

SCORPIO BULKERS INC.  
Form F-1/A  
August 29, 2014  
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As filed with the Securities and Exchange Commission on August 29, 2014

Registration No. 333-197949

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Amendment No. 1**  
**to**  
**Form F-1**  
***REGISTRATION STATEMENT***  
***UNDER***  
***THE SECURITIES ACT OF 1933***

**SCORPIO BULKERS INC.**

(Exact name of registrant as specified in its charter)

<b>Marshall Islands</b> (State or other jurisdiction of incorporation or organization)	<b>4412</b> (Primary Standard Industrial Classification Code Number)	N/A (I.R.S. Employer Identification Number)
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**Seward & Kissel LLP**

**Attention: Lawrence Rutkowski, Esq.**

**Edward S. Horton, Esq.**

**One Battery Park Plaza**

**New York, New York 10004**

**(212) 574-1200**

(Name, address and telephone

including area code, of registrant's principal executive offices)

number of agent for service)

**Scorpio Bulkiers Inc.**

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**Approximate date of commencement of proposed sale to the public:**

**As soon as practicable after this Registration Statement becomes effective.**

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum	
	Aggregate Offering Price <sup>(1)(2)</sup>	Amount of Registration Fee <sup>(3)</sup>
% Senior Notes due	\$57,500,000	\$7,406

- (1) Includes an additional \$7,500,000 aggregate principal amount of our % Senior Notes due that the underwriters have an option to purchase.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
- (3) Calculated in accordance with Rule 457(o) under the Securities Act of 1933, as amended. The amount of the registration fee was previously paid on August 7, 2014.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the U.S. Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED AUGUST 29, 2014**

**PRELIMINARY PROSPECTUS**

**\$50,000,000**

**% Senior Notes due 2019**

**Scorpio Bulkera Inc.**

We are offering \$50,000,000 aggregate principal amount of our % Senior Notes due 2019 (the Notes ). We have granted the underwriters the option to purchase, exercisable during the 30-day period beginning on the date of this prospectus, up to an additional \$7,500,000 aggregate principal amount of the Notes. The Notes will bear interest from , 2014 at a rate of % per year. The Notes will mature on , 2019. Interest on the Notes will be payable quarterly in arrears on the 15th day of March, June, September and December of each year, commencing on , 2014. We may redeem the Notes at our option, in whole or in part, at any time on or after at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date, as described in Description of Notes Optional Redemption. In addition, we may redeem the Notes in whole, but not in part, at any time at our option, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date, if certain events occur involving changes in taxation, as described in this prospectus under Description of Notes Optional Redemption for Changes in Withholding Taxes.

The Notes will be senior unsecured obligations and will rank equally with all of our existing and future senior unsecured and unsubordinated debt. The Notes will be effectively subordinated to our existing and future secured debt, to the extent of the value of the assets securing such debt, and will be structurally subordinated to all existing and future debt and other liabilities of our subsidiaries. The Notes will be issued in minimum denominations of \$25.00 and integral multiples of \$25.00 in excess thereof.

Investing in our Notes involves risks. Please read Risk Factors beginning on page 22.

*Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.*

	Per Note	Total
Public offering price	\$	\$
Underwriting discounts and commissions		
Proceeds, before expenses, to us <sup>(1)</sup>	\$	\$

(1) Plus accrued interest from \_\_\_\_\_ if settlement occurs after that.

We have applied for the listing of the Notes on the New York Stock Exchange under the symbol SLTB. If approved for listing, trading on the New York Stock Exchange is expected to commence within 30 days after the Notes are first issued.

We expect that delivery of the Notes will be made to investors on or about \_\_\_\_\_, 2014, through the book-entry system of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear system, and Clearstream Banking, *société anonyme*.

**Stifel**  
Prospectus dated

, 2014

**Deutsche Bank Securities**

**Jefferies**

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized any other person to provide you with additional, different or inconsistent information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission (the "SEC") is effective. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus is accurate as of any date other than the date on the front cover of this prospectus unless otherwise specified herein. Our business, financial condition, results of operations and prospects may have changed since that date. Information contained on our website does not constitute part of this prospectus.

We have not taken any action to permit a public offering of these securities outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of these securities and the distribution of this prospectus outside the United States.

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**PROSPECTUS SUMMARY**

*This summary highlights information that appears later in this prospectus and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this prospectus. This summary may not contain all of the information that may be important to you. As an investor or prospective investor, you should carefully review the entire prospectus, including the section of this prospectus entitled Risk Factors and the more detailed information that appears later in this prospectus before making an investment in our Notes. The information presented in this prospectus assumes, unless otherwise indicated, that the underwriters' option to purchase up to \$ aggregate principal amount of the Notes is not exercised.*

*Unless otherwise indicated, references to Scorpio Bulkera, the Company, we, our, us or similar terms refer to the registrant, Scorpio Bulkera Inc., and its subsidiaries, except where the context otherwise requires. We use the term deadweight tons, or dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, in describing the size of our vessels. Unless otherwise indicated, all references to U.S. dollars, dollars, U.S. \$ and \$ in this prospectus are to the lawful currency of the United States of America.*

**Our Business**

We are an international shipping company that was incorporated in the Republic of the Marshall Islands on March 20, 2013 for the purpose of acquiring and operating the latest generation of newbuilding drybulk carriers with fuel-efficient specifications and carrying capacities of greater than 30,000 dwt. We believe that it is an opportune time to acquire these vessels because acquisition costs for these vessels are currently near the lowest average levels of the past 10 years. In addition, we believe that recent advances in shipbuilding design and technology should make these latest generation vessels more fuel-efficient than older vessels in the global fleet that compete with us for charters, providing us with a competitive advantage. Our fleet transports a broad range of major and minor bulk commodities, including ores, coal, grains, and fertilizers, along worldwide shipping routes, and are, or are expected to be, employed primarily in the spot market or in spot market-oriented pools of similarly sized vessels. As of the date of this prospectus, our operating fleet consists of 19 drybulk vessels, of which 18 are vessels that we charter-in and one is a recently delivered Kamsarmax vessel from our Newbuilding Program, with an aggregate carrying capacity of approximately 1.5 million dwt, which we refer to as our Operating Fleet. We also have one time charter-in contract that is scheduled to commence during the first half of 2015 and contracts for the construction of 79 newbuilding drybulk vessels at established shipyards in Japan, China, South Korea and Romania, which we have agreed to acquire for an aggregate purchase price of \$3,070.8 million, including 29 Ultramax vessels, 22 Kamsarmax vessel and 28 Capesize vessels, each with a carrying capacity of between 60,000 dwt and 180,000 dwt and an aggregate carrying capacity of approximately 8.6 million dwt. We refer to these newbuilding vessels as our Newbuilding Program. We expect to take delivery of the vessels in our Newbuilding Program as follows: one vessel in 2014, 42 vessels in 2015 and 36 vessels in 2016. Until we have taken delivery of a larger number of the vessels in our Newbuilding Program, we do not anticipate earning a material amount of revenues from our operations.

In December 2013, we completed our underwritten initial public offering of 31,300,000 common shares at \$9.75 per share, and in January 2014, the underwriters in the initial public offering exercised their option to purchase an additional 4,695,000 common shares. In February 2014, we completed our offer to exchange unregistered common shares that were previously issued in Norwegian equity private placements (other than the common shares owned by affiliates of us) for common shares that were registered under the Securities Act of 1933, as amended, which we refer to as the Exchange Offer. Upon completion of the Exchange Offer, holders of 95,766,779 unregistered common shares validly tendered their shares in exchange for such registered common shares, representing a participation rate of 99.7%. On July 31, 2014, we delisted from the Norwegian OTC. Our common shares currently trade on the New York Stock Exchange under the symbol SALT.





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Following the completion of this offering, we expect to have in excess of \$       million of available cash. As of June 30, 2014, we have paid a total of \$764.1 million in initial installment payments due under our shipbuilding contracts for our Newbuilding Program. We plan to finance the remaining contractual commitments of \$2,338.8 million with the net proceeds received from this offering, cash on hand, cash flows from operations, borrowings under committed and proposed new secured credit facilities, and from capital raised in the public and private debt and equity markets. We cannot assure you that we will be successful in obtaining the financing necessary to fund all of our remaining contractual obligations under our shipbuilding contracts or will be able to take delivery of all the vessels we have agreed to acquire.

In addition, we plan to use all or substantially all of the net proceeds from this offering and the net proceeds from future equity or debt offerings or both, together with the amounts we expect to be available to us under our credit facilities to fund installment payments due under our Newbuilding Program, and the remaining amounts, if any, for general corporate purposes and working capital. Our intention is to acquire additional latest generation drybulk carriers with fuel-efficient vessel specifications and carrying capacities of greater than 30,000 dwt, either directly from shipyards or from owners with existing newbuilding vessel contracts. We may also acquire secondhand vessels that meet our stringent vessel specifications. The timing of these vessel acquisitions will depend on our ability to identify suitable vessels on attractive acquisition terms. Although we may have the capacity to obtain additional financing, we intend to maintain moderate levels of leverage of not more than 60% of the value of our vessels collateralizing our indebtedness on a consolidated basis.

Our Co-Founder, Chairman and Chief Executive Officer, Mr. Emanuele Lauro, is a member of the Lolli-Ghetti family, which in 2009 founded Scorpio Tankers Inc. (NYSE: STNG ), or Scorpio Tankers, a large international shipping company engaged in seaborne transportation of refined petroleum products. As of August 28, 2014, it owned or had contracted for the construction of 75 tanker vessels. Mr. Lauro is currently its Chairman and Chief Executive Officer. The Lolli-Ghetti family also owns and controls the Scorpio Group, which includes Scorpio Ship Management S.A.M., or SSM, which provides us with vessel technical management services, Scorpio Commercial Management S.A.M., or SCM, which provides us with vessel commercial management services, and Scorpio Services Holding Limited, or SSH, which provides us and other related entities with administrative services and services related to the acquisition of vessels. Our Co-Founder, President and Director, Mr. Robert Bugbee is also the President and a Director of Scorpio Tankers, has a senior management position at the Scorpio Group, and was formerly the President and Chief Operating Officer of OMI Corporation, or OMI, which was a publicly traded shipping company. SSM and SCM also provide technical and commercial management services to Scorpio Tankers as well as unaffiliated vessel owners.

**Our Relationship with the Scorpio Group**

We believe that one of our principal strengths is our relationship with Scorpio Tankers and the Scorpio Group of companies. Our vessel operations are managed under the supervision of our board of directors, by our management team and by members of the Scorpio Group of companies. We expect that our relationship with Scorpio Tankers and the Scorpio Group of companies will give us access to their relationships with major international charterers, lenders and shipbuilders. We will have access to Scorpio Group's customer and supplier relationships and their technical, commercial and managerial expertise, which we believe will allow us to compete more effectively and operate our vessels on a cost efficient basis. The Scorpio Group, through SSH, beneficially owns approximately 1.0% of our common shares, excluding the common shares to be issued pursuant to the Administrative Services Agreement. Please see Security Ownership of Certain Beneficial Owners and Management.



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In addition to our relationship with Scorpio Tankers, we believe there are opportunities for us to benefit from operational, charterer and shipyard-based synergies due to our broader shared relationship with the Scorpio Group which includes:

SSM, which provides vessel technical management services for 40 vessels owned by third-parties, including Scorpio Tankers, and provides us with the same services for all of our vessels.

SCM, which provides vessel commercial management services for 100 vessels owned by third-parties, including Scorpio Tankers, and provides us with the same services for all of our vessels. SCM manages 75 vessels (excluding the vessels in our fleet) through the spot market-oriented Scorpio Group Pools, which currently include the Scorpio LR2 Pool, the Scorpio Panamax Tanker Pool, the Scorpio MR Pool, Scorpio Handymax Tanker Pool, the Scorpio Ultramax Pool, Scorpio Kamsarmax Pool and the Scorpio Capesize Pool.

SSH, which provides us and related entities with administrative services and services related to the acquisition of vessels.

We can provide no assurance, however, that we will realize any benefits from our relationship with Scorpio Tankers or the Scorpio Group.

