b>Swap 8</b> | April 10, 2018     | December 31, 2025  | \$ 32.6  | 2.74%                  | 3 month U.S. dollar LIBOR           | \$   | \$  | \$ 31.6   |
| <b>Total</b>  |                    |                    |  |                        |                                     | \$ (0.52)                                  | \$ 68.9   | \$ 111.3  |

As of December 31, 2017, total bank indebtedness of the Company was \$387.0 million, of which \$68.9 million was covered by the interest rate swap agreements described above. As set forth in the above table, as of December 31, 2017, we paid fixed rates ranging from 1.52% to 2.60% and received floating rates based on LIBOR of approximately 1.14% under our six floating-to-fixed rate interest rate swap agreements. We have not and do not intend to enter into interest rate swaps for speculative purposes. Based on the amount of our outstanding indebtedness as of December 31, 2017, and our interest swap arrangements as of December 31, 2017, a hypothetical one percentage point increase in



relevant interest rates (three and six month U.S. dollar LIBOR) would have increased our interest expense, on an annualized basis, by approximately \$3.3 million (2016: \$3.8 million) for the year ended December 31, 2017.

**Foreign exchange rate fluctuation**

We generate all of our revenues in U.S. dollars and incurred about 15% of our expenses in currencies other than U.S. dollars in 2017 (2016: 15%). For accounting purposes, expenses incurred in other currencies are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. Due to our relatively low percentage exposure of any particular currency other than our base currency, which is the U.S. dollar we

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believe that such currency movements will not otherwise have a material effect on us. As such, we do not hedge these exposures as the amounts involved do not make hedging economic. As of April 1, 2018 we have no payment obligations related to the building of vessels in currencies other than U.S. dollars.

We have not and do not intend to enter into foreign currency contracts for speculative purposes. Please read Note 2 (Significant Accounting Policies), Note 11 (Long Term Debt) and Note 12 (Derivative and Fair Value Disclosures) to our Financial Statements included herein, which provide additional information with respect to our derivative financial instruments and existing debt agreements.

**Item 12. Description of Securities Other than Equity Securities**

Not Applicable.

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**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

Not applicable.

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

Not applicable.

**Item 15. Controls and Procedures**

**a. Disclosure Controls and Procedures**

StealthGas's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2017. 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 required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on the Company's evaluation, management concluded that the Company's disclosure controls and procedures were effective as of December 31, 2017.

**b. Management's Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, and for the assessment of the effectiveness of internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States (GAAP).

A company's 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 the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide

reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In making its assessment of the Company's internal control over financial reporting as of December 31, 2017, management used the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) and evaluated the internal control over financial reporting.

Management concluded that, as of December 31, 2017 the Company's internal control over financial reporting was effective.

**c. Attestation Report of the Registered Public Accounting Firm**

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by Deloitte Certified Public Accountants S.A., an independent registered public accounting firm, as stated in their report which appears herein.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of StealthGas Inc.

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of StealthGas Inc. and subsidiaries (the Company) as of December 31, 2017, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017 of the Company and our report dated April 27, 2018 expressed an unqualified opinion on those financial statements.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

**Definition and Limitations of Internal Control over Financial Reporting**

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte Certified Public Accountants S.A.

Athens, Greece

April 27, 2018

**Table of Contents****d. Changes in Internal Control Over Financial Reporting**

During the period covered by this Annual Report on Form 20-F, we have made no changes to our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert**

The Board has determined that Markos Drakos is an Audit Committee financial expert as defined by the U.S. Securities and Exchange Commission and meets the applicable independence requirements of the U.S. Securities and Exchange Commission and the Nasdaq Stock Market.

**Item 16B. Code of Ethics**

We have adopted a Code of Business Conduct and Ethics, a copy of which is posted on our website, and may be viewed at <http://www.stealthgas.com>. We will also provide a paper copy free of charge upon written request by our stockholders. Stockholders may direct their requests to the attention of: Investor Relations, 331 Kifissias Avenue, Erithrea 14561 Athens, Greece. No waivers of the Code of Business Conduct and Ethics were granted to any person during the fiscal year ended December 31, 2017.

**Item 16C. Principal Accountant Fees and Services**

Remuneration of Deloitte Certified Public Accountants S.A. ( Deloitte ), an Independent Registered Public Accounting Firm (in thousands):

|                              | <b>2017</b>   | <b>2016</b>   |
|------------------------------|---------------|---------------|
| Audit fees                   | \$ 419        | \$ 412        |
| Assurance/audit related fees |               |               |
| Tax fees                     |               |               |
| All other fees               |               |               |
| <b>Total</b>                 | <b>\$ 419</b> | <b>\$ 412</b> |

***(1) Audit fees***

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; and (iii) services provided in connection with public or private offerings and any other services performed for SEC or other regulatory filings by us or our subsidiaries.

***(2) Assurance / Audit Related Fees***

Deloitte did not provide any services that would be classified in this category in 2017 and 2016.

***(3) Tax Fees***



Deloitte did not provide any tax services in 2017 and 2016.

**(4) *All Other Fees***

Deloitte did not provide any other services that would be classified in this category in 2017 and 2016.

**Table of Contents****Non-audit services**

The Audit Committee of our Board of Directors has the authority to pre-approve permissible audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees.

Engagements for proposed services either may be separately pre-approved by the audit committee or entered into pursuant to detailed pre-approval policies and procedures established by the audit committee, as long as the audit committee is informed on a timely basis of any engagement entered into on that basis.

Approval for other permitted non-audit services has to be sought on an ad hoc basis.

Where no Audit Committee meeting is scheduled within an appropriate time frame, the approval is sought from the Chairman of the Audit Committee subject to confirmation at the next meeting.

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

None.

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

On November 26, 2014, we publicly announced that our Board of Directors had authorized the repurchase of up to \$10,000,000 of shares of our common stock and on February 26, 2015 we publicly announced that our Board of Directors had approved an additional \$20,000,000 of common stock repurchases. Shares may be purchased from time to time in open market or privately negotiated transactions, which may include derivative transactions, at times and prices that are considered to be appropriate by the Company and the program may be discontinued at any time. The below table presents information about our stock repurchases through April 12, 2016, since which time we have not repurchased any shares. All purchases have been made on the open market within the safe harbor provisions of Regulation 10b-18 under the Exchange Act.

| <b>Period</b>          | <b>Total<br/>Number of<br/>Shares<br/>Purchased</b> | <b>Average<br/>Price<br/>Paid Per<br/>Share</b> | <b>Total<br/>Number<br/>of Shares<br/>Purchased as<br/>Part of<br/>Publicly<br/>Announced<br/>Plans or<br/>Programs</b> | <b>Maximum<br/>Approximate<br/>Dollar Value<br/>of Shares<br/>that May Yet Be<br/>Purchased<br/>Under the<br/>Plans or<br/>Programs</b> |
|------------------------|---|---|---|---|
| December 1 to 31, 2014 | 843,022   | \$ 6.30   | 843,022   | \$ 4,688,961  |
| January 2 to 21, 2015  | 607,226   | 6.07  | 1,450,248   | \$ 1,003,100  |
| February 26, 2015      | 137,013   | 6.03  | 1,587,261   | \$ 20,176,911   |
| March 9 to 18, 2015    | 172,833   | 6.15  | 1,760,094   | \$ 19,113,988   |
| April 15 to 30, 2015   | 51,133  | 6.61  | 1,811,227   | \$ 18,775,999   |
| May 1 to 27, 2015      | 320,909   | 6.61  | 2,132,136   | \$ 16,654,791   |

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|                         |         |      |           |               |
|-------------------------|---------|------|-----------|---------------|
| June 9 to 22, 2015      | 47,039  | 6.63 | 2,179,175 | \$ 16,342,922 |
| July 13 to 24, 2015     | 31,198  | 5.71 | 2,210,373 | \$ 16,164,781 |
| August 3 to 31, 2015    | 139,900 | 5.01 | 2,350,273 | \$ 15,463,882 |
| September 1 to 29, 2015 | 437,771 | 4.53 | 2,787,044 | \$ 13,485,310 |
| October 1 to 30, 2015   | 226,949 | 4.46 | 3,013,993 | \$ 12,473,117 |
| November 1 to 30, 2015  | 60,491  | 4.28 | 3,074,484 | \$ 12,214,216 |
| December 1 to 31, 2015  | 140,635 | 3.36 | 3,215,119 | \$ 11,741,682 |
| January 1 to 31, 2016   | 329,501 | 2.89 | 3,544,620 | \$ 10,789,424 |
| February 1 to 29, 2016  | 71,894  | 2.77 | 3,616,514 | \$ 10,590,278 |
| March 1 to 31, 2016     | 242,783 | 3.45 | 3,859,297 | \$ 9,752,677  |
| April 5 to 12, 2016     | 12,935  | 3.67 | 3,872,232 | \$ 9,705,205  |

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**Item 16F. Change in Registrant's Certifying Accountant**

Not Applicable.

**Item 16G. Corporate Governance**

**Statement of Significant Differences Between our Corporate Governance Practices and Nasdaq Corporate Governance Standards for Non-Controlled U.S. Issuers**

As a foreign private issuer, we are not required to comply with certain of the corporate governance practices followed by U.S. companies under the Nasdaq corporate governance standards. We however, voluntarily comply in full with all applicable Nasdaq corporate governance standards other than that, while Nasdaq requires listed companies to obtain prior shareholder approval for certain issuances of authorized stock in transactions not involving a public offering, as permitted under Marshall Islands law and our articles of incorporation and bylaws, we do not need prior shareholder approval to issue shares of authorized stock.

**Item 16H. Mine Safety Disclosures**

Not Applicable

**Table of Contents****PART III****Item 17. Financial Statements**

Not Applicable.

**Item 18. Financial Statements**

Reference is made to the financial statements beginning on page F-1, which are incorporated herein by reference.

**Item 19. Exhibits**

| <b>Number</b> | <b>Description</b>   |
|---------------|--|
| 1.1           | <u>Amended and Restated Articles of Incorporation of the Company(1)</u>  |
| 1.2           | <u>Amended and Restated Bylaws of the Company(2)</u>   |
| 4.1           | <u>Amended and Restated Management Agreement between the Company and Stealth Maritime S.A., as amended(3)</u>                                    |
| 4.2           | <u>Form of Right of First Refusal among the Company, Harry Vafias and Stealth Maritime S.A.(4)</u>   |
| 4.3           | <u>StealthGas Inc. s 2015 Equity Compensation Plan(5)</u>  |
| 8             | <u>Subsidiaries</u>  |
| 12.1          | <u>Certification of the Chief Executive Officer</u>  |
| 12.2          | <u>Certification of the Chief Financial Officer</u>  |
| 13.1          | <u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as added by Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 13.2          | <u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as added by Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 15.1          | <u>Consent of Independent Registered Public Accounting Firm</u>  |
| 101.INS       | XBRL Instance Document   |
| 101.SCH       | XBRL Taxonomy Extension Schema   |
| 101.CAL       | XBRL Taxonomy Extension Calculation Linkbase   |
| 101.DEF       | XBRL Taxonomy Extension Definition Linkbase  |
| 101.LAB       | XBRL Taxonomy Extension Label Linkbase   |
| 101.PRE       | XBRL Taxonomy Extension Presentation Linkbase  |

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- (1) Previously filed as Exhibit 3.1 to the Company's Registration Statement on Form F-1 (File No. 333-127905) filed with the SEC and hereby incorporated by reference to such Registration Statement.
- (2) Previously filed as Exhibit 99.1 to a Report on Form 6-K filed with the SEC on December 24, 2014.
- (3) Previously filed as Exhibit 4.1 to the Company's Annual Report on Form 20-F for the year ended December 31, 2006 filed with the SEC on June 5, 2007.
- (4) Previously filed as Exhibit 10.2 to the Company's Registration Statement on Form F-1 (File No. 333-127905) filed with the SEC and hereby incorporated by reference to such Registration Statement.
- (5) Previously filed as Exhibit 4.4 to the Company's Registration Statement on Form S-8 (File No. 333-207168) filed with the SEC on September 28, 2015.