Emanuele Lauro, our Co-Founder, Chairman and Chief Executive Officer, is a member of the Lolli-Ghetti family which owns and controls SCM, our commercial manager, and SSM, our technical manager. These relationships, and other relationships between certain of our executive officers and members of the Scorpio Group, may create certain conflicts of interest between us, on the one hand, and other members of the Scorpio Group, including our commercial and technical manager, on the other hand. For example, our Chief Executive Officer, President, and Chief Operating Officer each participate in business activities not associated with us, including serving as members of the management team of Scorpio Tankers, and are not required to work full-time on our affairs. We expect that each of our executive officers devote a substantial portion of his business time to the completion of our Newbuilding Program and management of the Company. Additionally, our executive officers named above serve in similar positions in the Scorpio Group. This may create conflicts of interest in matters involving or affecting us and our customers, including in the chartering, purchase, sale and operation of the vessels in our fleet versus vessels managed by other members of the Scorpio Group. As result of these conflicts, it is not certain that these conflicts of interest will be resolved in our favor, and other members of the Scorpio Group, who have limited contractual duties, may favor their own or other owners interest over our interests. Please see Risk Factors Our Chief Executive Officer, President and Chief Operating Officer will not devote all of their time to our business, which may hinder our ability to operate successfully.

**Table of Contents****Our Fleet**

The following table summarizes key information about our Newbuilding Program and our Operating Fleet as of the date of this prospectus:

**Newbuilding Program****Capesize**

<b>Vessel Name</b>	<b>Expected Delivery <sup>(1)</sup></b>	<b>DWT</b>	<b>Shipyard</b>
1 Hull H1309 TBN SBI Puro	Q1-15	180,000	Waigaoqiao
2 Hull H1310 TBN SBI Valrico	Q2-15	180,000	Waigaoqiao
3 Hull H1311 TBN SBI Maduro	Q3-15	180,000	Waigaoqiao
4 Hull H1364 TBN SBI Belicoso	Q4-15	180,000	Waigaoqiao
5 Hull H1365 TBN SBI Corona	Q1-16	180,000	Waigaoqiao
6 Hull H1366 TBN SBI Diadema	Q2-16	180,000	Waigaoqiao
7 Hull H1367 TBN SBI Estupendo	Q3-16	180,000	Waigaoqiao
8 Hull S1205 TBN SBI Camacho	Q1-15	180,000	Sungdong
9 Hull S1206 TBN SBI Montesino	Q2-15	180,000	Sungdong
10 Hull S1211 TBN SBI Magnum	Q2-15	180,000	Sungdong
11 Hull S1212 TBN SBI Montecristo	Q3-15	180,000	Sungdong
12 Hull S1213 TBN SBI Aroma	Q3-15	180,000	Sungdong
13 Hull S1214 TBN SBI Cohiba	Q4-15	180,000	Sungdong
14 Hull S1215 TBN SBI Habano	Q4-15	180,000	Sungdong
15 Hull S1216 TBN SBI Lonsdale	Q1-16	180,000	Sungdong
16 Hull S1217 TBN SBI Partagas	Q1-16	180,000	Sungdong
17 Hull S1218 TBN SBI Parejo	Q1-16	180,000	Sungdong
18 Hull S1219 TBN SBI Toro	Q2-16	180,000	Sungdong
19 Hull S1220 TBN SBI Tuscamina	Q2-16	180,000	Sungdong
20 Hull H1059 TBN SBI Churchill	Q4-15	180,000	Daewoo
21 Hull H1060 TBN SBI Perfecto	Q4-15	180,000	Daewoo
22 Hull H1061 TBN SBI Presidente	Q1-16	180,000	Daewoo
23 Hull H1062 TBN SBI Panatela	Q1-16	180,000	Daewoo
24 Hull H1063 TBN SBI Robusto	Q2-16	180,000	Daewoo
25 Hull HN1058 TBN SBI Behike	Q3-15	180,000	Daehan
26 Hull HN1059 TBN SBI Monterrey	Q4-15	180,000	Daehan
27 Hull HN1060 TBN SBI Macanudo	Q4-15	180,000	Daehan
28 Hull HN1061 TBN SBI Cuaba	Q1-16	180,000	Daehan
<b>Aggregate Capesize Newbuilding DWT</b>		<b>5,040,000</b>	

**Table of Contents****Kamsarmax**

<b>Vessel Name</b>	<b>Expected Delivery <sup>(1)</sup></b>	<b>DWT</b>	<b>Shipyard</b>
1 Hull H1285 TBN SBI Charleston	Q3-14	82,000	Waigaoqiao
2 Hull S1680 TBN SBI Samba	Q1-15	84,000	Imabari
3 Hull S1681 TBN SBI Rumba	Q3-15	84,000	Imabari
4 Hull 1090 TBN SBI Electra	Q3-15	82,000	Yangzijiang
5 Hull 1091 TBN SBI Flamenco	Q3-15	82,000	Yangzijiang
6 Hull 1092 TBN SBI Rock	Q4-15	82,000	Yangzijiang
7 Hull 1093 TBN SBI Twist	Q1-16	82,000	Yangzijiang
8 Hull SS164 TBN SBI Salsa	Q3-15	81,600	Tsuneishi
9 Hull SS179 TBN SBI Merengue	Q1-16	81,600	Tsuneishi
10 Hull S1228 TBN SBI Capoeira	Q1-15	82,000	Hudong
11 Hull S1722A TBN SBI Conga	Q2-15	82,000	Hudong
12 Hull S1723A TBN SBI Bolero	Q2-15	82,000	Hudong
13 Hull S1229 TBN SBI Carioca	Q2-15	82,000	Hudong
14 Hull S1724A TBN SBI Sousta	Q3-15	82,000	Hudong
15 Hull S1725A TBN SBI Reggae	Q1-16	82,000	Hudong
16 Hull S1726A TBN SBI Zumba	Q1-16	82,000	Hudong
17 Hull S1231 TBN SBI Macarena	Q1-16	82,000	Hudong
18 Hull S1735A TBN SBI Parapara	Q1-16	82,000	Hudong
19 Hull S1736A TBN SBI Mazurka	Q2-16	82,000	Hudong
20 Hull S1230 TBN SBI Lambada	Q3-15	82,000	Hudong
21 Hull S1232 TBN SBI Swing	Q2-16	82,000	Hudong
22 Hull S1233 TBN SBI Jive	Q3-16	82,000	Hudong
<b>Aggregate Kamsarmax Newbuilding DWT</b>		<b>1,807,200</b>	

**Table of Contents****Ultramax**

<b>Vessel Name</b>	<b>Expected Delivery <sup>(1)</sup></b>	<b>DWT</b>	<b>Shipyard</b>
1 Hull 1907 TBN SBI Hera	Q2-16	60,200	Mitsui
2 Hull 1906 TBN SBI Zeus	Q2-16	60,200	Mitsui
3 Hull 1911 TBN SBI Poseidon	Q3-16	60,200	Mitsui
4 Hull 1912 TBN SBI Apollo	Q3-16	60,200	Mitsui
5 Hull S870 TBN SBI Echo	Q3-15	61,000	Imabari
6 Hull S871 TBN SBI Tango	Q3-15	61,000	Imabari
7 Hull S-A098 TBN SBI Achilles	Q1-16	61,000	Imabari
8 Hull S-A089 TBN SBI Cronos	Q1-16	61,000	Imabari
9 Hull S-A090 TBN SBI Hermes	Q1-16	61,000	Imabari
10 Hull NE180 TBN SBI Bravo	Q1-15	61,000	Nacks
11 Hull NE181 TBN SBI Antares	Q1-15	61,000	Nacks
12 Hull NE182 TBN SBI Maia	Q3-15	61,000	Nacks
13 Hull NE183 TBN SBI Hydra	Q3-15	61,000	Nacks
14 Hull NE194 TBN SBI Hyperion	Q2-16	61,000	Nacks
15 Hull NE195 TBN SBI Tethys	Q2-16	61,000	Nacks
16 Hull DE018 TBN SBI Leo	Q1-15	61,000	Dacks
17 Hull DE019 TBN SBI Lyra	Q2-15	61,000	Dacks
18 Hull DE020 TBN SBI Subaru	Q2-15	61,000	Dacks
19 Hull DE021 TBN SBI Ursa	Q3-15	61,000	Dacks
20 Hull CX0610 TBN SBI Athena	Q1-15	64,000	Chengxi
21 Hull CX0651 TBN SBI Pegasus	Q3-15	64,000	Chengxi
22 Hull CX0652 TBN SBI Orion	Q4-15	64,000	Chengxi
23 Hull CX0612 TBN SBI Thalia	Q4-15	64,000	Chengxi
24 Hull CX0653 TBN SBI Hercules	Q1-16	64,000	Chengxi
25 Hull CX0627 TBN SBI Perseus	Q1-16	64,000	Chengxi
26 Hull CX0654 TBN SBI Kratos	Q2-16	64,000	Chengxi
27 Hull CX0655 TBN SBI Samson	Q2-16	64,000	Chengxi
28 Hull CX0613 TBN SBI Phoebe	Q3-16	64,000	Chengxi
29 Hull CX0656 TBN SBI Phoenix	Q3-16	64,000	Chengxi
<b>Ultramax NB DWT</b>		<b>1,795,800</b>	
<b>Aggregate Newbuild DWT</b>		<b>8,643,000</b>	

\* As used in this prospectus, Dacks refers to Dalian COSCO KHI Ship Engineering Co. Ltd., Daehan refers to Daehan Shipbuilding Co., Ltd., Daewoo refers to Daewoo Mangalia Heavy Industries S.A., Chengxi refers to Chengxi Shipyard Co., Ltd., Hudong refers to Hudong-Zhonghua Shipbuilding (Group) Co., Inc., Imabari refers to Imabari Shipbuilding Co. Ltd., Mitsui refers to Mitsui Engineering & Shipbuilding Co. Ltd., Nacks refers to Nantong COSCO KHI Ship Engineering Co., Ltd., Sungdong refers to Sungdong Shipbuilding & Marine Engineering Co., Ltd., Tsuneishi refers to Tsuneishi Group (Zhoushan) Shipbuilding Inc., Waigaoqiao refers to Shanghai Waigaoqiao Shipbuilding Co., Ltd., and Yangzijiang refers to Jiangsu Yangzijiang Shipbuilding Co. Ltd.

(1) Expected Delivery refers to the quarter during which each vessel is currently expected to be delivered from the shipyard.