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**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.

**STEALTHGAS INC.**

By: /s/ Harry N. Vafias  
Name: **Harry N. Vafias**  
Title: **President and Chief Executive  
Officer**  
Date: April 27, 2018

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**StealthGas Inc.**

**Consolidated Financial Statements**

**Index to consolidated financial statements**

|  | <b>Pages</b> |
|--|--------------|
| <u>Report of Independent Registered Public Accounting Firm</u>   | F-2          |
| <u>Consolidated Balance Sheets As of December 31, 2016 and 2017</u>  | F-3          |
| <u>Consolidated Statements of Operations for the years ended December 31, 2015, 2016 and 2017</u>                  | F-4          |
| <u>Consolidated Statements of Comprehensive Income/(Loss) for the years ended December 31, 2015, 2016 and 2017</u> | F-5          |
| <u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2015, 2016 and 2017</u>        | F-6          |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2016 and 2017</u>                  | F-7          |
| <u>Notes to the Consolidated Financial Statements</u>  | F-8          |

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of StealthGas Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of StealthGas Inc. and subsidiaries (the Company) as of December 31, 2016 and 2017, the related consolidated statements of operations, comprehensive income/(loss), stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 27, 2018 expressed an unqualified opinion on the Company's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte Certified Public Accountants S.A.

Athens, Greece

April 27, 2018

We have served as the Company's auditor since 2005.

**Table of Contents****StealthGas Inc.****Consolidated Balance Sheets****As of December 31, 2016 and 2017 (Expressed in United States Dollars)**

|  | Note | December 31,         |                    |
|--|------|----------------------|--------------------|
|  |      | 2016                 | 2017               |
| <b>Assets</b>  |      |                      |                    |
| <b>Current assets</b>                                    |      |                      |                    |
| Cash and cash equivalents                                |      | 64,993,923           | 51,754,131         |
| Receivable from related party                            | 3    | 115,599              |                    |
| Trade and other receivables                              |      | 3,918,031            | 3,853,992          |
| Claims receivable  |      |                      | 15,951             |
| Inventories  | 4    | 2,809,123            | 2,762,299          |
| Advances and prepayments                                 |      | 1,278,357            | 1,221,029          |
| Restricted cash  |      | 3,363,012            | 3,231,323          |
| <b>Total current assets</b>                              |      | <b>76,478,045</b>    | <b>62,838,725</b>  |
| <b>Non current assets</b>                                |      |                      |                    |
| Advances for vessels under construction and acquisitions | 5    | 55,785,801           | 61,577,818         |
| Vessels, net   | 6    | 863,699,739          | 862,061,906        |
| Other receivables  |      |                      | 243,075            |
| Restricted cash  |      | 5,174,710            | 7,917,738          |
| Deferred finance charges                                 | 7    | 540,414              | 941,760            |
| Fair value of derivatives                                | 12   | 263,635              | 645,169            |
| <b>Total non current assets</b>                          |      | <b>925,464,299</b>   | <b>933,387,466</b> |
| <b>Total assets</b>                                      |      | <b>1,001,942,344</b> | <b>996,226,191</b> |
| <b>Liabilities and Stockholders Equity</b>               |      |                      |                    |
| <b>Current liabilities</b>                               |      |                      |                    |
| Payable to related party                                 | 3    | 7,890,933            | 14,209,624         |
| Trade accounts payable                                   |      | 8,728,267            | 10,509,465         |
| Accrued liabilities                                      | 8    | 5,299,479            | 5,880,479          |
| Customer deposits  | 10   |                      | 1,820,700          |
| Deferred income  | 9    | 4,621,438            | 4,362,056          |
| Deferred income related party                            | 3,9  | 232,774              |                    |
| Current portion of long-term debt                        | 11   | 54,593,715           | 41,966,607         |

|  |    |                      |                    |
|--|----|----------------------|--------------------|
| <b>Total current liabilities</b>   |    | <b>81,366,606</b>    | <b>78,748,931</b>  |
| <b>Non current liabilities</b>   |    |                      |                    |
| Fair value of derivatives  | 12 | 364,823              | 126,525            |
| Customer deposits  | 10 | 2,556,700            | 736,000            |
| Deferred gain on sale and leaseback of vessels   | 20 | 385,127              | 190,087            |
| Deferred income  | 9  | 1,910                | 4,035              |
| Long-term debt   | 11 | 343,291,874          | 342,941,841        |
| <b>Total noncurrent liabilities</b>  |    | <b>346,600,434</b>   | <b>343,998,488</b> |
| <b>Total liabilities</b>   |    | <b>427,967,040</b>   | <b>422,747,419</b> |
| <b>Commitments and contingencies</b>   | 19 |                      |                    |
| <b>Stockholders equity</b>   |    |                      |                    |
| Capital stock, 5,000,000 preferred shares authorized and zero outstanding with a par value of \$0.01 per share, 100,000,000 common shares authorized 44,285,108 shares issued and 39,860,563 shares outstanding at December 31, 2016 and 2017 with a par value of \$0.01 per share | 13 | 442,850              | 442,850            |
| Treasury stock, 4,424,545 shares at December 31, 2016 and 4,424,545 shares at December 31, 2017 with a par value of \$0.01 per share   | 13 | (22,523,528)         | (22,523,528)       |
| Additional paid-in capital   | 13 | 501,342,523          | 501,471,768        |
| Retained earnings  |    | 94,688,024           | 93,469,787         |
| Accumulated other comprehensive income   |    | 25,435               | 617,895            |
| <b>Total stockholders equity</b>   |    | <b>573,975,304</b>   | <b>573,478,772</b> |
| <b>Total liabilities and stockholders equity</b>   |    | <b>1,001,942,344</b> | <b>996,226,191</b> |

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

**Table of Contents****StealthGas Inc.****Consolidated Statements of Operations****For the Years Ended December 31, 2015, 2016 and 2017****(Expressed in United States Dollars, Except for Share Data)**

|   | Note      | 2015                | December 31,<br>2016 | 2017                |
|---|-----------|---------------------|----------------------|---------------------|
| <b>Revenues</b>   |           |                     |                      |                     |
| Revenues  |           | 131,501,881         | 136,539,399          | 152,338,278         |
| Revenues related party  | 3         | 9,814,000           | 7,592,784            | 1,973,643           |
| <b>Total revenues</b>   | <b>16</b> | <b>141,315,881</b>  | <b>144,132,183</b>   | <b>154,311,921</b>  |
| <b>Expenses</b>   |           |                     |                      |                     |
| Voyage expenses   | 17        | 15,849,855          | 13,618,025           | 13,804,032          |
| Voyage expenses related party   | 3,17      | 1,725,683           | 1,772,240            | 1,912,505           |
| Charter hire expenses   | 20        | 4,124,960           | 4,054,387            | 3,524,770           |
| Vessels operating expenses  | 17        | 46,477,583          | 55,680,993           | 58,618,526          |
| Vessels operating expenses related party  | 3,17      | 4,177,042           | 3,141,843            | 800,908             |
| Dry-docking costs   |           | 1,774,905           | 3,613,230            | 3,529,047           |
| Management fees related party   | 3         | 6,452,145           | 7,346,180            | 7,205,490           |
| General and administrative expenses (including \$1,150,451, \$1,187,037, and \$1,209,499, to related party) |           | 3,655,316           | 3,110,409            | 2,898,958           |
| Depreciation  | 6         | 35,857,507          | 39,096,589           | 38,921,672          |
| Impairment loss   | 6,12      | 8,238,987           | 5,735,086            | 6,461,273           |
| Net (gain)/loss on sale of vessels  | 6         | (33,251)            | (118,427)            | 77,314              |
| Other operating costs   | 5         |                     |                      | 1,058,863           |
| <b>Total expenses</b>   |           | <b>128,300,732</b>  | <b>137,050,555</b>   | <b>138,813,358</b>  |
| <b>Income from operations</b>   |           | <b>13,015,149</b>   | <b>7,081,628</b>     | <b>15,498,563</b>   |
| <b>Other (expenses)/income</b>  |           |                     |                      |                     |
| Interest and finance costs  |           | (10,385,261)        | (14,268,148)         | (16,661,464)        |
| Loss on derivatives   | 12        | (370,584)           | (767,196)            | (403,943)           |
| Interest income and other income  |           | 173,083             | 454,472              | 322,868             |
| Foreign exchange gain/(loss)  |           | 134,291             | (299,056)            | 25,739              |
| <b>Other expenses, net</b>  |           | <b>(10,448,471)</b> | <b>(14,879,928)</b>  | <b>(16,716,800)</b> |

|  |    |                  |                    |                    |
|--|----|------------------|--------------------|--------------------|
| <b>Net income/(loss)</b>                 |    | <b>2,566,678</b> | <b>(7,798,300)</b> | <b>(1,218,237)</b> |
| <b>Earnings/(Loss) per share</b>         |    |                  |                    |                    |
| Basic and diluted                        | 15 | 0.06             | (0.20)             | (0.03)             |
| <b>Weighted average number of shares</b> |    |                  |                    |                    |
| Basic and diluted                        |    | 41,315,127       | 39,824,038         | 39,809,364         |

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

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**Table of Contents****StealthGas Inc.****Consolidated Statements of Comprehensive Income/(Loss)****For the Years Ended December 31, 2015, 2016 and 2017****(Expressed in United States Dollars)**

|   | Note | 2015             | December 31,<br>2016 | 2017               |
|---|------|------------------|----------------------|--------------------|
| <b>Net income/(loss)</b>  |      | <b>2,566,678</b> | <b>(7,798,300)</b>   | <b>(1,218,237)</b> |
| <b>Other comprehensive (loss)/income</b>                              |      |                  |                      |                    |
| Cash flow hedges  |      |                  |                      |                    |
| Effective portion of changes in fair value of interest swap contracts | 12   | (100,268)        | 418,723              | 592,460            |
| <b>Total other comprehensive (loss)/income</b>                        |      | <b>(100,268)</b> | <b>418,723</b>       | <b>592,460</b>     |
| <b>Total comprehensive income/(loss)</b>                              |      | <b>2,466,410</b> | <b>(7,379,577)</b>   | <b>(625,777)</b>   |

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

**Table of Contents****StealthGas Inc.****Consolidated Statements of Stockholders' Equity****For the Years Ended December 31, 2015, 2016 and 2017****(Expressed in United States Dollars, Except for Number of Shares)**

|   | Capital stock                       |                     | Treasury stock                      |                     | Additional<br>Paid-in<br>Capital<br>(Note 13) | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>(Loss)/Income | Total        |
|---|-------------------------------------|---------------------|-------------------------------------|---------------------|---|----------------------|--|--------------|
|   | Number<br>of<br>Shares<br>(Note 13) | Amount<br>(Note 13) | Number<br>of<br>Shares<br>(Note 13) | Amount<br>(Note 13) |   |                      |  |              |
| <b>Balance,<br/>January 1,<br/>2015</b>   | 44,285,108                          | 442,850             | (1,395,335)                         | (7,541,264)         | 499,862,062                                   | 99,919,646           | (293,020)  | 592,390,274  |
| Stock based<br>compensation               |                                     |                     |                                     |                     | 1,140,084                                     |                      |  | 1,140,084    |
| Stock<br>repurchase                       |                                     |                     | (2,372,097)                         | (12,945,608)        |   |                      |  | (12,945,608) |
| Comprehensive<br>income for the<br>year   |                                     |                     |                                     |                     |   | 2,566,678            | (100,268)  | 2,466,410    |
| <b>Balance,<br/>December 31,<br/>2015</b> | 44,285,108                          | 442,850             | (3,767,432)                         | (20,486,872)        | 501,002,146                                   | 102,486,324          | (393,288)  | 583,051,160  |
| Stock based<br>compensation               |                                     |                     |                                     |                     | 340,377                                       |                      |  | 340,377      |
| Stock<br>repurchase                       |                                     |                     | (657,113)                           | (2,036,656)         |   |                      |  | (2,036,656)  |
| Comprehensive<br>loss for the<br>year     |                                     |                     |                                     |                     |   | (7,798,300)          | 418,723  | (7,379,577)  |
| <b>Balance,<br/>December 31,<br/>2016</b> | 44,285,108                          | 442,850             | (4,424,545)                         | (22,523,528)        | 501,342,523                                   | 94,688,024           | 25,435   | 573,975,304  |
| Stock based<br>compensation               |                                     |                     |                                     |                     | 129,245                                       |                      |  | 129,245      |
| Comprehensive<br>loss for the             |                                     |                     |                                     |                     |   | (1,218,237)          | 592,460  | (625,777)    |

year

**Balance,  
December 31,  
2017**

|            |         |             |              |             |            |         |             |
|------------|---------|-------------|--------------|-------------|------------|---------|-------------|
| 44,285,108 | 442,850 | (4,424,545) | (22,523,528) | 501,471,768 | 93,469,787 | 617,895 | 573,478,772 |
|------------|---------|-------------|--------------|-------------|------------|---------|-------------|

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

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**Table of Contents****StealthGas Inc.****Consolidated Statements of Cash Flows****For the Years Ended December 31, 2015, 2016 and 2017****(Expressed in United States Dollars)**

|   | <b>2015</b>          | <b>December 31,<br/>2016</b> | <b>2017</b>         |
|---|----------------------|------------------------------|---------------------|
| <b>Cash flows from operating activities</b>   |                      |                              |                     |
| Net income/(loss) for the year  | 2,566,678            | (7,798,300)                  | (1,218,237)         |
| <b>Adjustments to reconcile net income/(loss) to net cash provided by operating activities:</b> |                      |                              |                     |
| Depreciation  | 35,857,507           | 39,096,589                   | 38,921,672          |
| Amortization of deferred finance charges  | 587,157              | 715,587                      | 690,842             |
| Amortization of deferred gain on sale and leaseback of vessels                                  | (195,040)            | (195,574)                    | (195,040)           |
| Share based compensation  | 1,140,084            | 340,377                      | 129,245             |
| Change in fair value of derivatives   | (1,705,633)          | (331,387)                    | (27,372)            |
| Impairment loss   | 8,238,987            | 5,735,086                    | 6,461,273           |
| (Gain)/loss on sale of vessels  | (33,251)             | (118,427)                    | 77,314              |
| <b>Changes in operating assets and liabilities:</b>   |                      |                              |                     |
| <b>(Increase)/decrease in</b>   |                      |                              |                     |
| Trade and other receivables   | (1,532,306)          | 825,838                      | (179,036)           |
| Claims receivable   | (1,192,422)          | (610,810)                    | (235,705)           |
| Inventories   | (39,991)             | 117,744                      | 46,824              |
| Advances and prepayments  | 136,601              | (28,955)                     | 57,328              |
| <b>Increase/(decrease) in</b>   |                      |                              |                     |
| Balances with related parties   | 4,351,432            | (1,185,024)                  | 6,434,290           |
| Trade accounts payable  | (183,896)            | 462,215                      | 1,299,686           |
| Accrued liabilities   | 1,699,912            | (303,460)                    | 581,000             |
| Deferred income   | (1,641,223)          | (567,411)                    | (490,031)           |
| <b>Net cash provided by operating activities</b>  | <b>48,054,596</b>    | <b>36,154,088</b>            | <b>52,354,053</b>   |
| <b>Cash flows from investing activities</b>   |                      |                              |                     |
| Insurance proceeds  | 1,262,695            | 610,810                      | 219,754             |
| Vessels acquisitions and advances for vessels under construction                                | (155,072,744)        | (56,215,758)                 | (60,612,867)        |
| Proceeds from sale of vessels, net  | 2,010,302            | 1,530,177                    | 11,479,936          |
| <b>Net cash used in investing activities</b>  | <b>(151,799,747)</b> | <b>(54,074,771)</b>          | <b>(48,913,177)</b> |

**Cash flows from financing activities**

|                               |              |              |              |
|-------------------------------|--------------|--------------|--------------|
| Stock repurchase              | (13,429,891) | (2,070,306)  |              |
| Deferred finance charges paid | (383,950)    | (712,614)    | (815,256)    |
| Customer deposits received    | 2,556,700    |              |              |
| Loan repayments               | (55,943,588) | (55,630,352) | (56,254,073) |
| Proceeds from long-term debt  | 155,100,000  | 31,200,000   | 43,000,000   |

**Net cash provided by/(used in) financing activities** **87,899,271** **(27,213,272)** **(14,069,329)**

|   |              |              |              |
|---|--------------|--------------|--------------|
| Net decrease in cash, cash equivalents and restricted cash      | (15,845,880) | (45,133,955) | (10,628,453) |
| Cash, cash equivalents and restricted cash at beginning of year | 134,511,480  | 118,665,600  | 73,531,645   |

**Cash, cash equivalents and restricted cash at end of year** **118,665,600** **73,531,645** **62,903,192**

**Cash breakdown**

|                              |             |            |            |
|------------------------------|-------------|------------|------------|
| Cash and cash equivalents    | 100,062,957 | 64,993,923 | 51,754,131 |
| Restricted cash, current     | 13,455,766  | 3,363,012  | 3,231,323  |
| Restricted cash, non-current | 5,146,877   | 5,174,710  | 7,917,738  |

**Total cash, cash equivalents and restricted cash shown in the statements of cash flows** **118,665,600** **73,531,645** **62,903,192**

**Supplemental Cash Flow Information:**

|  |           |            |            |
|--|-----------|------------|------------|
| Cash paid during the year for interest, net of amounts capitalized | 7,455,713 | 12,429,729 | 14,643,885 |
| Non cash financing activity Stock repurchase                       | 33,650    |            |            |
| Non cash investing activity Vessels under construction             | 153,464   | 124,288    | 605,800    |

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

**Table of Contents****StealthGas Inc.****Notes to the Consolidated Financial Statements****(Expressed in United States Dollars)****1. Basis of Presentation and General Information**

The accompanying consolidated financial statements include the accounts of StealthGas Inc. and its wholly owned subsidiaries (collectively, the Company) which, as of December 31, 2017 owned a fleet of forty six liquefied petroleum gas (LPG) carriers, three medium range (M.R.) type product carriers and one Aframax tanker providing worldwide marine transportation services under long, medium or short-term charters. StealthGas Inc. was formed under the laws of Marshall Islands on December 22, 2004.

The Company's vessels are managed by Stealth Maritime Corporation S.A. (the Manager), a related party. The Manager is a company incorporated in Liberia and registered in Greece on May 17, 1999 under the provisions of law 89/1967, 378/1968 and article 25 of law 27/75 as amended by article 4 of law 2234/94. (See Note 3).

During 2015, Charterer A accounted for 10% or more of the Company's revenues, while during 2016 and 2017 no charterer accounted for 10% or more of the Company's revenues as follows:

| Charterer | Year ended December 31, |      |      |
|-----------|-------------------------|------|------|
|           | 2015                    | 2016 | 2017 |
| A         | 13%                     |      |      |

**2. Significant Accounting Policies**

**Principles of Consolidation:** The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and include the accounts of StealthGas Inc. and its wholly owned subsidiaries. All inter-company balances and transactions have been eliminated upon consolidation.

**Use of Estimates:** The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Other Comprehensive (Loss)/Income:** The Company follows the provisions of guidance regarding reporting comprehensive income which requires separate presentation of certain transactions, such as unrealized gains and losses from effective portion of cash flow hedges, which are recorded directly as components of stockholders' equity.

**Foreign Currency Translation:** The functional currency of the Company is the U.S. Dollar because the Company's vessels operate in international shipping markets, which utilize the U.S. Dollar as the functional currency. The accounting books of the Company are maintained in U.S. Dollars. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are translated to reflect the period end exchange rates. Resulting gains or losses are separately reflected in the accompanying consolidated

statements of operations.

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

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***Restricted Cash:*** Restricted cash mainly reflects deposits with certain banks that can only be used to pay the current loan installments or which are required to be maintained as a certain minimum cash balance per mortgaged vessel or cash held in restricted bank account for guarantees issued by the bank on the Company's behalf. In the event that the obligation relating to such deposits is expected to be terminated within the next twelve months, these deposits are classified as current assets; otherwise they are classified as non-current assets.

***Trade Receivables:*** The amount shown as trade receivables includes estimated recoveries from charterers for hire, freight and demurrage billings, net of allowance for doubtful accounts. At each balance sheet date, all potentially un-collectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. No provision for doubtful accounts was required for any of the periods presented.

***Claims Receivable:*** Claims receivable are recorded on the accrual basis and represent the claimable expenses, net of deductibles, incurred through each balance sheet date, for which recovery from insurance companies is probable and claim is not subject to litigation. Any remaining costs to complete the claims are included in accrued liabilities.

***Inventories:*** Inventories consist of bunkers (for vessels under voyage charter) and lubricants. The cost is determined by the first-in, first-out method. The Company considers victualing and stores as being consumed when purchased and, therefore, such costs are expensed when incurred.

***Advances for vessels under construction:*** This represents amounts expended by the Company in accordance with the terms of the construction contracts for vessels as well as other expenses in connection with on-site supervision. In addition, interest costs incurred during the construction (until the asset is substantially complete and ready for its intended use) are capitalized.

***Vessels Acquisitions:*** Vessels are stated at cost less depreciation and impairment, if any. Cost consists of the contract price less discounts and any material expenses incurred upon acquisition (initial repairs, improvements, acquisition and expenditures made to prepare the vessel for its 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, or otherwise are charged to expenses as incurred. The Company records all identified tangible and intangible assets associated with the acquisition of a vessel or liabilities at fair value. Where vessels are acquired with existing time charters, the Company allocates the purchase price to the time charters based on the present value (using an interest rate which reflects the risks associated with the acquired charters) of the difference between (i) the contractual amounts to be paid pursuant to the charter terms and (ii) management's estimate of the fair market charter rate, measured over a period equal to the remaining term of the charter. The capitalized above-market (assets) and below-market (liabilities) charters are amortized as a reduction and increase, respectively, to revenues over the remaining term of the charter.

***Impairment or Disposal of Long-lived Assets:*** The Company follows the Accounting Standards Codification (ASC) Subtopic 360-10, Property, Plant and Equipment (ASC 360-10), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. If indicators of impairment are present, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value and the difference is recorded as an impairment loss in the consolidated statements of operations. Various factors including anticipated future charter rates, estimated scrap values, future dry-docking costs and estimated vessel operating costs are included in this analysis. These factors are based on historical trends as well as future expectations. Undiscounted cash flows are determined by considering the revenues from existing charters for those vessels that have long term employment and when there is no charter in place the estimates based on historical average rates with an

annual increase of 1%. The Company also assumes an average annual inflation rate of 1.50% for operating expenses. An impairment loss was identified and recorded for the years ended December 31, 2015, 2016 and 2017 (Note 6).

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**Vessels Depreciation:** The cost of each of the Company's vessels is depreciated on a straight-line basis over the vessel's remaining economic useful life, after considering the estimated residual value. Management estimates the useful life of each of the Company's LPG carriers to be 30 years and product and aframax tankers, to be 25 years, from the date of their construction.

**Assets Held for Sale:** The Company classifies vessels as being held for sale when the following criteria are met: (i) management possessing the necessary authority has committed to a plan to sell the vessels, (ii) the vessels are available for immediate sale in their present condition, (iii) an active program to find a buyer and other actions required to complete the plan to sell the vessels have been initiated, (iv) the sale of the vessels is probable, and transfer of the asset is expected to qualify for recognition as a completed sale within one year and (v) the vessels are being actively marketed for sale at a price that is reasonable in relation to their current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Vessels classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These vessels are not depreciated once they meet the criteria to be classified as held for sale. Furthermore, in the period a vessel meets the held for sale criteria in accordance with ASC 360-10, a loss is recognized for any reduction of the vessel's carrying amount to its fair value less cost to sell. No assets were held for sale as of December 31, 2016 and 2017.

**Segment Reporting:** The Company reports financial information and evaluates its operations by total charter revenues and not by the type of vessel, length of vessel employment, customer or type of charter. As a result, management, including 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 as well as one operating segment. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographical information is impracticable.