**Operating Fleet**

**Owned Vessel**

<b>Vessel Name</b>	<b>Year Built</b>	<b>DWT</b>	<b>Vessel Type</b>
SBI Cakewalk	2014	82,000	Kamsarmax



**Table of Contents****Time Chartered-in Vessels**

<b>Vessel Type</b>	<b>Year Built</b>	<b>DWT</b>	<b>Where Built</b>	<b>Daily Base Rate</b>	<b>Earliest Expiry</b>
Post-Panamax	2010	93,000	China	\$13,250	23-Oct-14 <sup>(1)</sup>
Post-Panamax	2011	93,000	China	\$13,500	24-Oct-14 <sup>(2)</sup>
Post-Panamax	2009	93,000	China	See Note <sup>(3)</sup>	9-May-15 <sup>(3)</sup>
Kamsarmax	2009	82,500	Japan	\$14,500	8-Feb-15 <sup>(4)</sup>
Kamsarmax	2012	82,000	South Korea	\$15,500	23-Jul-17 <sup>(5)</sup>
Kamsarmax	2011	81,900	South Korea	\$12,750	3-Apr-15 <sup>(6)</sup>
Kamsarmax	2012	81,500	South Korea	\$14,500	7-Dec-14 <sup>(7)</sup>
Kamsarmax	2011	81,500	South Korea	\$15,000	15-Jan-16 <sup>(8)</sup>
Kamsarmax	2012	81,000	South Korea	\$15,000	10-Feb-15 <sup>(9)</sup>
Kamsarmax	2012	79,500	China	\$14,000	23-Jan-15 <sup>(10)</sup>
Panamax	2004	77,500	China	\$14,000	3-Jan-17 <sup>(11)</sup>
Panamax	2014	77,000	Japan	\$16,000	4-Mar-15 <sup>(12)</sup>
Panamax	2009	76,500	Japan	\$14,000	1-Dec-14 <sup>(13)</sup>
Panamax	2007	75,500	South Korea	\$13,750	14-Feb-15 <sup>(14)</sup>
Ultramax	2010	61,000	Japan	\$14,200	1-Apr-17 <sup>(15)</sup>
Supramax	2010	58,000	China	\$14,250	12-Dec-16 <sup>(16)</sup>
Supramax	2011	58,000	China	\$13,750	18-Jan-15 <sup>(17)</sup>
Supramax	2015	55,000	Japan	\$14,000	30-Jun-18 <sup>(18)</sup>
Handymax	2002	48,500	Japan	\$12,000	31-Jan-17 <sup>(19)</sup>
<b>Total TC DWT</b>		<b>1,435,900</b>			

- (1) This vessel has been time chartered-in for eight to 10 months at Company's option at \$13,250 per day. The vessel was delivered on February 23, 2014.
- (2) This vessel has been time chartered-in for seven to nine months at the Company's option at \$13,500 per day. The vessel was delivered on March 24, 2014.
- (3) This vessel has been time chartered-in for 10 to 14 months at the Company's option at a rate of 90% of the Baltic Panamax 4TC Index. The Company has the option to extend this time charter for an additional 10 to 14 months at the same rate of hire. The vessel was delivered on July 9, 2014.
- (4) This vessel has been time chartered-in for 11 to 13 months at the Company's option at \$14,500 per day. The Company has the option to extend this time charter for one year at \$15,500 per day. The vessel was delivered on March 8, 2014.
- (5) This vessel has been time chartered-in for 39 to 44 months at the Company's option at \$15,500 per day. The Company has the option to extend this time charter for one year at \$16,300 per day. The vessel was delivered on April 23, 2014.
- (6) This vessel has been time chartered-in for 11 to 13 months at the Company's option at \$12,750 per day. The Company has the option to extend this time charter for one year at \$13,750 per day. The vessel was delivered on May 3, 2014.
- (7) This vessel has been time chartered-in for 10 to 12 months at Company's option at \$14,500 per day. The vessel was delivered on February 7, 2014.
- (8)

This vessel has been time chartered-in for 23 to 28 months at the Company's option at \$15,000 per day. The Company has the option to extend the charter for an additional 11 to 13 months at \$16,000 per day. This vessel was delivered on February 15, 2014.

- (9) This vessel has been time chartered-in for 12 to 14 months at Company's option at \$15,000 per day. The vessel was delivered on February 10, 2014.
- (10) This vessel has been time chartered-in for 11 to 14 months at the Company's option at \$14,000 per day. The Company has the option to extend the charter for an additional 11 to 14 months at \$14,750 per day. This vessel was delivered on February 23, 2014.

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- (11) This vessel has been time chartered-in for 32 to 38 months at the Company's option at \$14,000 per day. The vessel was delivered on May 3, 2014.
- (12) This vessel has been time chartered-in for 12 to 13 months at Company's option at \$16,000 per day. The vessel was delivered on March 4, 2014.
- (13) This vessel has been time chartered-in until December 1, 2014 which may be extended for an additional two months at the Company's option. The charter hire rate is \$15,900 per day until June 23, 2014 and \$14,000 per day thereafter, including the option period. The vessel was delivered on January 23, 2014.
- (14) This vessel has been time chartered-in for 11 to 13 months at the Company's option at \$13,750 per day. The Company has the option to extend the charter for an additional year at \$14,750 per day. The vessel was delivered on March 14, 2014.
- (15) This vessel has been time chartered-in for three years at \$14,200 per day. The Company has options to extend the charter for up to three consecutive one year periods at \$15,200 per day, \$16,200 per day and \$17,200 per day, respectively. This vessel was delivered on April 13, 2014.
- (16) This vessel has been time chartered-in for 20 to 24 months at the Company's option at \$14,250 per day. The Company has the option to extend the charter for an additional 10 to 12 months at \$14,850 per day. This vessel was delivered on April 12, 2014.
- (17) This vessel has been time chartered-in for ten to 13 months at the Company's option at \$13,750 per day. This vessel was delivered on March 18, 2014.
- (18) This vessel has been time chartered-in for three years at \$14,000 per day. The Company has options to extend the charter for up to two consecutive one year periods at \$15,000 per day and \$16,000 per day, respectively. This vessel is expected to be delivered during the first half of 2015.
- (19) This vessel has been time chartered-in for 34 to 37 months at the Company's option at \$12,000 per day. The Company has options to extend the charter for up to three consecutive one year periods at \$12,750 per day, \$13,600 per day and \$14,800 per day, respectively. This vessel was delivered on March 31, 2014.

**Employment of Our Fleet**

Generally, we intend to operate our vessels in spot market-oriented commercial pools, in the spot market or, under certain circumstances, on time charters. See *Business Employment of our Fleet*.

*Spot Market-Oriented Commercial Pools*

To increase vessel utilization and thereby revenues, we intend to participate in commercial pools with other shipowners with similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools employ experienced commercial managers and operators who have close working relationships with customers and brokers, while technical management is performed by each shipowner. The managers of the pools negotiate charters with customers primarily in the spot market. The size and scope of these pools enable them to enhance vessel utilization rates for pool vessels by securing backhaul voyages, which is when cargo is transported on the return leg of a journey, and contracts of affreightment, or COAs, thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market, while providing a higher level of service offerings to customers.

The pools in which our vessels operate, or are expected to operate, are spot market-oriented commercial pools managed by our commercial manager, which we refer to as the *Scorpio Group Pools*, which expose us to fluctuations in spot market charter rates. The *Scorpio Group Pools* have been newly formed or will be formed prior to the delivery of the vessels in our Newbuilding Program and have limited to no operating history. Our vessels are expected to participate in the *Scorpio Group Pools* under the same contractual terms and conditions as the third party vessels in the pool. Each pool will aggregate the revenues and expenses of all of the pool participants and distribute the net earnings

calculated on (i) the number of pool points for the vessel, which are

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based on vessel attributes such as cargo carrying capacity, fuel consumption, and construction characteristics, and (ii) the number of days the vessel operates in the period. SCM, as operator of the Scorpio Group Pools, charges \$300 a day for each vessel, whether owned by us or chartered-in, plus a 1.75% commission on the gross revenues per charter fixture. SCM is expected to negotiate voyage charters, short duration time charters, and contracts of affreightment; manages procurement of bunkers, port charges and administrative services; and distributes the cash earnings.

SCM, a Monaco corporation controlled by the Lolli-Ghetti family of which our co-founder, Chairman and Chief Executive Officer is a member, is, or will be, responsible for the administration of the pool and the commercial management of the participating vessels, including the marketing, chartering, operating and bunker (fuel oil) purchases for the vessels. The pool participants will remain responsible for all other costs including the financing, insurance, manning and technical management of their vessels. The earnings of all of the vessels will be aggregated and divided according to the relative performance capabilities of the vessel and the actual earning days each vessel is available.

We currently employ, or expect to employ, all of the vessels in our Operating Fleet in the Scorpio Group Pools.

### *Spot Market*

A spot market voyage charter is generally a contract to carry a specific cargo from a load port to a discharge port for an agreed freight per ton of cargo or a specified total amount. Under spot market voyage charters, we pay specific voyage expenses such as port, canal and bunker costs. Spot charter rates are volatile and fluctuate on a seasonal and year-to-year basis.

Fluctuations derive from imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes. Vessels operating in the spot market generate revenue that is less predictable, but may enable us to capture increased profit margins during periods of improvements in drybulk vessel charter rates.

### *Time Charters*

Time charters give us a fixed and stable cash flow for a known period of time. Time charters also mitigate in part the seasonality of the spot market business, which is generally weaker in the second and third quarters of the year. In the future, we may opportunistically look to enter our vessels into time charter contracts should rates become more attractive. We may also enter into time charter contracts with profit sharing agreements, which enable us to benefit if the spot market increases.

## **Management of Our Business**

### *Commercial and Technical Management*

Our vessels are commercially managed by SCM and technically managed by SSM pursuant to a Master Agreement, which may be terminated by either party upon 24 months' notice. SCM and SSM are companies affiliated with us. The vessels we charter-in are also commercially managed by SCM. We expect that additional vessels that we may acquire in the future, including the vessels in our Newbuilding Program, will also be managed under the Master Agreement or on substantially similar terms.

SCM's services include securing employment for our vessels in the spot market and on time charters. SCM also manages the Scorpio Group Pools in which our vessels are, or are expected to be, employed. For commercial

management of any of our vessels that does not operate in one of these pools, we pay SCM a daily fee of \$300 per vessel, plus a 1.75% commission on the gross revenues per charter fixture. The Scorpio Group Pool

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participants, including us and third-party owners of similar vessels, are each expected to pay SCM a pool management fee of \$300 per vessel per day, plus a 1.75% commission on the gross revenues per charter fixture.

SSM's services include providing technical support, such as arranging the hiring of qualified officers and crew, supervising the maintenance and performance of vessels, purchasing supplies, spare parts and new equipment, arranging and supervising drydocking and repairs, and monitoring regulatory and classification society compliance and customer standards. We will pay SSM an annual fee of \$200,000 per vessel to provide technical management services for each of our vessels in the Newbuilding Program upon delivery. In addition, representatives of SSM, including certain subcontractors, provide us with construction supervisory services while our vessels are being constructed in shipyards. For these services, we compensate SSM for its direct expenses, which can vary between \$200,000 and \$500,000 per vessel. Please see *Certain Relationships and Related Party Transactions* *Commercial and Technical Management Agreements* for additional information.

*Administrative Services Agreement*

We have entered into an Administrative Services Agreement with SSH for the provision of administrative staff, office space and accounting, legal compliance, financial and information technology services. SSH is a company affiliated with us. SSH also arranges acquisitions for us. The services provided to us by SSH may be sub-contracted to other entities within the Scorpio Group. Pursuant to the Administrative Services Agreement, we will reimburse SSH for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described above and a pro-rata portion of the salary incurred by SSH for an internal auditor. We will also pay SSH a fee for arranging vessel acquisitions, including newbuildings, equal to \$250,000 per vessel, due upon delivery of the vessel, which is payable in our common shares. We have agreed to issue upon delivery of each vessel in our Newbuilding Program (i) 31,250 common shares to SSH as payment related to each of the first 17 vessels in our Newbuilding Program; (ii) 25,811 common shares to SSH as payment related to each of the next nine vessels in our Newbuilding Program; (iii) 25,633 common shares to SSH as payment related to each of the next ten vessels in our Newbuilding Program; (iv) 26,419 common shares to SSH as payment related to each of the next four Kamsarmax vessels in our Newbuilding Program; (v) 26,185 common shares to SSH as payment related to each of the next three Capesize vessels in our Newbuilding Program; (vi) 26,197 common shares to SSH as payment related to each of the next two vessels in our Newbuilding Program; (vii) 26,394 common shares to SSH as payment related to each of the next seven vessels in our Newbuilding Program; (viii) 26,248 common shares to SSH as payment related to each of the next four vessels in our Newbuilding Program; (ix) 26,111 common shares to SSH as payment related to each of the next four vessels in our Newbuilding Program; (x) 26,050 common shares to SSH as payment related to each of the next three vessels in our Newbuilding Program; (xi) 25,888 common shares to SSH as payment related to each of the next 11 vessels in our Newbuilding Program; (xii) 25,497 common shares to SSH as payment related to each of the next five vessels in our Newbuilding Program and (xiii) 27,640 common shares to SSH as payment related to the next vessel in our Newbuilding Program. For all vessels added to our Newbuilding Program after the first 17 vessels, the number of common shares issuable to SSH as payment is based on the market value of our common shares based on the volume weighted average price of our common shares over the 30 trading day period immediately preceding the contract date of a definitive agreement to acquire any vessel. In addition, SSH has agreed with us not to own any drybulk carriers greater than 30,000 dwt for so long as the Administrative Services Agreement is in full force and effect. This agreement may be terminated by SSH three years following the third anniversary of our initial public offering upon 12 months' notice.