**Accounting for Special Survey and Dry-docking Costs:** Special survey and dry-docking costs are expensed in the period incurred.

**Deferred Finance Charges:** Fees incurred for obtaining new loans or refinancing existing ones are deferred and amortized to interest expense over the life of the related debt using the effective interest method. The unamortized deferred financing charges are presented as a direct deduction from the carrying amount of the related loan and credit facility in the consolidated balance sheet. Unamortized fees relating to loans repaid or refinanced are expensed in the period the repayment or refinancing is made. Deferred financing costs relating to undrawn facilities are presented under non-current assets in the consolidated balance sheet.

**Accounting for Revenue and Related Expenses:** The Company generates its revenues from charterers for the charter hire of its vessels. Vessels are chartered using either voyage charters, where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified charter rate, or time and bareboat charters, where a contract is entered into for the use of a vessel for a specific period of time and a specified daily or monthly charter hire rate payable monthly in advance. If a charter agreement exists and the price is fixed, service is provided and collection of the related revenue is reasonably assured, revenue is recognized as it is earned ratably on a straight-line basis over the duration of the period of each voyage or period charter. A voyage is deemed to commence upon the completion of discharge of the vessel's previous cargo and is deemed to end upon the completion of discharge of the current cargo, but the Company does not begin recognizing revenue until a charter has been agreed to by the customer and the Company, even if the vessel has discharged its cargo and is sailing to the anticipated load port for its next voyage. Demurrage income represents payments by a charterer to a vessel owner when loading or discharging time exceeds the stipulated time in the voyage charter and is recognized ratably as earned during the related voyage charter's duration period. Deferred income includes cash received prior to the balance sheet date and is related to revenue

earned after such date.

Voyage expenses comprise commissions, bunkers and port expenses and are unique to a particular charter. Commissions in all cases are paid by the Company and are recognized on a pro-rata basis. All other voyage

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expenses are paid by the charterer under time charter arrangements or by the Company under voyage charter arrangements and are recognized as incurred.

Vessel operating expenses comprise all expenses relating to the operation of the vessel, including crewing, repairs and maintenance, insurance, stores, lubricants and miscellaneous expenses. Vessel operating expenses under a time charter and voyage charter are paid by the Company and are accounted for on an accrual basis.

Under a bareboat charter, the charterer assumes responsibility for all voyage and vessel operating expenses, dry-docking expenses and risk of operation.

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

**Equity Compensation Plan:** Share-based compensation includes vested and non-vested shares granted to employees and to non-employee directors, for their services as directors and is included in General and administrative expenses in the consolidated statements of operations. These shares are measured at their fair value, which is equal to the market value of the Company's common stock on the grant date. The shares that do not contain any future service vesting conditions are considered vested shares and the total fair value of such shares is recognized in full on the grant date. The shares that contain a time-based service vesting condition are considered non-vested shares on the grant date and a total fair value of such shares is recognized over the vesting period on a straight-line basis over the requisite service period for each separate portion of the award as if the award was, in substance, multiple awards (graded vesting attribution method). In addition, non-vested awards granted to non-employees are measured at their then-current fair value as of the financial reporting dates until non-employees complete the service (Note 14).

**Earnings/(Loss) per Share:** Basic earnings per share are computed under the two-class method by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised. Dilution is computed by either the treasury stock method or the two class method, whichever results in the more dilutive effect. Under the treasury stock method, all of the Company's dilutive securities are assumed to be exercised or converted and the proceeds used to repurchase common shares at the weighted average market price of the Company's common stock during the relevant periods. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted earnings per share computation to the extent these are not anti-dilutive (Note 15).

**Derivatives:** The Company is party to interest swap agreements where it receives a floating interest rate and pays a fixed interest rate for a certain period in exchange. The Company designates its derivatives based on guidance on ASC 815, Derivatives and Hedging which establishes accounting and reporting requirements for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The guidance on accounting for certain derivative instruments and certain hedging activities requires all derivative instruments to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings unless specific hedge accounting criteria are met.

(i) **Hedge Accounting:** At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk

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management objective and strategy undertaken for the hedge. The documentation includes identification of the hedging instrument, hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they actually have been highly effective throughout the financial reporting periods for which they were designated.

Contracts which meet the strict criteria for hedge accounting are accounted for as cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that could affect profit or loss.

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

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

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

**Recent Accounting Pronouncements:** On May 28, 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standard Update ( ASU ) No 2014-09 Revenue from Contracts with Customers. ASU 2014-09, as amended, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This standard is effective for annual periods beginning after December 15, 2017, 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. The Company adopted this ASU for the reporting period commencing on January 1, 2018 and has elected to use the modified retrospective transition method for the implementation of this standard. As a result of the adoption of this standard, revenues generated under voyage charter agreements will be recognized on a pro-rata basis from the date of loading to discharge of cargo. Prior to the adoption of this standard, revenues generated under voyage charter agreements were recognized on a pro-rata basis over the period of the voyage which was deemed to commence upon the later of the completion of discharge of the vessel's previous cargo or upon vessel's arrival to the agreed upon port, and deemed to end upon the completion of discharge of the delivered cargo. The financial impact on the Company's financial statements will derive from voyage charters which do not commence and end in the same reporting period due to the timing of recognition of revenue, as well as the timing of recognition of certain voyage related costs. As voyage charters represent 17.4% of the Company's revenues for the year ended December 31, 2017, and only seven vessels of the Company had voyage charters that were in progress as of December 31, 2017, we expect the effect of implementation to be insignificant.

In July 2015, the FASB issued ASU 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 was effective for public entities

with reporting periods beginning after December 15, 2016. During 2017, the Company adopted this ASU with no material impact on its consolidated financial statements.

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In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). 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 is currently evaluating the impact, if any, of the adoption of this new standard and will evaluate any amendments that may be issued.

In March 2016, the FASB issued ASU 2016-09, Stock Compensation, which is intended to simplify several aspects of the accounting for share-based payment award transactions. The guidance is effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. During 2017, the Company adopted this ASU with no material impact on its consolidated financial statements.

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

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. ASU 2016-18 was early adopted by the Company in the period ended December 31, 2017 with retrospective application. The implementation of this update affected the presentation in the statement of cash flows relating to changes in restricted cash which are presented as part of Cash whereas the Company previously presented these within investing activities, and has no impact on the Company's balance sheet and statement of operations.

In August 2017, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* ( ASU 2017-12 ). ASU 2017-12 is intended to (i) improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with those risk management activities and (ii) reduce the complexity of and simplify the application of hedge accounting by preparers. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods therein; however, early adoption by all entities is permitted. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

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

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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 will adopt this update from January 1, 2018 and believes that the adoption of this update will not have any material impact on its consolidated financial statements.

**3. Transactions with Related Parties**

The Manager provides the vessels with a wide range of shipping services such as chartering, technical support and maintenance, insurance, consulting, financial and accounting services, for a fixed daily fee of \$440 per vessel operating under a voyage or time charter or \$125 per vessel operating under a bareboat charter and a brokerage commission of 1.25% on freight, hire and demurrage per vessel, as per the management agreement between the Manager and the Company. The Manager has subcontracted the technical management of some of the vessels to an affiliated ship-management company, Brave Maritime Corp. Inc. ( Brave ). This company provides technical management to the Company's vessels for a fixed annual fee per vessel which is paid by the Manager. For the years ended December 31, 2015, 2016 and 2017, total brokerage commissions of 1.25% amounted to \$1,725,683, \$1,772,240 and \$1,912,505, respectively, and are included in Voyage expenses related party in the consolidated statements of operations. For the years ended December 31, 2015, 2016 and 2017, the management fees were \$6,452,145, \$7,346,180 and \$7,205,490, respectively and are included in Management fees related party in the consolidated statements of operations. In addition, the Manager arranges for supervision onboard the vessels, when required, by superintendent engineers and when such visits exceed a period of five days in a twelve month period, an amount of \$500 is charged for each additional day. For the years ended December 31, 2015, 2016 and 2017, the superintendent fees amounted to \$245,000, \$172,000 and \$125,500, respectively, and are included in Vessels operating expenses related party in the consolidated statements of operations.

The Manager also acts as a sales and purchase broker for the Company in exchange for a commission fee equal to 1% of the gross sale or purchase price of vessels or companies. For the years ended December 31, 2015, 2016 and 2017 commission fees relating to vessels purchased of \$1,925,563, \$421,639 and \$525,978, respectively, were incurred and capitalized to the cost of the vessels. For the years ended December 31, 2015, 2016 and 2017 the amounts of \$21,177, \$13,711 and \$119,900 were recognized as commission expenses relating to the sale of vessels and is included in the consolidated statements of operations under the caption Net (gain)/loss on sale of vessels .

In addition to management services, the Company reimburses the Manager for compensation of its Chief Executive Officer, its Chief Financial Officer, its Internal Auditor, its Chief Technical Officer, its Finance Manager and its Deputy Chairman and Executive Director, which reimbursements were in the amounts of \$1,077,698, \$1,114,130 and \$1,127,307, for the years ended December 31, 2015, 2016 and 2017, respectively, and are included in the consolidated statements of operations under the caption General and administrative expenses .

The current account balance with the Manager at December 31, 2016 and at December 31, 2017 was a liability of \$7,890,933 and \$14,209,624, respectively. The liability represents payments made by the Manager on behalf of the ship-owning companies.

The Company rents office space that is owned by an affiliated company of the Manager. Rental expense for the years ended December 31, 2015, 2016 and 2017 amounted to \$72,753, \$72,907 and \$82,192, respectively, and is included in

the consolidated statements of operations under the caption General and administrative expenses .

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In April 2012, the Company entered into time charter agreements for two of the Company's vessels with Emihar Petroleum Inc., a company affiliated with members of the Vafias family incorporated in the Marshall Islands. The above time charter agreements expired in August 2016 and June 2017. Revenue from the related party amounted to \$9,814,000, \$7,592,784 and \$1,973,643 for each of the years ended December 31, 2015, 2016 and 2017, respectively, and are included in the consolidated statements of operations under the caption Revenues related party. In accordance with the time charter agreements for the vessels' operating expenses, the Company paid to the Manager amounts of \$3,932,042, \$2,969,843 and \$675,408 for the years ended December 31, 2015, 2016 and 2017, respectively, which are included in the consolidated statements of operations under the caption Vessels operating expenses related party. The receivable balance with Emihar Petroleum Inc. as of December 31, 2016 and 2017, was a receivable of \$115,599 and nil, respectively. Deferred income with Emihar Petroleum Inc. as of December 31, 2016 and 2017 was \$232,774 and nil, respectively.

On May 26, 2014, the Company entered into an agreement with Brave for the supervision of the construction of eight of its vessels for a fixed fee of Euro 390,000 per vessel. On January 25, 2016, the Company entered into a new supervision agreement with Brave for the supervision of the construction of four of its newbuilding vessels for a fixed fee of Euro 490,000 per vessel. For the years ended December 31, 2015, 2016 and 2017, the supervision fees amounted to \$1,726,265, \$854,022, and \$535,864, respectively, and were capitalized to the cost of the respective vessels.

**4. Inventories**

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

|              | <b>December 31,</b> |                  |
|--------------|---------------------|------------------|
|              | <b>2016</b>         | <b>2017</b>      |
| Bunkers      | 1,231,188           | 1,312,116        |
| Lubricants   | 1,577,935           | 1,450,183        |
| <b>Total</b> | <b>2,809,123</b>    | <b>2,762,299</b> |

**5. Advances for Vessels Under Construction and Acquisitions**

The amount shown in the accompanying consolidated balance sheet as of December 31, 2016 of \$55,785,801 mainly represents advance payments to ship-builders for four LPG carriers under construction contracted in 2014.

The amount shown in the accompanying consolidated balance sheet as of December 31, 2017 of \$61,577,818 mainly represents advance payments to ship-builders for three LPG carriers under construction contracted in 2014.

On November 17, 2016 and on July 18, 2017, the Company agreed with the shipbuilder the postponement of the delivery dates of the four newbuildings for an additional charge. These charges of \$1,058,863 were included in the accompanying consolidated statement of operations under the caption Other operating costs for the year ended December 31, 2017.

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For the years ended December 31, 2016 and 2017, the movement of the account, advances for vessels under construction and acquisitions was as follows:

|  |                   |
|--|-------------------|
| <b>Balance, December 31, 2015</b>                        | <b>44,031,882</b> |
| Advances for vessels under construction and acquisitions | 51,949,154        |
| Capitalized interest                                     | 1,660,802         |
| Capitalized expenses                                     | 2,576,626         |
| Vessels delivered  | (44,432,663)      |
| <b>Balance, December 31, 2016</b>                        | <b>55,785,801</b> |
| Advances for vessels under construction and acquisitions | 57,805,820        |
| Capitalized interest                                     | 813,423           |
| Capitalized expenses                                     | 2,475,138         |
| Vessels delivered  | (55,302,364)      |
| <b>Balance, December 31, 2017</b>                        | <b>61,577,818</b> |

**6. Vessels, net**

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

|   | <b>Vessel cost</b>   | <b>Accumulated<br/>Depreciation</b> | <b>Net Book<br/>Value</b> |
|---|----------------------|-------------------------------------|---------------------------|
| <b>Balance, December 31, 2015</b>   | <b>1,066,630,849</b> | <b>(201,940,961)</b>                | <b>864,689,888</b>        |
| Acquisitions (transfer from Advances for Vessels under Construction and Acquisitions) | 44,432,663           |                                     | 44,432,663                |
| Disposals   | (591,137)            |                                     | (591,137)                 |
| Impairment loss   | (34,859,054)         | 29,123,968                          | (5,735,086)               |
| Depreciation for the year   |                      | (39,096,589)                        | (39,096,589)              |
| <b>Balance, December 31, 2016</b>   | <b>1,075,613,321</b> | <b>(211,913,582)</b>                | <b>863,699,739</b>        |
| Acquisitions (transfer from Advances for Vessels under Construction and Acquisitions) | 55,302,364           |                                     | 55,302,364                |
| Impairment loss   | (29,222,564)         | 22,761,291                          | (6,461,273)               |
| Disposal  | (11,557,252)         |                                     | (11,557,252)              |
| Depreciation for the year   |                      | (38,921,672)                        | (38,921,672)              |
| <b>Balance, December 31, 2017</b>   | <b>1,090,135,869</b> | <b>(228,073,963)</b>                | <b>862,061,906</b>        |

The additions in 2016 relate to the acquisition of vessels Eco Nical and Eco Dominator .

The Company realized an aggregate gain from the sale of vessels Gas Arctic and Gas Ice of \$118,427 which is included in the Company's consolidated statement of operations under the caption Net (gain)/loss on sale of vessels for the year ended December 31, 2016.

At December 31, 2016, the Company performed an impairment review of its vessels, due to the prevailing conditions in the shipping industry. As a result of the impairment review, undiscounted net operating cash flows exceeded each vessel's carrying value with the exception of six vessels and therefore the Company identified and recorded an impairment loss of \$5,735,086 which is presented under the caption "Impairment loss" in the consolidated statements of operations.

The additions in 2017 relate to the acquisition of vessel "Eco Frost".

In April 2017, the Company entered into a memorandum of agreement for the disposal of the vessel "Gas Icon", to an unaffiliated third party for \$2,900,000. The vessel, including her inventories on board, was classified

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as vessel held for sale in the second quarter of 2017. As a result, the Company measured the vessel at the lower of its carrying amount and fair value less the cost associated with the sale and recognized an impairment charge of \$1,747,923 in its consolidated statement of comprehensive operations for the year ended December 31, 2017. The vessel was delivered to her new owners on July 20, 2017.

In May 2017, the Company entered into a memorandum of agreement for the disposal of the vessel *Gas Emperor*, to an unaffiliated third party for \$2,900,000. The vessel, including her inventories on board, was classified as vessel held for sale in the second quarter of 2017. As a result, the Company measured the vessel at the lower of its carrying amount and fair value less the cost associated with the sale and recognized an impairment charge of \$580,004 in its consolidated statement of operations for the year ended December 31, 2017. The vessel was delivered to her new owners on September 2, 2017.

In August 2017, the Company entered into a memorandum of agreement for the disposal of the vessel *Gas Moxie*, to an unaffiliated third party for \$2,575,000. The vessel, including her inventories on board, was classified as vessel held for sale in the third quarter of 2017. As a result, the Company measured the vessel at the lower of its carrying amount and fair value less the cost associated with the sale and recognized an impairment charge of \$570,626 in its consolidated statement of operations for the year ended December 31, 2017. The vessel was delivered to her new owners on November 7, 2017.

In September 2017, the Company entered into a memorandum of agreement for the disposal of the vessel *Gas Nirvana*, to an unaffiliated third party for \$3,675,000. The vessel, including her inventories on board, was classified as vessel held for sale in the third quarter of 2017. As a result, the Company measured the vessel at the lower of its carrying amount and fair value less the cost associated with the sale and recognized an impairment charge of \$1,406,718 in its consolidated statement of operations for the year ended December 31, 2017. The vessel was delivered to her new owners on November 17, 2017.

The Company decided to dispose the vessels *Gas Icon*, *Gas Emperor*, *Gas Moxie* and *Gas Nirvana* as the agreed selling price was a suitable opportunity for the Company and realized an aggregate loss from the sale of these vessels of \$77,314 which is included in the Company's consolidated statement of operations under the caption *Net (gain)/loss on sale of vessels* for the year ended December 31, 2017.

As a result of the impairment analysis performed for the year ended December 31, 2017, due to the prevailing conditions in the shipping industry, undiscounted net operating cash flows exceeded each vessel's carrying value with the exception of three vessels and therefore the Company identified and recorded an impairment loss of \$2,156,002 which is presented under the caption *Impairment loss* in its consolidated statement of operations.

As of December 31, 2017, 40 vessels with a carrying value of \$762,159,589 have been provided as collateral to secure the Company's bank loans as discussed in Note 11.

**7. Deferred Finance Charges**

Deferred finance charges amounting to \$540,414 and \$941,760 as of December 31, 2016 and December 31, 2017, respectively, represent fees paid to the lenders for undrawn facilities, and are presented on the balance sheet under non-current assets.

**Table of Contents****8. Accrued Liabilities**

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

|                                      | <b>December 31,</b> |                  |
|--------------------------------------|---------------------|------------------|
|                                      | <b>2016</b>         | <b>2017</b>      |
| Interest on long-term debt           | 2,660,766           | 2,839,121        |
| Administrative expenses              | 206,840             | 204,472          |
| Other operating costs                |                     | 563,333          |
| Vessel operating and voyage expenses | 2,431,873           | 2,273,553        |
| <b>Total</b>                         | <b>5,299,479</b>    | <b>5,880,479</b> |

**9. Deferred Income**

The amounts shown in the accompanying consolidated balance sheets amounting to \$4,856,122 and \$4,366,091 represent cash related to time and bareboat charter revenues received in advance as of December 31, 2016 and as of December 31, 2017, respectively.

**10. Customer Deposits**

These amounts represent deposits received from charterers as guarantees and are comprised as follows:

- (a) On February 24, 2015 an amount of \$1,820,700 was received from the bareboat charterer of Aframax tanker *Stealth Berana* (ex. *Spike*) which is equal to five-months hire. This amount will be returned to the charterer after the expiration of the bareboat charter in April 2018.
- (b) On October 12, 2015 an amount of \$736,000 was received from the bareboat charterer of Product carrier *Stealth Falcon* (ex. *Navig8 Faith*) which is equal to three-months hire. This amount will be returned to the charterer at the end of the three-year bareboat charter in February 2019.

**Table of Contents****11. Long-term Debt**

| Term Loans   |                    | Drawn<br>Amount | December 31,<br>2016 | Movement in 2017  |                     | December 31,<br>2017 |
|--|--------------------|-----------------|----------------------|-------------------|---------------------|----------------------|
| Issue Date   | Maturity Date      |                 |                      | Additions         | Repayments          |                      |
| June 21, 2007  | December 21, 2017  | 49,875,000      | 14,414,250           |                   | (14,414,250)        |                      |
| February 12, 2008                                      | February 19, 2020  | 40,250,000      | 16,875,000           |                   | (2,500,000)         | 14,375,000           |
| July 30, 2008  | November 4, 2020   | 33,240,000      | 17,728,000           |                   | (1,939,000)         | 15,789,000           |
| October 9, 2008  | October 9, 2020    | 29,437,000      | 7,090,000            |                   | (780,000)           | 6,310,000            |
| September 15, 2016                                     | September 15, 2021 | 24,600,000      | 21,141,273           |                   | (4,026,908)         | 17,114,365           |
| April 14, 2014   | April 14, 2020     | 20,400,000      | 14,900,000           |                   | (1,800,000)         | 13,100,000           |
| February 1, 2011                                       | September 1, 2018  | 49,400,000      | 31,250,000           |                   | (3,300,000)         | 27,950,000           |
| March 1, 2011  | June 20, 2020      | 43,250,000      | 29,375,000           |                   | (3,000,000)         | 26,375,000           |
| September 23, 2013                                     | September 30, 2020 | 45,212,500      | 28,791,594           |                   | (5,052,587)         | 23,739,007           |
| March 24, 2014   | July 31, 2022      | 50,225,000      | 42,840,000           |                   | (3,605,000)         | 39,235,000           |
| April 16, 2014   | April 16, 2020     | 30,000,000      | 22,335,000           |                   | (3,330,000)         | 19,005,000           |
| June 12, 2014  | October 2, 2020    | 13,000,000      | 11,240,000           |                   | (880,000)           | 10,360,000           |
| June 20, 2014  | January 8, 2023    | 20,925,000      | 18,440,000           |                   | (1,420,000)         | 17,020,000           |
| December 20, 2013                                      | June 30, 2023      | 67,200,000      | 59,475,000           |                   | (3,960,000)         | 55,515,000           |
| December 24, 2015                                      | December 14, 2022  | 22,400,000      | 20,906,672           |                   | (1,493,328)         | 19,413,344           |
| July 4, 2014   | September 3, 2021  | 22,750,000      | 20,718,750           |                   | (1,625,000)         | 19,093,750           |
| July 29, 2014  | July 7, 2023       | 25,350,000      | 22,709,375           |                   | (2,112,500)         | 20,596,875           |
| December 7, 2017                                       | December 11, 2022  | 22,275,000      |                      | 10,500,000        |                     | 10,500,000           |
| May 18, 2016   | May 16, 2025       | 65,650,000      |                      | 32,500,000        | (1,015,500)         | 31,484,500           |
| <b>Total</b>   |                    |                 | <b>400,229,914</b>   | <b>43,000,000</b> | <b>(56,254,073)</b> | <b>386,975,841</b>   |
| Current portion of long-term debt                      |                    |                 | 55,238,573           |                   |                     | 42,580,323           |
| Long term debt   |                    |                 | 344,991,341          |                   |                     | 344,395,518          |
| <b>Total debt</b>                                      |                    |                 | <b>400,229,914</b>   |                   |                     | <b>386,975,841</b>   |
| Current portion of deferred finance charges            |                    |                 | 644,858              |                   |                     | 613,716              |
| Deferred finance charges non-current                   |                    |                 | 1,699,467            |                   |                     | 1,453,677            |
| <b>Total deferred finance charges</b>                  |                    |                 | <b>2,344,325</b>     |                   |                     | <b>2,067,393</b>     |
| Total debt   |                    |                 | 400,229,914          |                   |                     | 386,975,841          |
| Less: Total deferred finance charges                   |                    |                 | 2,344,325            |                   |                     | 2,067,393            |
| <b>Total debt, net of deferred finance charges</b>     |                    |                 | <b>397,885,589</b>   |                   |                     | <b>384,908,448</b>   |
| <b>Less: Current portion of long-term debt, net of</b> |                    |                 |                      |                   |                     |                      |
| <b>current portion of deferred finance charges</b>     |                    |                 | <b>54,593,715</b>    |                   |                     | <b>41,966,607</b>    |
| <b>Long term debt, net of deferred finance charges</b> |                    |                 | <b>343,291,874</b>   |                   |                     | <b>342,941,841</b>   |

On December 20, 2013 the Company entered into a term loan with a bank institution to partially finance the acquisition of four LPG carriers under construction, in an amount equal to (i) the lesser of \$67,200,000 or 70% of the fair market value of the vessels subject to the Minimum Employment Condition being met at the delivery date of each vessel or (ii) the lesser of \$62,400,000 or 65% of the fair market value of the vessels if the Minimum Employment Condition will not be met at the delivery date of each vessel. The term loan was drawn down in four tranches upon the delivery of each vessel. The first and second tranche amounting to \$16,000,000 each were drawn down on September 14, 2015 and September 30, 2015, respectively. The third and fourth tranche amounting to \$15,600,000 each were drawn down on February 16, 2016 and June 30, 2016, respectively.