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**Our Competitive Strengths**

We believe that we possess a number of competitive strengths in our industry, including:

***Experienced management teams.*** Our Company's leadership has considerable depth of shipping industry expertise. Since 2003, under the leadership of Mr. Emanuele Lauro, our Co-Founder, Chairman and Chief Executive Officer, the Scorpio Group, together with Scorpio Tankers, has grown from an owner of three vessels in 2003 to an owner of 75 vessels, and an operator or manager of approximately 100 vessels, as of August 28, 2014. Mr. Robert Bugbee, our Co-Founder, President and Director, also holds a senior management position within the Scorpio Group and is the President and a Director of Scorpio Tankers, has more than 27 years of experience in the shipping industry and was formerly the President and Chief Operating Officer of OMI, which was a publicly traded shipping company until its sale in 2007. Messrs. Lauro and Bugbee are supported by Mr. Cameron Mackey, Mr. Hugh Baker and Mr. Luca Forgione, who serve as our Chief Operating Officer, our Chief Financial Officer, and our General Counsel, respectively, of whom, Messrs. Mackey and Forgione also serve as members of the management team of Scorpio Tankers. Mr. Mackey is also a director of Scorpio Tankers. Messrs. Mackey, Baker and Forgione serve in similar positions in the Scorpio Group and have 20, 22 and 11 years of experience, respectively, in the shipping industry, and, with Messrs. Lauro and Bugbee, collectively have over 80 years of combined shipping experience, and have developed industry relationships with charterers, lenders, shipbuilders, insurers and other industry participants. In addition, our Chief Executive Officer has experience in the ownership and operation of dry bulk carriers, through the Scorpio Group, which has owned and operated several dry bulk carriers, and in the upstream and downstream supply chain of dry bulk commodities, as founder, Chief Executive Officer and Chairman of Scorpio Logistics Ltd. Our executive officers are not required to work full-time on our affairs and also perform services for other companies, including Scorpio Tankers. Initially, we expect that our executive officers will devote a substantial portion of their business time to the completion of our drybulk carrier acquisition program and management of the Company.

***Attractive Fleet.*** The 79 drybulk carriers in our Newbuilding Program, including 29 Ultramax vessels, 22 Kamsarmax vessels and 28 Capesize vessels, are scheduled to be delivered to us between the third quarter of 2014 and the third quarter of 2016. In addition, we own one Kamsarmax vessel that was recently delivered to us from the shipyard. We believe that owning a modern, well-maintained fleet with fuel efficient specifications reduces operating costs, improves the quality of service we deliver and provides us with a competitive advantage in securing favorable time and spot charters with high-quality counterparties. We believe that it is an opportune time to acquire these latest generation, fuel-efficient drybulk vessels because acquisition costs for these vessels are currently near the lowest average levels of the past 10 years. In addition, we believe that recent advances in shipbuilding design and technology should make these latest generation vessels more fuel-efficient than older vessels in the global fleet that compete with us for charters, providing us with a competitive advantage.

***Significant available liquidity to pursue acquisition and expansion opportunities.*** Following the completion of this offering, we expect to have at least \$        million of available cash, including \$346.0 million which is a portion of the net proceeds from the Equity Private Placements and our Initial Public Offering. We intend to use the substantial majority of our available cash, and borrowing capacity under the secured credit facilities we intend to enter, to pursue vessel acquisitions, including the vessels in our Newbuilding Program, consistent with our business strategy. We believe that our strong balance sheet, financing capacity and future access to capital will allow us to make opportunistic acquisitions at attractive prices.

***Access to attractive acquisition and chartering opportunities.*** Scorpio Group, including Scorpio Tankers, has established strong global relationships with shipping companies, charterers, shipyards, brokers and commercial shipping lenders. We believe that the Scorpio Group's relationships with these counterparties and its strong sale and purchase track record and reputation as a creditworthy counterparty should provide us, as a member of the Scorpio

Group, with access to attractive asset acquisitions, chartering and vessel financing opportunities.

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***High quality, cost efficient vessel opportunities.*** We believe that Scorpio Group's experience with the commercial and technical management of vessels and its reputation in the industry as an operator with high safety and quality operating standards will be important in establishing and retaining high quality charterers that are looking for reliable and responsible operators to meet their exacting standards for vessel chartering and day-to-day operation.

### **Our Business Strategies**

Our primary objectives are to profitably grow our business and emerge as a successful owner and operator of drybulk vessels. The key elements of our strategy are:

***Expanding our fleet through opportunistic acquisitions of high-quality vessels at attractive prices.*** We intend to acquire latest generation drybulk carriers with fuel-efficient specifications and carrying capacities of greater than 30,000 dwt through timely and selective acquisitions. We currently view this vessel class as providing attractive return characteristics given the relatively low vessel price levels. A key element to our acquisition strategy will be to acquire high-quality vessels at attractive prices. When evaluating acquisitions, we will consider and analyze, among other things, our expectation of fundamental developments in the drybulk shipping industry sector, the level of liquidity in the resale and charter market, the cash flow earned by the vessel in relation to its value, its condition and technical specifications with particular regard to fuel consumption, expected remaining useful life, the credit quality of the charterer and duration and terms of charter contracts for vessels acquired with charters attached, as well as the overall diversification of our fleet and customers. We believe that these circumstances combined with our management's knowledge of the shipping industry present an opportunity for us to grow our fleet at favorable prices.

***Optimizing vessel revenues primarily through spot market exposure.*** The Baltic Dry Index, or the BDI, a daily average of charter rates for key drybulk routes published by the Baltic Exchange Limited, which has long been viewed as the main benchmark to monitor the movements of the drybulk vessel charter market and the performance of the entire drybulk shipping market, has recently increased from the record low levels of 647 in February 2012 to 755 on July 31, 2014. We intend to employ a chartering strategy to capture upside opportunities in the spot market. We may also use fixed-rate time charters as the charter market improves to reduce downside risks. There can be no assurance that the drybulk charter market will increase and the market could decline.

***Focusing on drybulk carriers based on the experience and expertise of the Scorpio Group and our management team in the international shipping industry.*** We believe that major international commodity companies seek transportation partners that are financially stable and have a reputation for reliability, safety, and high environmental and quality standards. We intend to leverage the operational expertise and customer base of the Scorpio Group and the members of our management team in order to further expand these relationships with consistent delivery of superior customer service.

***Minimizing operating and corporate expenses.*** Pursuant to the Master Agreement, SSM and SCM coordinates and oversees the technical and commercial management of our fleet, respectively. We believe that SSM and SCM will be able to provide these services at costs that are lower than what we could achieve by performing these functions in-house.

***Maintain a strong balance sheet through moderate use of leverage.*** We plan to finance the remaining contractual commitments due under our Newbuilding Program and future vessel acquisitions with a mix of debt and equity, but intend to maintain moderate levels of leverage over time, even though we may have the capacity to obtain additional financing. By maintaining moderate levels of leverage of not more than 60% of the value of the vessels collateralizing our indebtedness, we expect to retain greater flexibility than our more leveraged competitors to operate our vessels under shorter spot or period charters. Charterers have increasingly favored



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financially solid vessel owners, and we believe that our expected balance sheet strength will enable us to access more favorable chartering opportunities, as well as give us a competitive advantage in pursuing vessel acquisitions from commercial banks and shipyards, which have also recently displayed a preference for contracting with well capitalized counterparties.

### **Recent Developments**

On July 21, 2014, we received a commitment from two leading European financial institutions for a \$540 million senior secured loan facility. The proceeds of this facility are expected to finance up to 55% of the contract price for 24 of the vessels in our Newbuilding Program (six Ultramax, nine Kamsarmax, and nine Capesize vessels) with expected deliveries in 2015 and 2016. This facility is expected to have a six year term with customary financial and restrictive covenants, and interest at LIBOR plus a margin. The closing of this loan facility, which is expected within 2014, is subject to usual and customary conditions precedent, including the negotiation and execution of final documentation. Please see Description of Other Indebtedness.

On July 29, 2014, we entered a \$330.0 million senior secured credit facility with Credit Agricole Corporate and Investment Bank and Deutsche Bank AG London to fund a portion of the purchase price of 22 of the vessels in our Newbuilding Program. Please see Description of Other Indebtedness.

On July 30, 2014, we entered into a \$67.5 million senior secured credit facility with NIBC Bank N.V. to fund a portion of the purchase price of four vessels in our Newbuilding Program. See Description of Other Indebtedness.

On July 31, 2014, we delisted our common shares from the Norwegian OTC List. Our common shares will continue to trade on the NYSE under the symbol SALT.

### **Risk Factors**

We face a number of risks associated with our business and industry and must overcome a variety of challenges to utilize our strengths and implement our business strategies. These risks relate to, among others, changes in the international shipping industry, including supply and demand, charter hire rates, commodity prices, a downturn in the global economy, hazards inherent in our industry and operations resulting in liability for damage to or destruction of property and equipment, pollution or environmental damage, inability to comply with covenants in the credit facilities we may enter into, inability to finance capital projects, and inability to successfully employ our drybulk carriers.

You should carefully consider the following risks, those risks described in Risk Factors and the other information in this prospectus before deciding whether to invest in our Notes.

### **Implications of Being an Emerging Growth Company**

We had less than \$1.0 billion in revenue during our last fiscal year, which means that we qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act, or JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

the ability to present only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations in the registration statement for our

initial public offering;

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exemption from the auditor attestation requirement in the assessment of the emerging growth company's internal controls over financial reporting;

exemption from new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies; and

exemption from compliance with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to our auditor's report in which the auditor would be required to provide additional information about the audit and our financial statements.

We may take advantage of these provisions until the end of the fiscal year following the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if we have more than \$1.0 billion in total annual gross revenues during our most recently completed fiscal year, if we become a large accelerated filer with market capitalization of more than \$700 million, or as of any date on which we have issued more than \$1.0 billion in non-convertible debt over the three year period to such date. We will become a large accelerated filer as of December 31, 2014, and, as a result we will cease to be an emerging growth company. For as long as we qualify as an emerging growth company and take advantage of the reduced reporting obligations, the information that we provide shareholders may be different from information provided by other public companies. We are choosing to opt out of the extended transition period relating to the exemption from new or revised financial accounting standards and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

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**Corporate Structure**

The following diagram depicts our simplified organizational structure:

**Corporate Information**

Our principal executive offices are located at 9, Boulevard Charles III, MC 98000 Monaco. Our telephone number at that address is (011) 377 9798 5716. We expect to own our vessels through separate wholly-owned subsidiaries that will be incorporated in the Republic of the Marshall Islands, the Republic of Malta or other jurisdictions generally acceptable to lenders in the shipping industry. Our website is [www.scorpiobulkers.com](http://www.scorpiobulkers.com). The information contained in or connected to our website is not part of this prospectus.

**Other Information**

Because we are incorporated under the laws of the Republic of the Marshall Islands, you may encounter difficulty protecting your interests as shareholders, and your ability to protect your rights through the U.S. federal court system may be limited. Please refer to the sections entitled **Risk Factors** and **Service of Process and Enforcement of Civil Liabilities** for more information.



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**THE OFFERING**

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. See Description of Notes for a more detailed description of the terms and conditions of the Notes.

Issuer	Scorpio Bulkiers Inc., a Marshall Islands corporation
Securities Offered	\$ million aggregate principal amount (plus up to an additional \$ million aggregate principal amount pursuant to an option granted to the underwriters) of our % Senior Notes due 2019 issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof.
Issue Date	, 2014
Maturity Date	The Notes will mature on , 2019.
Interest	The Notes will bear interest from the date of original issue until maturity at a rate of % per year, payable quarterly in arrears on March 15, June 15, September 15 and December 15, commencing on
Use of Proceeds	We intend to use all or substantially all of the net proceeds of the sale of our Notes, which are expected to total approximately \$ million after deducting underwriting discounts and commission and estimated offering expenses (or approximately \$ million if the underwriters exercise their option to purchase additional Notes in full), to fund installment payments due under our Newbuilding Program, and the remaining amount, if any, for general corporate purposes and working capital. Please read Use of Proceeds.
Ranking	The Notes will be our senior unsecured obligations and will rank senior to any of our future subordinated debt and rank equally in right of payment with all of our existing and future senior unsecured debt. Our Notes will effectively rank junior to our existing and future secured debt, to the extent of the value of the assets securing such debt, as well as to existing and future debt of our subsidiaries. As of June 30, 2014, we had no outstanding indebtedness.
No Security or Guarantees	None of our obligations under our Notes will be secured by collateral or guaranteed by any of our subsidiaries, affiliates or any other persons.
Change of Control	Upon the occurrence of certain change of control events (as defined in the indenture governing the

Notes), you will have the right, as a holder of the Notes, to require us to repurchase some or all of your Notes at 101% of the principal amount, plus

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Covenants	<p>accrued and unpaid interest to, but excluding, the repurchase date. For additional information, please read Description of Notes Change of Control Permits Holders to Require us to Purchase Notes.</p> <p>The indenture governing our Notes contains certain restrictive covenants, including covenants that require us to limit the amount of debt we incur, maintain a certain minimum net worth, and provide certain reports. These covenants are subject to important exceptions and qualifications. For additional information, please read Description of Notes.</p>
Additional Notes	<p>We may reopen our Notes at any time without the consent of the holders of our Notes and issue additional notes with the same terms as our Notes (except the issue price, issue date and initial interest payment date), which will thereafter constitute a single fungible series with our Notes, provided that if the additional notes are not fungible with our Notes for U.S. federal income tax purposes, such additional notes will have a separate CUSIP number.</p>
Ratings	<p>The Notes will not be rated by any nationally recognized statistical rating organization.</p>
Listing	<p>We have applied to list our Notes on the New York Stock Exchange, or NYSE under the symbol SLTB. If the application is approved, trading of our Notes on NYSE is expected to begin within 30 days after the original issue date of our Notes. The underwriters have advised us that they intend to make a market in our Notes prior to commencement of any trading on NYSE. However, the underwriters will have no obligation to do so, and no assurance can be given that a market for our Notes will develop prior to commencement of trading on NYSE or, if developed, will be maintained.</p>
Form	<p>Our Notes will be represented by one or more permanent global notes, which will be deposited with the trustee as custodian for The Depository Trust Company, or DTC, and registered in the name of a nominee designated by DTC. Holders of Notes may elect to hold interests in a global Note only in the manner described in this prospectus. Any such interest may not be exchanged for certificated securities except in limited circumstances described in this prospectus. For additional information, please read Description of Notes Book-entry System; Delivery and Form in this prospectus.</p>



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Additional Amounts; Tax Redemption

Any payments made by us with respect to the Notes will be made without withholding or deduction for or on account of taxes unless required by law. If we are required by law to withhold or deduct amounts for or on account of tax imposed by a taxing authority of a jurisdiction where we are a resident or certain other jurisdictions with respect to a payment to the holders of Notes, we will, subject to certain exceptions, pay the additional amounts necessary so that the net amount received by the holders of the Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction. See Description of Notes Additional Amounts.

In the event of certain changes of law or official positions of certain taxing authorities that trigger requirements discussed immediately above that we pay additional amounts, we may redeem the Notes in whole, but not in part, at any time, upon not less than 30 nor more than 60 days notice at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to, but excluding, the date of redemption. See Description of Notes Optional Redemption for Changes in Withholding Taxes.

Settlement

Delivery of our Notes offered hereby will be made against payment therefor on or about \_\_\_\_\_, 2014.

Risk Factors

An investment in our Notes involves risks. You should consider carefully the factors set forth in the section of this prospectus entitled Risk Factors beginning on page 22 of this prospectus to determine whether an investment in our Notes is appropriate for you.

**Table of Contents****SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA**

We were formed on March 20, 2013 for the purpose of acquiring and operating the latest generation of newbuilding drybulk carriers with fuel-efficient specifications and carrying capacities of greater than 30,000 dwt in the international shipping markets. The following table summarizes our summary consolidated financial and other operating data at the dates and for the periods indicated.

Our summary consolidated financial and other data as of and for the six month period ended June 30, 2014 has been derived from our unaudited interim consolidated financial statements and related notes thereto, appearing elsewhere in this prospectus. Our summary consolidated financial data as of December 31, 2013 and for the period from March 20, 2013 (date of inception) to December 31, 2013 has been derived from our audited consolidated financial statements and related notes thereto, which are incorporated by reference herein. Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The following financial data should be read in conjunction with

Management's Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and related notes included elsewhere in this prospectus.

	<b>Six Months Ended June 30, 2014</b>	<b>Period from March 20, 2013 (date of inception) to December 31, 2013</b>
	(Dollars in Thousands)	
<b>Statement of Operations</b>		
<b>Revenue:</b>		
Vessel revenue	\$ 18,647	\$ -
<b>Operating expenses:</b>		
Voyage expenses	3,180	-
Charterhire expenses	26,562	-
General and administrative expenses	15,351	5,505
<b>Total operating expenses</b>	<b>45,093</b>	<b>5,505</b>
<b>Operating loss</b>	<b>(26,446)</b>	<b>(5,505)</b>
<b>Other income and (expense):</b>		
Interest income	793	341
Foreign exchange loss	(5)	(1,135)
Other expense, net	-	(8)
<b>Total other income and expense</b>	<b>788</b>	<b>(802)</b>
<b>Net loss</b>	<b>\$ (25,658)</b>	<b>\$ (6,307)</b>

	<b>As of June 30, 2014</b>	<b>As of December 31, 2013</b>
	(Dollars in Thousands)	

**Balance Sheet**

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Cash and cash equivalents	\$ 345,956	\$ 733,896
Vessels under construction	842,845	371,692
Total assets	1,211,283	1,105,684
Current liabilities	79,091	1,472
Total liabilities	79,091	1,472
Shareholders' equity	1,132,192	1,104,212

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	Six Months Ended June 30, 2014	Period from March 20, 2013 (date of inception) to December 31, 2013
(Dollars in Thousands)		
<b>Cash Flow</b>		
Net cash inflow (outflow)		
Operating activities	\$ (32,203)	\$ (2,237)
Investing activities	(397,000)	(371,692)
Financing activities	41,263	1,107,825

	Six Months Ended June 30, 2014
(Dollars in Thousands, Except Per Day Data)	
<b>Other Financial Data <sup>(1)</sup></b>	
Time Charter Equivalent Revenue <sup>(2)</sup> :	
Vessel revenue	\$ 18,647
Voyage expenses	3,180
Time charter equivalent revenue	\$ 15,467
Time charter equivalent revenue attributable to:	
Kamsarmax	\$ 12,027
Ultramax	3,440
	\$ 15,467
Revenue days <sup>(2)</sup> :	
Kamsarmax	1,560
Ultramax	335
Combined	1,895
TCE per revenue day <sup>(2)</sup> :	
Kamsarmax	\$ 7,712
Ultramax	\$ 10,262
Combined	\$ 8,163

(1) We had no revenue prior to 2014 and, accordingly, there are no other financial data for any period in 2013.

(2) We define Time Charter Equivalent (TCE) revenue as voyage revenues less voyage expenses. Such TCE revenue, divided by the number of our available days during the period, or revenue days, is TCE per revenue day, which is consistent with industry standards. TCE per revenue day is a common shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per-day amounts while charter hire rates for vessels on time charters generally are expressed in such amounts.





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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus includes forward-looking statements, as defined by U.S. federal securities laws, with respect to our financial condition, results of operations and business and our expectations or beliefs concerning future events. Words such as, but not limited to, believe, expect, anticipate, estimate, intend, plan, targets, projects, likely, could and similar expressions or phrases may identify forward-looking statements.

All forward-looking statements involve risks and uncertainties. The occurrence of the events described, and the achievement of the expected results, depend on many events, some or all of which are not predictable or within our control. Actual results may differ materially from expected results.

In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

the strength of world economies;

fluctuations in interest rates;

general drybulk market conditions, including fluctuations in charter hire rates and vessel values;

changes in demand in the drybulk shipping industry, including the market for our vessels;

changes in our operating expenses, including bunker prices, dry docking and insurance costs;

changes in governmental rules and regulations or actions taken by regulatory authorities;

potential liability from pending or future litigation;

general domestic and international political conditions;

potential disruption of shipping routes due to accidents or political events;

the availability of financing and refinancing;

vessel breakdowns and instances of off-hire; and

other important factors described in Risk Factors beginning on page 22.

We have based these statements on assumptions and analyses formed by applying our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation, and specifically decline any obligation, except as required by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

See the sections entitled Risk Factors, beginning on page 22 of this prospectus for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. These factors and the other risk factors described in this prospectus are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

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**RISK FACTORS**

*An investment in our Notes involves substantial risks. You should carefully consider the risks described below, as well as the other information included in this prospectus, before making an investment in our Notes. We operate in an intensely competitive industry. Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market, national and global economic conditions and the ownership of our Notes. The occurrence of any of the events described in this section could cause our results to differ materially from those contained in the forward-looking statements made in this prospectus, and could significantly and negatively affect our business, financial condition or operating results.*

**Risks of Investing in our Notes and Risks Related to our Other Indebtedness**

*Your investment in our Notes is subject to our credit risk.*

Our Notes are unsubordinated unsecured general obligations of ours and are not, either directly or indirectly, an obligation of any third party. Our Notes will rank equally with all of our other unsecured and unsubordinated debt obligations, except as such obligations may be preferred by operation of law. Any payment to be made on our Notes, including the return of the principal amount at maturity or any redemption date, as applicable, depends on our ability to satisfy our obligations as they come due. As a result, our actual and perceived creditworthiness may affect the market value of our Notes and, in the event we were to default on our obligations, you may not receive the amounts owed to you under the terms of our Notes.

*Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.*

As of June 30, 2014, we had no outstanding indebtedness. As of the same date, we received bank commitments for up to \$977.1 million in aggregate proposed future borrowings, consisting of our \$330.0 Million Senior Secured Credit Facility, our \$67.5 Million Senior Secured Credit Facility, our \$39.6 Million Senior Secured Credit Facility, and our Proposed \$540.0 Million Senior Secured Credit Facility, which is subject to the negotiation and execution of final documentation. The amount of our outstanding borrowings under our debt facilities is expected to increase in connection with the completion of our acquisition of the 80 vessels in our Newbuilding Program that we have contracted to purchase. In addition, we may enter into other new debt arrangements or issue additional debt securities in the future. So long as our net borrowings do not equal or exceed 70% of our total assets, the indenture under which the Notes will be issued will permit us to incur additional indebtedness without limitation. Our level of debt could have important consequences to us, including the following:

our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;

we may need to use a substantial portion of our cash from operations to make charter hire payments or principal and interest payments relating to our debt obligations, reducing the funds that would otherwise be available for operations and future business opportunities;

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

our debt level may limit our flexibility in responding to changing business and economic conditions. Our ability to service our debt and charter hire obligations will depend upon, among other things, our financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our results of operations are not sufficient

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to service our current or future indebtedness and charter hire obligations, we will be forced to take actions such as reducing dividends, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

*Our subsidiaries conduct the substantial majority of our operations and own our operating assets, and your right to receive payments on our Notes is structurally subordinated to the rights of the lenders of our subsidiaries.*

Our subsidiaries conduct the substantial majority of our operations and own our operating assets. As a result, our ability to make required payments on our Notes depends in part on the operations of our subsidiaries and our subsidiaries' ability to distribute funds to us. To the extent our subsidiaries are unable to distribute, or are restricted from distributing, funds to us, we may be unable to fulfill our obligations under our Notes. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay amounts due on our Notes or to make funds available for that purpose. Our Notes will not be guaranteed by any of our subsidiaries or any other person.

The rights of holders of our Notes will be structurally subordinated to the rights of our subsidiaries' lenders. A default by a subsidiary under its debt obligations would result in a block on distributions from the affected subsidiary to us. Our Notes will be effectively junior to all existing and future liabilities of our subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, creditors of our subsidiaries will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us. As of June 30, 2014, we had no outstanding indebtedness and vessels under construction with a net book value of \$842.8 billion. In addition, the indenture under which our Notes will be issued will permit our subsidiaries to incur additional debt without any limitation.