On May 18, 2016 the Company entered into a term loan with a bank to partially finance the acquisition of two LPG carriers under construction, by two of the Company's wholly owned subsidiaries. The term loan will not exceed the amount of \$74,480,000 and will be drawn down in two tranches upon the delivery of each vessel.

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The first tranche amounting to \$32,500,000 was drawn down on May 16, 2017 and the second tranche amounting to \$33,150,000 was drawn down on January 10, 2018.

On September 15, 2016, the Company entered into a facility agreement with a bank to refinance the existing term loan dated January 30, 2009. The term loan amounted to \$24,600,000 and was drawn down in one tranche at the signing date of the facility agreement.

On March 1, 2017 the Company, following the term sheet of May 13, 2016, entered into a term loan with the bank to partially finance the acquisition of two LPG carriers on their delivery. The aggregate term loan is up to \$76,020,000 and will be drawn down in two tranches upon the delivery of each vessel. The first tranche amounting to \$35,525,000 was drawn down on January 4, 2018 and on January 10, 2018 and the second tranche amounting to \$35,262,500 was drawn down on April 13, 2018 and on April 17, 2018. The total facility will be repayable, with the first installment commencing three months after the drawdown, in thirty two consecutive quarterly installments plus a balloon payment payable together with the last installment.

On December 7, 2017, the Company entered into a term loan with a bank to repay amounts outstanding under existing loan and to refinance the cost of acquisition of one product carrier. The term loan is up to \$22,500,000 and was drawn down in two tranches. The first tranche amounting to \$10,500,000 was drawn down on December 11, 2017 and the second tranche amounting to \$11,775,000 was drawn down on February 8, 2018.

On March 27, 2018, the Company entered into a term loan with a bank to refinance the existing term loan dated February 1, 2011. The term loan amounting to \$27,675,000 will be repayable in twenty-four consecutive quarterly installments plus a balloon payment payable together with the last installment. An installment amounting to \$275,000 was paid on January 22, 2018 relating to the existing term loan dated February 1, 2011. Remaining obligations of the term loan dated February 1, 2011, have been presented as long-term in accordance with US GAAP as the Company had the intent and ability to refinance the obligation of \$27,675,000, on a long term basis through the term loan that the Company has entered on March 27, 2018 discussed above.

The above loans are generally repayable in quarterly or semi-annual installments and a balloon payment at maturity and are secured by first priority mortgages over the vessels involved, plus the assignment of the vessels' insurances, earnings and operating and retention accounts with the lenders, and the guarantee of ship-owning companies, as owners of the vessels. The term loans contain financial covenants requiring the Company to ensure that:

the aggregate market value of the mortgaged vessels at all times exceeds a certain percentage of the amounts outstanding as defined in the term loans, ranging from 125% to 130%,

the leverage of the Company defined as Total Debt net of Cash should not exceed 80% of total market value adjusted assets,

the Interest Coverage Ratio of the Company defined as EBITDA to interest expense to be at all times greater than to 2.5:1,

at least a certain percentage of the Company is to always be owned by members of the Vafias family,



the Company should maintain on a monthly basis a cash balance of a proportionate amount of the next installment and relevant interest plus a minimum aggregate cash balance of \$7,917,738 in the earnings account with the relevant banks,

dividends paid by the borrower will not exceed 50% of the Company's free cash flow in any rolling 12 month period.

Gross deferred finance charges amounting to \$7,055,914 and \$7,871,170 as of December 31, 2016 and December 31, 2017, respectively, represent fees paid to the lenders for obtaining the related loans, and are presented on the balance sheet as a direct deduction from the carrying amount of the related loan and credit

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facility net of accumulated amortization. For the years ended December 31, 2015, 2016 and 2017, the amortization of deferred financing charges amounted to \$587,157, \$715,587 and \$690,841, respectively, and is included in interest and finance costs in the consolidated statements of operations.

The interest rates on the outstanding loans as of December 31, 2017 are based on Libor plus a margin which varies from 0.80% to 3.00%. The average interest rates (including the margin) on the above outstanding loans for the applicable periods were:

Year ended December 31, 2015: 2.67%

Year ended December 31, 2016: 3.43%

Year ended December 31, 2017: 3.97%

Bank loan interest expense for the above loans for the years ended December 31, 2015, 2016 and 2017 amounted to \$10,175,944, \$14,149,326 and \$15,640,377, respectively. Of these amounts, for the years ended December 31, 2015, 2016 and 2017, the amounts of \$1,822,443, \$1,660,802 and \$813,423, respectively, were capitalized as part of advances paid for vessels under construction. Interest expense, net of interest capitalized, is included in interest and finance costs in the consolidated statements of operations.

At December 31, 2017, the Company was in compliance with all of its debt financial covenants.

The aggregate available unused amounts under these facilities at December 31, 2017 were \$125,260,000 and the Company is required to pay a quarterly commitment fee from 0.70% to 0.77% per annum of the unutilized portion of the line of credit.

The annual principal payments to be made, for the abovementioned loans, after December 31, 2017 are as follows:

| <b>December 31,</b> | <b>Amount</b>      |
|---------------------|--------------------|
| 2018                | 42,580,323         |
| 2019                | 42,505,323         |
| 2020                | 118,038,569        |
| 2021                | 53,874,219         |
| 2022                | 58,478,532         |
| Thereafter          | 71,498,875         |
| <b>Total</b>        | <b>386,975,841</b> |

**12. Derivatives and Fair Value Disclosures**

The Company uses interest rate swaps for the management of interest rate risk exposure. The interest rate swaps effectively convert a portion of the Company's debt from a floating to a fixed rate. The Company is a party to six floating-to-fixed interest rate swaps with various major financial institutions at December 31, 2017 (2016: five swaps) covering notional amounts aggregating approximately \$68,935,006 at December 31, 2017 (2016: \$60,750,343) pursuant to which it pays fixed rates ranging from 1.52% to 2.60% and receives floating rates based on the London Interbank Offered Rate ( LIBOR ) (approximately 1.14% at December 31, 2017). These agreements contain no

leverage features and have maturity dates ranging from September 2020 to May 2025. All the derivative contracts for the periods presented qualified for hedge accounting since their inception.

On April 10, 2014, the Company as a condition of its term loan dated September 23, 2013, entered into an amortizing interest rate swap agreement for a notional amount of \$17,553,663. The agreement is effective from September 30, 2015 and expires on September 30, 2020; under this agreement the Company receives each quarter interest on the notional amount based on the three month LIBOR rate and pays interest based on a fixed interest rate of 2.60%.

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On July 6, 2015, the Company as a condition of its term loan dated September 23, 2013, entered into an amortizing interest rate swap agreement for a notional amount of \$17,553,663. The agreement is effective from September 30, 2015 and expires on September 30, 2020; under this agreement the Company receives each quarter interest on the notional amount based on the three month LIBOR rate and pays interest based on a fixed interest rate of 1.69%.

On September 22, 2015, the Company as a condition of its term loan dated June 12, 2014, entered into an amortizing interest rate swap agreement for a notional amount of \$12,120,000. The agreement is effective from October 2, 2015 and expires on October 2, 2020; under this agreement the Company receives each quarter interest on the notional amount based on the three month LIBOR rate and pays interest based on a fixed interest rate of 1.54%.

On October 13, 2015, the Company as a condition of its term loan dated July 4, 2014, entered into two amortizing interest rate swap agreements for a notional amount of \$11,171,875 each. The first agreement is effective from November 4, 2015 and expires on August 4, 2021 and the second agreement is effective from December 3, 2015 and expires on September 3, 2021; under these agreements the Company receives each quarter interest on the notional amounts based on the three month LIBOR rate and pays interest based on a fixed interest rate of 1.52% and 1.55%, respectively.

On June 2, 2017, the Company as a condition of its term loan dated May 18, 2016, entered into an amortizing interest rate swap agreement for a notional amount of \$15,996,125. The agreement is effective from August 16, 2017 and expires on May 16, 2025; under this agreement the Company receives each quarter interest on the notional amount based on the three month LIBOR rate and pays interest based on a fixed interest rate of 2.12%.

The Company enters into foreign currency forward contracts in order to manage risks associated with fluctuations in foreign currencies. During 2014, the Company entered into a series of foreign currency forward contracts to hedge part of its exposure to fluctuations of its anticipated cash payments in Japanese Yen relating to certain vessels under construction. Under the contracts the Company converted U.S. dollars to approximately JPY400 million of cash outflows in 2014 and to approximately JPY500 million of cash outflows in 2015. No such contracts were entered into during the years ended December 31, 2016 and 2017.

The following tables present information on the location and amounts of derivatives fair values reflected in the consolidated balance sheets and with respect to gains and losses on derivative positions reflected in the consolidated statements of operations or in the consolidated balance sheets, as a component of accumulated other comprehensive income.

Tabular disclosure of financial instruments is as follows:

| Derivatives designated as     | Balance Sheet Location                            | December 31,                 |                                  |                              |                                  |
|-------------------------------|---|------------------------------|----------------------------------|------------------------------|----------------------------------|
|                               |   | 2016<br>Asset<br>Derivatives | 2016<br>Liability<br>Derivatives | 2017<br>Asset<br>Derivatives | 2017<br>Liability<br>Derivatives |
| <b>hedging instruments</b>    |   |                              |                                  |                              |                                  |
| Interest Rate Swap Agreements | Non current assets Fair value of derivatives      | 263,635                      |                                  | 645,169                      |                                  |
| Interest Rate Swap Agreements | Non current liabilities Fair value of derivatives |                              | 364,823                          |                              | 126,525                          |
|                               |   | <b>263,635</b>               | <b>364,823</b>                   | <b>645,169</b>               | <b>126,525</b>                   |

**Total derivatives designated as  
hedging instruments**

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The effect of derivative instruments on the consolidated statements of operations for the years ended December 31, 2015, 2016 and 2017 is as follows:

| <b>Derivatives not designated as hedging instruments</b> | <b>Location of Gain/(Loss) Recognized</b> | <b>Year Ended December 31,</b> |              |             |
|--|---|--------------------------------|--------------|-------------|
|  |   | <b>2015</b>                    | <b>2016</b>  | <b>2017</b> |
| Interest Rate Swap Change in Fair Value                  | Loss on derivatives                       | 1,191,050                      | 297,656      |             |
| Interest Rate Swap Realized loss                         | Loss on derivatives                       | (1,243,359)                    | (297,954)    |             |
| Foreign Currency Contract Change in Fair Value           | Loss on derivatives                       | 583,368                        |              |             |
| Foreign Currency Contract Realized loss                  | Loss on derivatives                       | (669,712)                      |              |             |
| <b>Total loss on derivatives</b>                         |   | <b>(138,653)</b>               | <b>(298)</b> |             |

| <b>Derivatives designated as hedging instruments</b>                 | <b>Location of Loss Recognized</b> | <b>Year Ended December 31,</b> |                  |                  |
|--|------------------------------------|--------------------------------|------------------|------------------|
|  |                                    | <b>2015</b>                    | <b>2016</b>      | <b>2017</b>      |
| Interest Rate Swap Loss reclassified from OCI<br>(Effective portion) | Loss on derivatives                | (231,931)                      | (766,898)        | (403,943)        |
| <b>Total loss on derivatives</b>                                     |                                    | <b>(231,931)</b>               | <b>(766,898)</b> | <b>(403,943)</b> |