*Our Notes will be unsecured obligations and will be effectively subordinated to our secured debt.*

Our Notes are unsecured and therefore will be effectively subordinated to any secured debt we maintain or may incur to the extent of the value of the assets securing the debt. In the event of a bankruptcy or similar proceeding involving us, the assets that serve as collateral will be available to satisfy the obligations under any secured debt before any payments are made on our Notes. As of June 30, 2014, we had no outstanding indebtedness. As of the same date, we received bank commitments for up to \$977.1 million in aggregate proposed future borrowings (all of which will be secured indebtedness), consisting of our \$330.0 Million Senior Secured Credit Facility, \$67.5 Million Senior Secured Credit Facility, \$39.6 Million Senior Secured Credit Facility as well as our Proposed \$540.0 Million Senior Secured Credit Facility, which is subject to credit approval, satisfaction of conditions precedent, and the negotiation and execution of final documentation. Please read "Description of Other Indebtedness." We will continue to have the ability to incur, and intend to incur, significant additional secured debt, subject to limitations in our credit facilities and the indenture relating to our Notes.

*We may not have the ability to raise the funds necessary to purchase our Notes as required upon a change of control, and our existing and future debt may contain limitations on our ability to purchase our Notes.*

Following a change of control as described under "Description of Notes - Change of Control Permits Holders to Require us to Purchase Notes," holders of Notes will have the right to require us to purchase their Notes for cash. A change of control may also constitute an event of default or prepayment under, and result in the acceleration of the maturity of, our then existing indebtedness. We cannot assure you that we will have sufficient financial resources, or will be able to arrange financing, to pay the change of control purchase price in cash with respect to any Notes surrendered by holders for purchase upon a change of control. In addition, restrictions in our then existing credit facilities or other

indebtedness, if any, may not allow us to purchase the Notes upon a change of control. Our failure to purchase the Notes upon a change of control when required would result in an event of default with respect to the Notes which could, in turn, constitute a default under the terms of our other indebtedness, if any. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and purchase the Notes.

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*Some significant restructuring transactions may not constitute a change of control, in which case we would not be obligated to offer to purchase the Notes.*

Upon the occurrence of a change of control, you have the right to require us to purchase your Notes. However, the change of control provisions will not afford protection to holders of Notes in the event of certain transactions that could adversely affect the Notes. For example, transactions such as leveraged recapitalizations, refinancings or certain restructurings would not constitute a change of control requiring us to repurchase the Notes. In the event of any such transaction, holders of the Notes would not have the right to require us to purchase their Notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting holders of the Notes.

*Our Notes do not have an established trading market, which may negatively affect their market value and your ability to transfer or sell your Notes.*

Our Notes are a new issuance of securities with no established trading market. We have applied to list our Notes on the NYSE, but there can be no assurance that the NYSE will accept our Notes for listing. Even if our Notes are approved for listing by the NYSE, an active trading market on the NYSE for our Notes may not develop or, even if it develops, may not last, in which case the trading price of our Notes could be adversely affected and your ability to transfer your Notes will be limited. If an active trading market does develop on the NYSE, our Notes may trade at prices lower than the offering price. The trading price of our Notes will depend on many factors, including:

prevailing interest rates;

the market for similar securities;

general economic and financial market conditions;

our issuance of debt or preferred equity securities; and

our financial condition, results of operations and prospects.

We have been advised by the underwriters that they intend to make a market in our Notes pending any listing of the Notes on the NYSE, but they are not obligated to do so and may discontinue market-making at any time without notice.

*Our Notes have not been rated, and ratings of any of our other securities may affect the trading price of our Notes.*

We have not sought to obtain a rating for our Notes, and our Notes may never be rated. It is possible, however, that one or more credit rating agencies might independently determine to assign a rating to our Notes or that we may elect to obtain a rating of our Notes in the future. In addition, we may elect to issue other securities for which we may seek to obtain a rating. If any ratings are assigned to our Notes in the future or if we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, or if ratings for such other securities would imply a lower relative value for our Notes, could adversely affect the market for, or the



market value of, our Notes. Ratings only reflect the views of the issuing rating agency or agencies and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. A rating is not a recommendation to purchase, sell or hold any particular security, including our Notes. Ratings do not reflect market prices or suitability of a security for a particular investor and any future rating of our Notes may not reflect all risks related to us and our business, or the structure or market value of our Notes.

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*Our management will have broad discretion over the use of the proceeds to us from this offering and might not apply the proceeds of this offering in ways that increase the value of your investment.*

Our management will have broad discretion to use the net proceeds from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. They may not apply the net proceeds of this offering in ways that increase the value of your investment. Our management might not be able to yield a significant return, if any, on any investment of these net proceeds. We currently expect to use all or substantially all of the net proceeds from this offering to fund installment payments due under our Newbuilding Program, and the remaining amount, if any, for general corporate purposes and working capital. Please read Use of Proceeds.

*Servicing our current or future indebtedness limits funds available for other purposes and if we cannot service our debt, we may lose our vessels.*

Borrowing under our credit facilities requires us to dedicate a part of our cash flow from operations to paying interest on our indebtedness under such facilities. These payments limit funds available for working capital, capital expenditures and other purposes, including further equity or debt financing in the future. Amounts borrowed under our credit facilities bear interest at variable rates. Increases in prevailing rates could increase the amounts that we would have to pay to our lenders, even though the outstanding principal amount remains the same, and our net income and cash flows would decrease. We expect our earnings and cash flow to vary from year to year due to the cyclical nature of the drybulk industry. If we do not generate or reserve enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

seeking to raise additional capital;

refinancing or restructuring our debt;

selling vessels; or

reducing or delaying capital investments.

However, these alternative financing plans, if necessary, may not be sufficient to allow us to meet our debt obligations. If we are unable to meet our debt obligations or if some other default occurs under our credit facilities, our lenders could elect to declare that debt, together with accrued interest and fees, to be immediately due and payable and proceed against the collateral vessels securing that debt even though the majority of the proceeds used to purchase the collateral vessels did not come from our credit facilities.

*Our credit facilities contain restrictive covenants which limit the amount of cash that we may use for other corporate activities, which could negatively affect our growth and cause our financial performance to suffer.*

Our credit facilities may impose operating and financial restrictions on us that limit our ability, or the ability of our subsidiaries party thereto, to:

pay dividends and make capital expenditures if we do not repay amounts drawn under our credit facilities or if there is another default under our credit facilities;

incur additional indebtedness, including the issuance of guarantees;

create liens on our assets;

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

sell our vessels;

merge or consolidate with, or transfer all or substantially all our assets to, another person; or

enter into a new line of business.

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Therefore, 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 our lenders permission when needed. This may limit our ability to pay dividends on our common shares, if we determine to do so in the future, and interest on our Notes, finance our future operations or capital requirements, make acquisitions or pursue business opportunities.

In addition, our secured credit facilities, including our \$330.0 Million Senior Secured Credit Facility, our \$67.5 Million Senior Secured Credit Facility, our \$39.6 Million Senior Secured Credit Facility requires, and our Proposed \$540.0 Million Senior Secured Credit Facility require, or is expected to require, us to maintain specified financial ratios and satisfy financial covenants, including ratios and covenants based on the market value of the vessels in our fleet. Should our charter rates or vessel values materially decline in the future, we may be required to take action to reduce our debt or to act in a manner contrary to our business objectives to meet any such financial ratios and satisfy any such financial covenants. Events beyond our control, including changes in the economic and business conditions in the shipping markets in which we operate, may affect our ability to comply with these covenants. We cannot assure you that we will meet these ratios or satisfy these covenants or that our lenders will waive any failure to do so. A breach of any of the covenants in, or our inability to maintain the required financial ratios under, our credit facilities would prevent us from borrowing additional money under our credit facilities and could result in a default under our credit facilities. If a default occurs under our credit facilities, the lenders could elect to declare the outstanding debt, together with accrued interest and other fees, to be immediately due and payable and foreclose on the collateral securing that debt, which could constitute all or substantially all of our assets. Please see Description of Other Indebtedness.

*Servicing our current or future indebtedness limits funds available for other purposes and if we cannot service our debt, we may lose our vessels.*

Borrowing under credit facilities requires us to dedicate a part of our cash flow from operations to paying interest on our indebtedness. These payments limit funds available for working capital, capital expenditures and other purposes, including further equity or debt financing in the future. Amounts borrowed under our credit facilities will bear interest at variable rates. Increases in prevailing rates could increase the amounts that we would have to pay to our lenders, even though the outstanding principal amount remains the same, and our net income and cash flows would decrease. We expect our earnings and cash flow to vary from year to year due to the cyclical nature of the drybulk carrier industry. If we do not generate or reserve enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

seeking to raise additional capital;

refinancing or restructuring our debt;

selling drybulk carriers; or

reducing or delaying capital investments.

However, these alternative financing plans, if necessary, may not be sufficient to allow us to meet our debt obligations. If we are unable to meet our debt obligations or if some other default occurs under the credit facilities that we intend to enter, our lenders could elect to declare that debt, together with accrued interest and fees, to be

immediately due and payable and proceed against the collateral vessels securing that debt.

*We expect to be exposed to volatility in the London Interbank Offered Rate, or LIBOR, and intend to selectively enter into derivative contracts, which can result in higher than market interest rates and charges against our income.*

We expect the loans under our secured credit facilities to be generally advanced at a floating interest rate based on LIBOR, which has been stable, but was 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, in recent years, LIBOR has been at relatively low levels, and may rise in the future as the current low interest rate

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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. Moreover, 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.

We intend to selectively enter into derivative contracts to hedge our overall exposure to interest rate risk exposure. Entering into swaps and derivatives transactions is inherently risky and presents various possibilities for incurring significant expenses. The derivatives strategies that we employ in the future may not be successful or effective, and we could, as a result, incur substantial additional interest costs. See Management's Discussion and Analysis of Financial Condition and Results of Operations for a description of our expected interest rate swap arrangements.

## **Industry Specific Risk Factors**

*Charter hire rates for drybulk vessels are volatile and have declined significantly since their historic highs and may remain at low levels or decrease in the future, which may adversely affect our earnings, revenue and profitability and our ability to comply with our loan covenants.*

The drybulk shipping industry is cyclical with high volatility in charter hire rates and profitability. The degree of charter hire rate volatility among different types of drybulk vessels has varied widely; however, the continued downturn in the drybulk charter market has severely affected the entire drybulk shipping industry and charter hire rates for drybulk vessels have declined significantly from historically high levels. The Baltic Dry Index, or the BDI, a daily average of charter rates for key drybulk routes published by the Baltic Exchange Limited, which has long been viewed as the main benchmark to monitor the movements of the drybulk vessel charter market and the performance of the entire drybulk shipping market, declined 94% in 2008 from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and has remained volatile since then. The BDI recorded a record low of 647 in February 2012. During 2013, the BDI remained volatile, ranging from a low of 698 in January to a high of 2,337 in December, before ending the year at 2,277. The BDI has since decreased to 755 as of July 31, 2014.

Fluctuations in charter rates result from changes in the supply of and demand for vessel capacity and changes in the supply of and demand for the major commodities carried by water internationally. Because the factors affecting the supply of and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable. Since we intend to charter all our vessels principally in the spot market we will be exposed to the cyclicity and volatility of the spot market. We may be unable to keep our vessels fully employed in these short-term markets or charter rates available in the spot market may be insufficient to enable our vessels to be operated profitably. A significant decrease in charter rates would affect asset values and adversely affect our profitability, cash flows and ability to pay dividends, if any, in the future, on our common shares, and interest on our Notes.

Factors that influence demand for drybulk vessel capacity include:

supply of and demand for energy resources, commodities and industrial products;

changes in the exploration or production of energy resources, commodities, consumer and industrial products;

the location of regional and global exploration, production and manufacturing facilities;

the location of consuming regions for energy resources, commodities, consumer and industrial products;

the globalization of production and manufacturing;

global and regional economic and political conditions, including armed conflicts and terrorist activities; embargoes and strikes;

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developments in international trade;

changes in seaborne and other transportation patterns, including the distance cargo is transported by sea;

environmental and other regulatory developments;

currency exchange rates; and

weather.

Factors that influence the supply of vessel capacity include:

the number of newbuilding deliveries;

port and canal congestion;

the scrapping of older vessels;

vessel casualties; and

the number of vessels that are out of service, namely those that are laid-up, drydocked, awaiting repairs or otherwise not available for hire.

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

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

*Global economic conditions may continue to negatively impact the drybulk shipping industry.*



In the current global economy, operating businesses have recently faced tightening credit, weakening demand for goods and services, weak international liquidity conditions, and declining markets. Lower demand for drybulk cargoes as well as diminished trade credit available for the delivery of such cargoes have led to decreased demand for drybulk carriers, creating downward pressure on charter rates and vessel values. The relatively weak global economic conditions have and may continue to have a number of adverse consequences for drybulk and other shipping sectors, including, among other things:

low charter rates, particularly for vessels employed on short-term time charters or in the spot market;

decreases in the market value of drybulk vessels and limited second-hand market for the sale of vessels;

limited financing for vessels;

widespread loan covenant defaults; and

declaration of bankruptcy by certain vessel operators, vessel owners, shipyards and charterers.

The occurrence of one or more of these events could have a material adverse effect on our business, results of operations, cash flows and financial condition.

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

Global financial markets and economic conditions have been, and continue to be, volatile. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it difficult to obtain additional financing. The current state of global financial markets and current economic conditions might adversely impact our ability to issue additional equity at prices which will not be dilutive to our existing shareholders or preclude us from issuing equity at all.

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

*If economic conditions throughout the world do not improve, it may impede our results of operations, financial condition and cash flows.*

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. In addition, the world economy is currently facing a number of new challenges, recent turmoil and hostilities in the Ukraine, the Middle East, including Syria, North Korea, North Africa and other geographic areas and countries. The weakness in the global economy has caused, and may continue to cause, a decrease in worldwide demand for certain goods and, thus, shipping. Continuing economic instability could have a material adverse effect on our ability to implement our business strategy.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. Major market disruptions and the current adverse changes in market conditions and regulatory climate in the United States and worldwide may adversely affect our business or impair our ability to borrow amounts under credit facilities or any future financial arrangements. The recent and developing economic and governmental factors, together with the possible further declines in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition or cash flows.

Continued economic slowdown in the Asia Pacific region, particularly in China, may exacerbate the effect on us, as we anticipate a significant number of the port calls made by our vessels will continue to involve the loading or discharging of drybulk commodities in ports in the Asia Pacific region. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, GDP, which had a significant impact on shipping demand. The growth rate of China's GDP is estimated to have remained stable year over year at approximately 7.7% for the year ended December 31, 2013 and continues to remain below pre-2008 levels. China has recently imposed measures to restrain lending, which may further contribute to a slowdown in its economic growth. It is possible that China and other countries in the Asia Pacific region will continue to experience slowed or even negative economic growth in the near future. Moreover, the current economic slowdown in the economies of the United States, the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere. Our business, financial condition and results of operations, ability to pay

dividends, if any, in the future, on our common shares, and interest on our Notes, as well as our future prospects, will likely be materially and adversely affected by a further economic downturn in any of these countries.

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*The market values of our vessels may decline, which could limit the amount of funds that we can borrow, cause us to breach certain financial covenants in our future credit facilities, or result in an impairment charge, and we may incur a loss if we sell vessels following a decline in their market value.*

The fair market values of drybulk vessels have generally experienced high volatility and have recently declined significantly. Although we believe that we have contracted to purchase the vessels in our Newbuilding Program, at attractive times in the cycle, the fair market value of our vessels may continue to fluctuate depending on a number of factors, including:

prevailing level of charter rates;

general economic and market conditions affecting the shipping industry;

types, sizes and ages of vessels;

supply of and demand for vessels;

other modes of transportation;

cost of newbuildings;

governmental or other regulations;

the need to upgrade vessels as a result of charterer requirements, technological advances in vessel design or equipment or otherwise; and

technological advances.

If the fair market values of our vessels decline, the amount of funds we may draw down under our secured credit facilities may be limited and we may not be in compliance with certain covenants contained in those secured credit facilities, which may result in an event of default. In such circumstances, we may not be able to refinance our debt or obtain additional financing. If we are not able to comply with the covenants in our secured credit facilities, and are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our fleet. In addition, if we sell one or more of our vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our consolidated financial statements, the sale may be less than the vessel's carrying value on our consolidated financial statements, resulting in a loss and a reduction in earnings. Furthermore, if vessel values decline, we may have to record an impairment charge in our consolidated financial statements which could adversely affect our financial results.

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

Please see Description of Other Indebtedness.

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

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

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

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Compliance with the above requirements following the delivery of vessels may result in significant expense. If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable and uninsurable, which could negatively impact our results of operations and financial condition.

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

Our operations are subject to numerous international, national, state and local laws, regulations, treaties and conventions in force in international waters and the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These laws and regulations include, but are not limited to, the U.S. Oil Pollution Act of 1990, or OPA, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Clean Air Act, the U.S. Clean Water Act and the U.S. Maritime Transportation Security Act of 2002, or the MTSA, and regulations of the International Maritime Organization, or IMO, including the International Convention for the Prevention of Pollution from Ships of 1973 (as from time to time amended and generally referred to as MARPOL), the International Convention for the Safety of Life at Sea of 1974 (as from time to time amended and generally referred to as SOLAS), the International Convention on Civil Liability for Bunker Oil Pollution Damage, and the International Convention on Load Lines of 1966 (as from time to time amended). Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or implementation of operational changes and may affect the resale value or useful lives of our vessels. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with them or the impact thereof on the resale prices or useful lives of our vessels. Additional conventions, laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations.

Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. Furthermore, the 2010 explosion of the Deepwater Horizon well and the subsequent release of oil into the Gulf of Mexico, or other similar events, may result in further regulation of the shipping industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages.

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, and certificates with respect to our operations, and satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we will, when available, arrange insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to pay dividends, if any, in the future, on our common shares, and interest on our Notes.

*An over-supply of drybulk carrier capacity may prolong or further depress the current low charter rates, which may limit our ability to operate our drybulk carriers profitably.*

The supply of drybulk vessels has increased significantly since the beginning of 2006. As of September 2013, newbuilding orders have been placed for approximately 15.7% of the existing fleet capacity. Vessel supply growth has been outpacing vessel demand growth over the past few years causing downward pressure on charter

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rates. Until the new supply is fully absorbed by the market, charter rates may continue to be under pressure due to vessel supply in the near to medium term. The Scorpio Group Pools in which our vessels operate, or are expected to operate, are spot market-oriented commercial pools managed by our commercial manager, which expose us to fluctuations in spot market charter rates.

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

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

*Acts of piracy on ocean-going vessels have had and may continue to have an adverse effect on 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 decreased during 2012 and 2013 to its lowest level since 2009, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea and the West Coast of Africa, with drybulk vessels particularly vulnerable to such attacks. If these piracy attacks result in regions in which our vessels are deployed being characterized as war risk zones by insurers, as the Gulf of Aden temporarily was in May 2008, or Joint War Committee war and strikes listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including due to employing onboard security guards, could increase in such circumstances. Furthermore, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not on-hire for a certain number of days and is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability, of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

*Our vessels may call on ports located in countries that are subject to restrictions imposed by the U.S. or other governments, that could adversely affect our reputation.*

Although we do not expect our vessels will call on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and other authorities or countries identified by the U.S. government or other authorities as state sponsors of terrorism, such as Cuba, Iran, Sudan and Syria, from time to time on charterers instructions, our vessels may call on ports located in such countries in the future. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which amended the Iran Sanctions Act. Among other things, CISADA introduced limits on the ability of companies and



persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any

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person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the Joint Plan of Action ( JPOA ). Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the U.S. and EU would voluntarily suspend certain sanctions for a period of six months. On January 20, 2014, the U.S. and E.U. indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures include, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries from January 20, 2014 until July 20, 2014. The U.S. has since extended the JPOA until November 24, 2014. Although it is our intention to comply with the provisions of the JPOA, there can be no assurance that we will be in compliance in the future as such regulations and U.S. sanctions may be amended over time, and the U.S. retains the authority to revoke the aforementioned relief if Iran fails to meet its commitments under the JPOA.

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

*Our operating results will be subject to seasonal fluctuations, which could affect our operating results.*

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 volatility in our operating results to the extent that we enter into new charter agreements or renew existing agreements during a time when charter rates are weaker or we operate our vessels on the spot market or index based time charters, which may result in quarter-to-quarter

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volatility in our operating results. The drybulk sector is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues from our drybulk carriers may be weaker during the fiscal quarters ended June 30 and September 30, and, conversely, our revenues from our drybulk carriers may be stronger in fiscal quarters ended December 31 and March 31.

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

The operation of our vessels is affected by the requirements set forth in the ISM Code. The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive Safety Management System that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation of vessels and describing procedures for dealing with emergencies. In addition, vessel classification societies impose significant safety and other requirements on our vessels.

The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. Each of the vessels that we have agreed to acquire will be ISM Code-certified when delivered to us. However, if we are subject to increased liability for non-compliance or if our insurance coverage is adversely impacted as a result of non-compliance, it may negatively affect our ability to pay dividends, if any, in the future, on our common shares and interest on our Notes. If any of our vessels are denied access to, or are detained in, certain ports as a result of non-compliance with the ISM Code, our revenues may be adversely impacted.

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

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

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

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

The operation of certain vessel types, such as drybulk carriers, has certain unique risks. With a drybulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, drybulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, drybulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach at sea. Hull breaches in drybulk carriers may lead to the flooding of the vessels' holds. If a drybulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads, leading to the loss of a vessel. If we are

unable to adequately maintain our vessels, we may be unable to prevent these events. Any of these circumstances or events may have a material adverse effect on our business, results of

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operations, cash flows, financial condition and ability to pay dividends, if any, in the future, on our common shares and interest on our Notes. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

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

Since we primarily employ our vessels in the spot market or in spot market-oriented pools, we expect that fuel, or bunkers, will be typically the largest expense in our shipping operations for our vessels. While we believe that we will experience a competitive advantage as a result of increased bunker prices due to the greater fuel efficiency of our vessels compared to the average global fleet, changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce our profitability.

*Our business has inherent operational risks, which may not be adequately covered by insurance.*

Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather, mechanical failures, human error, environmental accidents, war, terrorism, piracy and other circumstances or events. In addition, transporting cargoes across a wide variety of international jurisdictions creates a risk of business interruptions due to political circumstances in foreign countries, hostilities, labor strikes and boycotts, the potential for changes in tax rates or policies, and the potential for government expropriation of our vessels. Any of these events may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

In the event of a casualty to a vessel or other catastrophic event, we will rely on our insurance to pay the insured value of the vessel or the damages incurred. We procure insurance for the vessels in our fleet against those risks that we believe the shipping industry commonly insures against. These insurances include marine hull and machinery insurance, protection and indemnity insurance, which include pollution risks and crew insurances, and war risk insurance. Currently, the amount of coverage for liability for pollution, spillage and leakage available to us on commercially reasonable terms through protection and indemnity associations and providers of excess coverage is \$1 billion per vessel per occurrence.

We will procure hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance coverage and war risk insurance for our fleet. We do not maintain, for our vessels, insurance against loss of hire, which covers business interruptions that result from the loss of use of a vessel. We may not be adequately insured against all risks. We may not be able to obtain adequate insurance coverage for our fleet in the future, and we may not be able to obtain certain insurance coverages. The insurers may not pay particular claims. Our insurance policies may contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs or lower our revenue. Moreover, insurers may default on claims they are required to pay.

We cannot assure you that we will be adequately insured against all risks or that we will be able to obtain adequate insurance coverage at reasonable rates for our vessels in the future. For example, in the past more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. Additionally, our insurers may refuse to pay particular claims. Any significant loss or liability for which we are not insured could have a material adverse effect on our financial condition.