The components of accumulated other comprehensive income included in the accompanying consolidated balance sheets consist of unrealized gain / (loss) on cash flow hedges and are analyzed as follows:

|   | <b>Unrealized Gain/<br/>(Loss) on cash<br/>flow hedges</b> |
|---|--|
| Balance, January 1, 2015  | (293,020)  |
| Effective portion of changes in fair value of interest swap contracts | (100,268)  |
| Balance, December 31, 2015  | (393,288)  |
| Effective portion of changes in fair value of interest swap contracts | 418,723  |
| Balance, December 31, 2016  | 25,435   |
| Effective portion of changes in fair value of interest swap contracts | 592,460  |
| Balance, December 31, 2017  | 617,895  |

**Fair Value of Financial Instruments and Concentration of Credit Risk:** Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents, restricted cash, receivables from related party, trade and other receivables, claims receivable, payable to related party,

trade accounts payable and accrued liabilities. The Company limits its credit risk with respect to accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its trade accounts receivable. The Company places its cash and cash equivalents, time deposits and other investments with high credit quality financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions. The Company is exposed to credit risk in the event of non-performance by its counterparties to derivative instruments; however, the Company limits its exposure by transacting with counterparties with high credit ratings. The carrying values of cash and cash equivalents, restricted cash, receivables from related party, trade and other receivables, claims receivable, payable to related party, trade accounts payable and accrued liabilities 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 fair

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value of long term bank loans is estimated based on current rates offered to the Company for similar debt of the same remaining maturities. Their carrying value approximates their fair market value due to their variable interest rate, being LIBOR. LIBOR rates are observable at commonly quoted intervals for the full terms of the loans and hence floating rate loans are considered Level 2 items in accordance with the fair value hierarchy. Additionally, the Company considers the creditworthiness of each counterparty when determining the fair value of the derivative instruments. The Company's interest rate swap agreements are recorded at fair value. The fair value of the interest rate swaps is determined using a discounted cash flow method based on market-based LIBOR swap yield curves. LIBOR swap rates are observable at commonly quoted intervals for the full terms of the swap and therefore are considered Level 2 items.

**Fair Value Disclosures:** The Company has categorized assets and liabilities recorded at fair value based upon the fair value hierarchy specified by the guidance. The levels of fair value hierarchy are as follows:

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

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

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

The following table presents the fair values for assets and liabilities measured on a recurring basis categorized into a Level based upon the lowest level of significant input to the valuations as of December 31, 2016:

| Description                   | Fair Value Measurements Using      |  |   |   |
|-------------------------------|------------------------------------|--|---|---|
|                               | Fair Value as of December 31, 2016 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets/(Liabilities):         |                                    |  |   |   |
| Interest Rate Swap Agreements | 263,635                            |  | 263,635                                       |   |
| Interest Rate Swap Agreements | (364,823)                          |  | (364,823)                                     |   |
| <b>Total</b>                  | <b>(101,188)</b>                   |  | <b>(101,188)</b>                              |   |

The following table presents the fair values for assets and liabilities measured on a recurring basis categorized into a Level based upon the lowest level of significant input to the valuations as of December 31, 2017:

| Description | Fair Value as of December 31, | Fair Value Measurements Using |  |
|-------------|-------------------------------|-------------------------------|--|
|             | December 31,                  | Quoted Prices in              | Significant Other Significant Unobservable |



|                               | <b>2017</b>    | <b>Active<br/>Markets<br/>for<br/>Identical<br/>Assets<br/>(Level<br/>1)</b> | <b>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Inputs<br/>(Level 3)</b> |
|-------------------------------|----------------|--|--|-----------------------------|
| <b>Assets/(Liabilities):</b>  |                |  |  |                             |
| Interest Rate Swap Agreements | 645,169        |  | 645,169                                    |                             |
| Interest Rate Swap Agreements | (126,525)      |  | (126,525)                                  |                             |
| <b>Total</b>                  | <b>518,644</b> |  | <b>518,644</b>                             |                             |

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The following tables summarize the valuation of assets measured at fair value on a non-recurring basis as of the valuation date.

| Description                     | Fair Value Measurements Using      |  |   |   |  | Impairment Loss    |
|---------------------------------|------------------------------------|--|---|---|--|--------------------|
|                                 | Fair Value as of December 31, 2016 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |  |                    |
| Long-lived assets held and used | 26,500,000                         |  | 26,500,000                                    |   |  | (5,735,086)        |
| <b>Total</b>                    | <b>26,500,000</b>                  |  | <b>26,500,000</b>                             |   |  | <b>(5,735,086)</b> |

As a result of the impairment analysis performed for the year ended December 31, 2016, six of the Company's vessels, with a carrying amount of \$32,235,086 were written down to their fair value as determined by the Company based on vessel valuations for the vessels, obtained from independent third party shipbrokers as of December 31, 2016, which are mainly based on recent sales and purchase transactions of similar vessels, resulting in an impairment charge of \$5,735,086. This impairment charge was included in the accompanying consolidated statement of operations under the caption "Impairment loss" for the year ended December 31, 2016.

| Description                     | Fair Value Measurements Using  |  |   |   |  | Impairment Loss    |
|---------------------------------|--------------------------------|--|---|---|--|--------------------|
|                                 | Fair Value as of June 30, 2017 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |  |                    |
| Long-lived assets held and used | 6,000,000                      |  | 6,000,000                                     |   |  | (897,965)          |
| Long-lived assets held for sale | 5,800,000                      |  | 5,800,000                                     |   |  | (2,327,927)        |
| <b>Total</b>                    | <b>11,800,000</b>              |  | <b>11,800,000</b>                             |   |  | <b>(3,225,892)</b> |

The vessels Gas Icon and Gas Emperor were classified as held for sale as of June 30, 2017 and were recognized at their fair value of \$5,800,000 less costs to sell. Costs to sell amounted to \$220,000. For Gas Monarch which was recorded at its Fair Value of \$6,000,000 as of June 30, 2017, depreciation amounting to \$255,015 was recorded in the period from July 1, 2017 to December 31, 2017 and the vessel is presented at fair value less depreciation i.e. \$5,744,985 in the accompanying consolidated balance sheet as of December 31, 2017.

| Description                     | Fair Value Measurements Using                |  |   |  | Impairment<br>Loss |
|---------------------------------|--|--|---|--|--------------------|
|                                 | Fair Value<br>as of<br>September 30,<br>2017 | Quoted Prices<br>in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level<br>1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |                    |
| Long-lived assets held and used | 8,000,000                                    |  | 8,000,000   |  | (1,258,037)        |
| Long-lived assets held for sale | 6,250,000                                    |  | 6,250,000   |  | (1,977,344)        |
| <b>Total</b>                    | <b>14,250,000</b>                            |  | <b>14,250,000</b>   |  | <b>(3,235,381)</b> |

The vessels Gas Moxie and Gas Nirvana were classified as held for sale as of September 30, 2017 and were recognized at their fair value of \$6,250,000 less costs to sell. Costs to sell amounted to \$272,750. For vessels Gas Pasha and Gas Evoluzione, which were recorded at their Fair Value of \$8,000,000 as of September 30, 2017, depreciation amounting to \$200,130 was recorded in the period from October 1, 2017 to December 31, 2017 and the vessels are presented at fair value less depreciation i.e. \$7,799,870 in the accompanying consolidated balance sheet as of December 31, 2017.

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As a result of the impairment analysis performed for the year ended December 31, 2017, three of the Company's vessels were written down to their fair value as determined by the Company based on vessel valuations, obtained from independent third party shipbrokers, which are mainly based on recent sales and purchase transactions of similar vessels, resulting in an impairment charge of \$2,156,002. Furthermore, four of the Company's vessels were classified as held for sale during 2017 resulting in an impairment charge of \$4,305,271 as their carrying amount exceeded their fair value which was determined based on their transaction price, as the sale price was agreed with unaffiliated third parties. These impairment charges were included in the accompanying consolidated statement of operations under the caption "Impairment loss" for the year ended December 31, 2017.

**13. Capital Stock, Treasury Stock and Additional Paid-in Capital**

The amounts shown in the accompanying consolidated balance sheets as additional paid-in capital, represent payments made by the stockholders for the acquisitions of the Company's vessels, or investments in the Company's common stock.

On March 22, 2010, the Company's Board of Directors adopted a new stock repurchase plan for up to \$15,000,000 to be used for repurchasing the Company's common shares. For the year ended December 31, 2010, the Company completed the repurchase of 1,205,229 shares paying an average price per share of \$5.21. These shares were cancelled and removed from the Company's capital stock. During the year ended December 31, 2011, the Company completed the repurchase of additional 551,646 shares paying an average price per share of \$4.05. These shares are held as treasury stock by the Company. No shares were repurchased during the years ended December 31, 2012 and 2013.

On April 30, 2013, the Company completed a follow-on public offering of 11,500,000 shares of common stock, par value of \$0.01, for \$10.00 per share. The gross proceeds from the offering amounted to \$115,000,000, while the net proceeds after the underwriters' discounts and commissions and other related expenses amounted to \$109,119,029.

On February 14, 2014, the Company completed an underwritten registered offering of 3,398,558 shares of common stock, par value of \$0.01, for \$9.71 per share. The gross proceeds from the offering amounted to \$32,999,998, while the net proceeds after the underwriters' discounts and commissions and other related expenses amounted to \$31,937,044.

On May 7, 2014, the Company completed an underwritten registered offering of 4,476,195 shares of common stock, par value of \$0.01, for \$10.50 per share. The gross proceeds from the offering amounted to \$47,000,047, while the net proceeds after the underwriters' discounts and commissions and other related expenses amounted to \$46,294,133.

On August 12, 2014, the Company completed an underwritten registered offering of 3,500,000 shares of common stock, par value of \$0.01, for \$10.00 per share. The gross proceeds from the offering amounted to \$35,000,000, while the net proceeds after the underwriters' discounts and commissions and other related expenses amounted to \$34,071,501.

On November 26, 2014, the Company's Board of Directors adopted a new stock repurchase plan for up to \$10,000,000 to be used for repurchasing the Company's common shares. For the year ended December 31, 2014, the Company completed the repurchase of 843,022 shares paying an average price per share of \$6.30. These shares are held as treasury stock by the Company.

On February 26, 2015, the Company's Board of Directors approved the extension of the existing stock repurchase plan for an additional amount of \$20,000,000 to be used for repurchasing the Company's common shares. For the year ended December 31, 2015, the Company completed the repurchase of 2,372,097 shares



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paying an average price per share of \$5.46. For the year ended December 31, 2016, the Company completed the repurchase of an additional 657,113 shares paying an average price per share of \$3.10. These shares are held as treasury stock by the Company. For the year ended December 31, 2017, the Company has not made any repurchase of its common shares.

**14. Equity Compensation Plan**

In 2015 the Company's shareholders and board of directors adopted an Equity Compensation Plan (the Plan), which replaced the Company's previous equity compensation plan which was adopted in 2007 and expired in 2015 (the 2007 Plan) under which the Company's employees, directors or other persons or entities providing significant services to the Company or its subsidiaries are eligible to receive stock-based awards including restricted stock, restricted stock units, unrestricted stock, bonus stock, performance stock and stock appreciation rights. The Plan is administered by the Compensation Committee of the Company's board of directors and the aggregate number of shares of common stock reserved under this plan cannot exceed 10% of the number of shares of Company's common stock issued and outstanding at the time any award is granted. The Company's Board of Directors may terminate the Plan at any time. As of December 31, 2016, a total of 555,479 restricted shares had been granted under the 2007 Plan since the first grant in the third quarter of 2007 and no awards had been granted under the Plan. No additional awards may be granted under the 2007 Plan.