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

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

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

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

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

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the FCPA. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties and 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.

## **Company Specific Risk Factors**

*We are a recently formed company with a limited history of operations.*

We are a recently formed company and have a limited performance record, operating history and historical financial statements upon which you can evaluate our operations or our ability to implement and achieve our business strategy. We cannot assure you that we will be successful in implementing our business strategy. In addition, while our Chief Executive Officer and the management teams of our commercial and technical managers have experience operating drybulk carriers, other members of our senior management, who have experience operating tanker and other classes of vessels, have limited experience operating drybulk carriers. We believe that the experience of our senior management in the ownership and operation of tanker vessels, which require significant technical expertise to operate and are subject to heightened regulatory oversight and more rigorous vetting procedures from charterers than drybulk carriers, provides our management team with the expertise and qualifications to manage drybulk carriers, however we cannot



assure you that they will be able to successfully operate our fleet.

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*The Scorpio Group Pools in which our vessels operate, or are expected to operate, are or will be newly formed and will have limited or no prior operating history. We cannot assure you that these pools will be successful in finding employment for all of our vessels.*

The Scorpio Group Pools in which our vessels operate, or are expected to operate, are or will be newly formed and will have limited or no prior operating history. We will own a large number of vessels that will enter these pools in a relatively short period of time without having previously secured employment. We cannot assure you that these pools will be successful in finding employment for all such vessels in the volatile spot market immediately upon their deliveries to us or whether any such employment will be at profitable rates. We cannot assure you that our vessels will be profitably operated by such pools. In addition, vessels owned by our affiliates, including members of the Scorpio Group, which includes Scorpio Ship Management S.A.M., or SSM, which provides us with vessel technical management services, Scorpio Commercial Management S.A.M., or SCM, which provides us with vessel commercial management services, and Scorpio Services Holding Limited, or SSH, which provides us and other related entities with administrative services and services related to the acquisition of vessels, as well as by unaffiliated third-parties, may participate in such pools. Such vessels may not be of the comparable design or quality to our vessels, negatively impacting the profitability of such pools, while diluting our interest in such profits.

*Newbuilding projects are subject to risks that could cause delays, cost overruns or cancellation of our newbuilding contracts.*

We have entered into shipbuilding contracts with established shipyards in Japan, China, South Korea and Romania for the construction of 79 newbuilding vessels for an aggregate purchase price of \$3,070.8 million. These vessels are expected to be delivered to us between the third quarter of 2014 and the third quarter of 2016. These construction projects are subject to risks of delay or cost overruns inherent in any large construction project from numerous factors, including shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment or shipyard construction, failure of equipment to meet quality and/or performance standards, financial or operating difficulties experienced by equipment vendors or the shipyard, unanticipated actual or purported change orders, inability to obtain required permits or approvals, unanticipated cost increases between order and delivery, design or engineering changes and work stoppages and other labor disputes, adverse weather conditions or any other events of force majeure. Significant cost overruns or delays could adversely affect our financial position, results of operations and cash flows. Additionally, failure to complete a project on time may result in the delay of revenue from that vessel.

As of June 30, 2014, we had made total yard payments in the amount of \$764.1 million and we have remaining yard installments in the amount of \$2,338.8 million before we take possession of the vessels. We had, as of June 30, 2014, a cash balance of \$346.0 million to fund future newbuilding commitments, however, a significant portion of our remaining commitments are currently unfunded. If we are not able to borrow additional funds, raise other capital or utilize available cash on hand, we may not be able to acquire these newbuilding vessels, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We have executed and signed loan documentation for our \$330.0 Million Senior Secured Credit Facility that will be secured by 22 of the vessels in our Newbuilding Program, executed and signed loan documentation for our \$39.6 Million Senior Secured Credit Facility that will be secured by two of the vessels in our Newbuilding Program, executed and signed loan documentation for our \$67.5 Million Senior Secured Credit Facility that will be secured by four of the vessels in our Newbuilding Program, and received a commitment letter for our \$540.0 Million Senior Secured Credit Facility that will be secured by 24 vessels in our Newbuilding Program, however, such credit facilities are subject to important conditions, including the negotiation and execution of definitive documentation. We cannot assure you that we will be able to enter into either such proposed senior secured credit facility. If for any reason we fail to make a payment when due, which may result in a default under our newbuilding contracts, or otherwise fail to take delivery of our newbuild

vessels, we would be prevented from realizing potential revenues from these vessels, we could also lose all or a portion of our yard payments that were paid by us and we could be liable for penalties and damages under such contracts.

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In addition, in the event the shipyards do not perform under their contracts and we are unable to enforce certain refund guarantees with third party banks for any reason, we may lose all or part of our investment, which would have a material adverse effect on our results of operations, financial condition and cash flows.

*We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.*

We have entered into, and may enter into the future, various contracts, including pooling arrangements, charter agreements, shipbuilding contracts and credit facilities. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. For example, the combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. In addition, in depressed market conditions, our charterers and customers may no longer need a vessel that is then under charter or contract or may be able to obtain a comparable vessel at lower rates. As a result, charterers and customers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

*We are, and expect to continue to be, dependent on spot market-oriented pools and spot charters and any decrease in spot charter rates in the future may adversely affect our earnings.*

The Scorpio Group Pools in which our vessels operate, or are expected to operate, are spot market-oriented commercial pools managed by our commercial manager, which expose us to fluctuations in spot market charter rates. The spot charter market may fluctuate significantly based upon drybulk carrier supply and demand. The successful operation of our vessels in the competitive spot charter market, including within the Scorpio Group Pools, depends on, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. The spot market is very volatile, and, in the recent past, there have been periods when spot charter rates have declined below the operating cost of vessels and for some vessel classes are currently only slightly above operating costs. If future spot charter rates decline, then we may be unable to operate our vessels trading in the spot market profitably, meet our obligations, including payments on indebtedness, or pay dividends in the future. Furthermore, as charter rates for spot charters are fixed for a single voyage which may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

Our ability to renew expiring charters or obtain new charters will depend on the prevailing market conditions at the time. If we are not able to obtain new charters in direct continuation with previous charters, or if new charters are entered into at charter rates substantially below the existing charter rates or on terms otherwise less favorable compared to previous charter terms, our revenues and profitability could be adversely affected.

*The failure of our charterers to meet their obligations under our charter agreements, on which we depend for our revenues, could cause us to suffer losses or otherwise adversely affect our business.*

We do not expect to employ any of our vessels under a long-term time charter agreement but we may enter into such agreements in the future. The ability and willingness of each of our counterparties to perform their obligations under a

time charter, spot voyage or other agreement with us, directly or through our pooling arrangements, will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the drybulk shipping industry and the overall financial condition of the counterparties. In addition, in depressed market conditions, there have been reports of charterers

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renegotiating their charters or defaulting on their obligations under charters. Our customers may fail to pay charterhire 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 time charters may be at lower rates given currently decreased drybulk carrier charter rate levels. When we employ a vessel in the spot charter market, we intend to place such vessel in a drybulk carrier pool managed by our commercial manager that pertains to that vessel's size class. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, on our common shares and interest on our Notes, and comply with covenants in our credit facilities.

*We may have difficulty managing our planned growth properly.*

We have entered into shipbuilding contracts with established shipyards in Japan, China, South Korea and Romania for the construction of 80 latest generation drybulk vessels and chartered in 19 vessels, of which 18 vessels have been delivered to us, that we employ in the Scorpio Group Pools. One of our principal strategies is to continue to grow by expanding our operations and adding to our fleet. Our future growth will primarily depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

identify suitable drybulk carriers, including newbuilding slots at shipyards and/or shipping companies for acquisitions at attractive prices;

obtain required financing for our existing and new operations;

identify businesses engaged in managing, operating or owning drybulk carriers for acquisitions or joint ventures;

integrate any acquired drybulk carriers or businesses successfully with our existing operations, including obtaining any approvals and qualifications necessary to operate vessels that we acquire;

hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet;

identify additional new markets;

enhance our customer base; and

improve our operating, financial and accounting systems and controls.

Our failure to effectively identify, acquire, develop and integrate any drybulk carriers or businesses could adversely affect our business, financial condition and results of operations. The number of employees that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to expand the size

of our fleet in the drybulk sector, and we may not be able to effectively hire more employees or adequately improve those systems. Finally, acquisitions may require additional equity issuances, which may dilute our common shareholders if issued at lower prices than the price they acquired their shares, or debt issuances (with amortization payments), both of which could lower our available cash. If any such events occur, our financial condition may be adversely affected.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. The expansion of our fleet may impose significant additional responsibilities on our management and staff, and the management and staff of our commercial and technical managers, and may necessitate that we, and they, increase the number of personnel. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth.

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

Our current operating and financial systems may not be adequate as we implement our plan to take delivery of 80 newbuilding vessels between the third quarter of 2014 and the third quarter of 2016 and to expand the size of our fleet through acquiring and chartering in additional vessels and our attempts to improve those systems may be ineffective. In addition, if we further expand our fleet, we will need to recruit suitable additional seafarers and shore side administrative and management personnel. We cannot guarantee that we will be able to hire suitable employees as we expand our fleet. If we or our crewing agent encounters business or financial difficulties, we may not be able to adequately staff our vessels. If we are unable to grow our financial and operating systems or to recruit suitable employees as we expand our fleet, our financial performance may be adversely affected and, among other things, the amount of cash available for distribution as dividends to our shareholders may be reduced.

*If we acquire and operate secondhand vessels, we will be exposed to increased operating costs which could adversely affect our earnings and, as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.*

Our current business strategy includes additional growth which may, in addition to the acquisition of newbuilding vessels, include the acquisition of modern secondhand vessels. While we expect that we would typically inspect secondhand vessels prior to acquisition, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Generally, purchasers of secondhand vessels do not receive the benefit of warranties from the builders for the secondhand vessels that they acquire.

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.

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

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. While all of the vessels in our owned fleet will be newbuildings, as our vessels age typically they will become less fuel-efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment, to our vessels and may restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

*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 drybulk carriers 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 charterhire

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payments we receive for our vessels once their initial charters expire and the resale value of our vessels could significantly decrease. As a result, our business, results of operations, cash flows and financial condition could be adversely affected.

*In the highly competitive international shipping industry, we may not be able to compete for charters with new entrants or established companies with greater resources, and as a result, we may be unable to employ our vessels profitably.*

Our vessels will be employed in a highly competitive market that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than we do. Competition for the transportation of drybulk cargo by sea is intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Due in part to the highly fragmented market, competitors with greater resources could enter the drybulk shipping industry and operate larger fleets through consolidations or acquisitions and may be able to offer lower charter rates and higher quality vessels than we are able to offer. If we are unable to successfully compete with other drybulk shipping companies, our results of operations would be adversely impacted.

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

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

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

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to satisfy our financial obligations and to make dividend payments in the future depends on our subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, our board of directors may exercise its discretion not to declare or pay dividends. We do not intend to obtain funds from other sources to pay dividends.

*Because we are organized under the laws of the Marshall Islands, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.*

We are organized under the laws of the Marshall Islands, and substantially all of our assets are located outside of the United States. In addition, the majority of our directors and officers are or will be non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against our assets or the assets of our directors or officers. For more information regarding the relevant laws of the Marshall Islands, see [Service of Process and Enforcement of Civil Liabilities](#).



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

Our corporate affairs are governed by our amended and restated articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act, or the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the laws of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in the United States. The rights of shareholders of companies incorporated in the Marshall Islands may differ from the rights of shareholders of companies incorporated in the United States. While the BCA provides that it is to be interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Marshall Islands and we can't predict whether Marshall Islands courts would reach the same conclusions as United States courts. Thus, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction which has developed a relatively more substantial body of case law.

*The international nature of our operations may make the outcome of any bankruptcy proceedings difficult to predict.*

We are incorporated under the laws of the Republic of The Marshall Islands and we conduct operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving us or any of our subsidiaries, bankruptcy laws other than those of the United States could apply. If we become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court's jurisdiction if any other bankruptcy court would determine it had jurisdiction.

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

Under the United States Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as