On November 22, 2012, the Company granted 74,761 non-vested restricted shares to the Company's CEO, CFO, Executive and non-executive members of Board of Directors. The fair value of each share granted was \$7.26 which is equal to the market value of the Company's common stock on that day. The restricted shares vested on September 30, 2014.

On November 20, 2014, the Company granted 230,713 of non-vested restricted shares under the 2007 plan to the Company's CEO and non-executive members of Board of Directors of the Company. The fair value of each share granted was \$7.58 which is equal to the market value of the Company's common stock on that day. The restricted shares vest over 3 years from the grant date (115,357 restricted shares on November 20, 2015, 57,678 restricted shares on November 20, 2016 and 57,678 restricted shares on November 20, 2017).

All unvested restricted shares are conditional upon the option holder's continued service as an employee of the Company, or as a director until the applicable vesting date. Until the forfeiture of any restricted shares, the grantee has the right to vote such restricted shares, to receive and retain all regular cash dividends paid on such restricted shares 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 restricted shares.

The Company pays dividends on all restricted shares regardless of whether they have vested and there is no obligation of the employee to return the dividend when employment ceases. The Company did not pay any dividends in the years ended December 31, 2015, 2016 and 2017. The Company accounts for forfeitures as they occur.

Management has selected the accelerated method allowed by the guidance with respect to recognizing stock based compensation expense for restricted share awards with graded vesting because it considers this method to better match expense with benefits received.

In addition, non-vested awards granted to non-employees are measured at their then-current fair value as of the financial reporting dates until non-employees complete the service.

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The stock based compensation expense for the vested and non-vested shares for the years ended December 31, 2015, 2016 and 2017 amounted to \$1,140,084, \$340,377 and \$129,245, respectively, and is included in the consolidated statements of operations under the caption General and administrative expenses .

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A summary of the status of the Company's non-vested restricted shares as of December 31, 2017, is presented below:

|                                      | <b>Number of<br/>restricted shares</b> | <b>Weighted average grant<br/>date fair value<br/>per<br/>non-vested share</b> |
|--------------------------------------|--|--|
| Non-vested, January 1, 2017          | 57,678                                 | 7.58   |
| Vested                               | 57,678                                 | 7.58   |
| <b>Non-vested, December 31, 2017</b> |  |  |

The total fair value of shares vested during the years ended December 31, 2015, 2016 and 2017 was \$441,815, \$210,525 and \$220,907, respectively, based on the closing share price at each vesting date.

**15. Earnings/(loss) per share**

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share give effect to all potentially dilutive securities. All of the Company's shares (including non-vested restricted stock issued under the Plan) participate equally in dividend distributions and in undistributed earnings.

The Company applies the two-class method of computing earnings per share (EPS) as the unvested share-based payment awards that contain rights to receive non forfeitable dividends are participating securities. Dividends declared during the period for non-vested restricted stock as well as undistributed earnings allocated to non-vested stock are deducted from net income for the purpose of the computation of basic earnings per share in accordance with the two-class method. The denominator of the basic earnings per common share excludes any non-vested shares as such they are not considered outstanding until the time-based vesting restriction has elapsed.

For purposes of calculating diluted earnings per share, dividends declared during the period for non-vested restricted stock and undistributed earnings allocated to non-vested stock are not deducted from net income as reported since such calculation assumes non-vested restricted stock is fully vested from the grant date.

The Company calculates basic and diluted earnings per share as follows:

|  | <b>Year Ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2015</b>                    | <b>2016</b> | <b>2017</b> |
| <b>Numerator</b>   |                                |             |             |
| Net income/(loss)  | 2,566,678                      | (7,798,300) | (1,218,237) |
| Less: Undistributed earnings allocated to non-vested shares      | (13,457)                       |             |             |
| Net income/(loss) attributable to common shareholders, basic     | 2,553,221                      | (7,798,300) | (1,218,237) |
| <b>Denominator</b>   |                                |             |             |
| Weighted average number of shares outstanding, basic and diluted | 41,315,127                     | 39,824,038  | 39,809,364  |



|  |      |        |        |
|--|------|--------|--------|
| Earnings/(loss) per share, basic and diluted | 0.06 | (0.20) | (0.03) |
|--|------|--------|--------|

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The amounts in the accompanying consolidated statements of operations are analyzed as follows:

|                                     | <b>Year ended December 31,</b> |                    |                    |
|-------------------------------------|--------------------------------|--------------------|--------------------|
|                                     | <b>2015</b>                    | <b>2016</b>        | <b>2017</b>        |
| Time charter revenues               | 68,834,267                     | 83,211,819         | 97,195,215         |
| Time charter revenues related party | 9,814,000                      | 7,592,784          | 1,973,643          |
| Bareboat revenues                   | 32,977,819                     | 29,422,512         | 27,647,268         |
| Voyage charter revenues             | 26,421,003                     | 23,210,618         | 26,924,708         |
| Ballast bonus                       | 300,000                        | 50,000             | 160,000            |
| Other income                        | 3,214,382                      | 2,284,418          | 1,426,387          |
| Off-hire                            | (245,590)                      | (1,639,968)        | (1,015,300)        |
| <b>Total</b>                        | <b>141,315,881</b>             | <b>144,132,183</b> | <b>154,311,921</b> |

**17. Voyage Expenses and Vessel Operating Expenses**

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

| <b>Voyage Expenses</b> | <b>Year ended December 31,</b> |                   |                   |
|------------------------|--------------------------------|-------------------|-------------------|
|                        | <b>2015</b>                    | <b>2016</b>       | <b>2017</b>       |
| Port expenses          | 3,960,574                      | 3,306,157         | 2,546,926         |
| Bunkers                | 8,566,490                      | 6,117,326         | 6,668,126         |
| Commissions            | 4,112,177                      | 4,259,812         | 4,584,612         |
| Other voyage expenses  | 936,297                        | 1,706,970         | 1,916,873         |
| <b>Total</b>           | <b>17,575,538</b>              | <b>15,390,265</b> | <b>15,716,537</b> |

| <b>Vessels Operating Expenses</b> | <b>Year ended December 31,</b> |                   |                   |
|-----------------------------------|--------------------------------|-------------------|-------------------|
|                                   | <b>2015</b>                    | <b>2016</b>       | <b>2017</b>       |
| Crew wages and related costs      | 31,391,419                     | 36,821,527        | 37,345,800        |
| Insurance                         | 2,415,028                      | 2,421,948         | 2,016,647         |
| Repairs and maintenance           | 5,091,916                      | 5,724,148         | 6,424,557         |
| Spares and consumable stores      | 7,978,592                      | 8,514,293         | 8,508,276         |
| Miscellaneous expenses            | 3,777,670                      | 5,340,920         | 5,124,154         |
| <b>Total</b>                      | <b>50,654,625</b>              | <b>58,822,836</b> | <b>59,419,434</b> |

**18. Income Taxes**

Under the laws of the countries of the companies' incorporation and/or vessels' registration, the companies are not subject to tax on international shipping income, however, they are subject to registration and tonnage taxes, which have been included in Vessel operating expenses in the consolidated statements of operations.

Pursuant to the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operations of ships is generally exempt from U.S. tax if the Company operating the ships meets certain requirements. Among other things, in order to qualify for this exemption, the Company operating the ships must be incorporated in a country which grants an equivalent exemption from income taxes to U.S. corporations. All the Company's ship-operating subsidiaries satisfy these initial criteria. In addition, these companies must be more than 50% owned by individuals who are residents, as defined, in the country of incorporation or another foreign country that grants an equivalent exemption to U.S. corporations. These companies also currently satisfy the more than 50% beneficial ownership requirement.

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In addition, the management of the Company believes that by virtue of a special rule applicable to situations where the ship-operating companies are beneficially owned by a publicly traded company like the Company, the more than 50% beneficial ownership requirement can also be satisfied based on the trading volume and the anticipated widely-held ownership of the Company's shares, but no assurance can be given that this will remain so in the future, since continued compliance with this rule is subject to factors outside the Company's control.

**19. Commitments and Contingencies**

From time to time the Company expects to be subject to legal proceedings and claims in the ordinary course of its business, principally personal injury and property casualty claims. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. On August 5, 2015, our Aframax tanker *Spike* (now named *Stealth Berana*) was arrested. This action related to security sought in connection with an arbitration proceeding involving a vessel not in the Company's fleet that the applicant claims is under common control with the MT *Spike*. On August 20, 2015, the Company in order to secure the vessel's release, lodged to the court a bank guarantee amounting to \$9,837,000. The bank guarantee was finally released on November 17, 2016 and as the Company had anticipated, the outcome of this case did not have any material effect on its operations and financial position.

During 2014 and as amended on November 17, 2016 and July 18, 2017, the Company has entered into separate agreements to acquire four LPG carriers which three of them are currently under construction, and are described in Note 5. The Company has future outstanding commitments for installment payments for these agreements as follows:

| <b>December 31</b> | <b>Amount</b> |
|--------------------|---------------|
| 2018               | 103,307,820   |
| Total              | 103,307,820   |

Future minimum contractual charter revenues, gross of commissions, based on vessels committed to non-cancellable, long-term time and bareboat charter contracts as of December 31, 2017, amount to \$90,394,968 during 2018, \$35,806,235 during 2019, \$21,966,407 during 2020, \$10,970,170 during 2021 and \$3,519,740 during 2022.

**20. Sale and Leaseback of Vessels**

In November and December 2014, the Company sold the vessels *Gas Premiership* and *Gas Cathar* and realized a total gain of \$780,695. The Company entered into bareboat charter agreements to leaseback the vessels for a period of four years. The charter back agreements are accounted for as operating leases and the gain on the sale was deferred and is being amortized to income over the four-year lease period. On December 16, 2016, the bareboat charter agreement for *Gas Cathar* was amended resulting in the extension of the charter period to five years and three months from the delivery date and to the reduction of monthly charter hire. For the years ended December 31, 2015, 2016 and 2017, the amortization amounted to \$195,040, \$195,574 and \$195,040, respectively, and is included in Charter hire expenses in the consolidated statements of operations. Lease payments relating to the bareboat charters of the vessels amounted

to \$4,320,000, \$4,249,961 and \$3,719,810 for the years ended December 31, 2015, 2016 and 2017, and are included in Charter hire expenses in the consolidated statements of operations. Future lease payments as of December 31, 2017, until the expiry of the charter back agreements, amount to \$3,540,000 during 2018, \$1,560,000 during 2019 and \$390,000 during 2020.

## **21. Subsequent Events**

- (a) On January 5, 2018, the Company paid to the shipbuilder one installment amounting to \$5,208,000 for one LPG carrier under construction contracted in 2014.

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- (b) On January 10, 2018, the Company, after the payment of the delivery installment to the shipbuilder amounting to \$31,968,500, took delivery of the vessel Eco Arctic .
  
- (c) On January 15, 2018, the Company, after the payment of the delivery installment to the shipbuilder amounting to \$32,704,200, took delivery of the vessel Eco Ice .
  
- (d) On February 1, 2018, the Company as a condition of its term loan dated May 18, 2016, entered into an amortizing interest rate swap agreement for a notional amount of \$32,632,000. The agreement is effective from April 10, 2018 and expires on December 31, 2025; under this agreement the Company receives each quarter interest on the notional amount based on the three month LIBOR rate and pays interest based on a fixed interest rate of 2.74%.
  
- (e) On February 28, 2018, the Company as a condition of its term loan dated December 7, 2017, entered into an amortizing interest rate swap agreement for a notional amount of \$21,586,250. The agreement is effective from March 12, 2018 and expires on December 11, 2022; under this agreement the Company receives each quarter interest on the notional amount based on the three month LIBOR rate and pays interest based on a fixed interest rate of 2.74%.
  
- (f) In March and April 2018, the Company concluded memorandum of agreements for the disposal of the vessels Gas Legacy and Gas Enchanted to unaffiliated third parties for \$4,990,000 and \$8,950,000, respectively. The Company decided to dispose of these vessels as the agreed selling price was a suitable opportunity.
  
- (g) On April 17, 2018, the Company, after the payment of the delivery installment to the shipbuilder amounting to \$33,427,120, took delivery of the vessel Eco Freeze .