

StealthGas Inc.  
Form 20-F  
April 24, 2019  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON D.C. 20549**

**FORM 20-F**

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

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2018**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 001-36797**

**STEALTHGAS INC.**

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

**Not applicable**

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

**Republic of the Marshall Islands**

**(Jurisdiction of incorporation or organization)**

**331 Kifissias Avenue, Erithrea 14561 Athens, Greece**

**(Address of principal executive offices)**

**Harry N. Vafias**

**331 Kifissias Avenue, Erithrea 14561, Athens, Greece**

**Telephone: (011) (30) (210) 625 0001**

**Facsimile: (011) (30) (210) 625 0018**

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

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

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

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

**None**

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

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

**None**

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2018 was: 40,125,184 shares of Common Stock, par value \$0.01 per share

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

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

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

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

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

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

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

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

International Accounting Standards Board

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

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

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**FORWARD-LOOKING INFORMATION**

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

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

future operating or financial results;

global and regional economic and political conditions;

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

competition in the marine transportation industry;

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

ability to employ our vessels profitably;

performance by the counterparties to our charter agreements;

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

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

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

performance by the shipyards constructing our newbuilding vessels; and

expectations regarding vessel acquisitions and dispositions.

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

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**Part I**

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

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

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

Not Applicable.

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

Not Applicable.

**Item 3. Key Information**

**A. Selected Consolidated Financial Data**

The following table sets forth our selected consolidated financial data and other operating data shown in U.S. dollars, other than share and fleet data. For the effects of the adoption of the new accounting guidance for revenue from contracts with customers (ASC 606), please refer to Note 2 to our consolidated financial statements. The table should be read together with Item 5. Operating and Financial Review and Prospects.

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Our audited consolidated statements of operations and comprehensive loss, stockholder's equity and cash flows for the years ended December 31, 2016, 2017, and 2018 and the audited consolidated balance sheets as of December 31, 2017 and 2018, together with the notes thereto, are included in Item 18. Financial Statements and should be read in their entirety. The selected consolidated income statement data for the years ended December 31, 2014 and 2015 and the selected balance sheet data as of December 31, 2014, 2015 and 2016 have been derived from our audited consolidated financial statements which are not included in Item 18. Financial Statements .

	<b>Year Ended December 31,</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>INCOME STATEMENT DATA</b>					
Revenues	\$ 122,158,892	\$ 131,501,881	\$ 136,539,399	\$ 152,338,278	\$ 164,330,202
Revenues related party	9,814,000	9,814,000	7,592,784	1,973,643	
Total Revenues	\$ 131,972,892	\$ 141,315,881	\$ 144,132,183	\$ 154,311,921	\$ 164,330,202
Operating expenses:					
Voyage expenses	12,474,090	15,849,855	13,618,025	13,804,032	18,649,258
Voyage expenses related party	1,613,421	1,725,683	1,772,240	1,912,505	2,037,917
Vessels operating expenses	41,335,984	46,477,583	55,680,993	58,618,526	59,920,278
Vessels operating expenses-related party	4,099,352	4,177,042	3,141,843	800,908	514,500
Charter hire expenses	320,804	4,124,960	4,054,387	3,524,770	6,150,780
Dry-docking costs	465,681	1,774,905	3,613,230	3,529,047	3,617,577
Management fees	5,501,675	6,452,145	7,346,180	7,205,490	7,027,195
General and administrative expenses	3,150,929	3,655,316	3,110,409	2,898,958	3,046,962
Depreciation	33,811,607	35,857,507	39,096,589	38,921,672	41,258,142
Impairment loss	6,168,747	8,238,987	5,735,086	6,461,273	11,351,821
Other Operating Costs				1,058,863	(549,804)
Net (gain)/loss on sale of vessels		(33,251)	(118,427)	77,314	763,925
Total expenses	108,942,290	128,300,732	137,050,555	138,813,358	153,788,551
Income from operations	23,030,602	13,015,149	7,081,628	15,498,563	10,541,651
Interest and finance costs	(9,314,539)	(10,385,261)	(14,268,148)	(16,661,464)	(23,286,547)
Loss on derivatives	(1,348,384)	(370,584)	(767,196)	(403,943)	(11,982)
Interest income	456,924	173,083	454,472	322,868	587,477
Foreign exchange (loss)/gain	(138,777)	134,291	(299,056)	25,739	(107,119)
Other expenses, net	(10,344,776)	(10,448,471)	(14,879,928)	(16,716,800)	(22,818,171)
Net income/(loss)	12,685,826	2,566,678	(7,798,300)	(1,218,237)	(12,276,520)
Earnings/(loss) per share, basic	\$ 0.32	\$ 0.06	\$ (0.20)	\$ (0.03)	\$ (0.31)
Earnings/(loss) per share, diluted	\$ 0.32	\$ 0.06	\$ (0.20)	\$ (0.03)	\$ (0.31)
Weighted (basic and diluted) average number of shares outstanding					
	39,305,644	41,315,127	39,824,038	39,809,364	39,860,563
Dividends declared per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00



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	<b>As of December 31,</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>BALANCE SHEET DATA</b>					
Current assets, including cash	\$ 139,742,461	\$ 123,372,369	\$ 76,478,045	\$ 62,838,725	\$ 138,866,439
Total assets	944,358,260	1,037,874,170	1,001,942,344	996,226,191	1,036,722,488
Current liabilities	67,289,874	103,714,126	81,366,606	78,748,931	103,490,335
Derivative liability	2,456,663	978,853	364,823	126,525	465,389
Total long-term debt, including current portion	323,982,310	422,162,554	397,885,589	384,908,448	443,317,446
Net assets	592,390,274	583,051,160	573,975,304	573,478,772	561,252,511
Capital stock	442,850	442,850	442,850	442,850	445,496
Number of shares of common stock outstanding	42,889,773	40,517,676	39,860,563	39,860,563	39,860,563

	<b>Year ended December 31,</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>OTHER FINANCIAL DATA</b>					
Net cash provided by operating activities	\$ 55,237,735	\$ 48,054,596	\$ 36,154,088	\$ 52,354,053	\$ 37,809,225
Net cash used in investing activities(13)	(91,533,088)	(151,799,747)	(54,074,771)	(48,913,177)	(78,552,902)
Net cash provided by/(used in) financing activities	79,018,076	87,899,271	(27,213,272)	(14,069,329)	57,271,476

<b>FLEET DATA</b>					
Average number of vessels(1)	44.1	48.8	53.4	52.6	50.8
Total voyage days for fleet(2)	16,028	18,446	19,999	19,717	19,363
Total time and bareboat charter days for fleet(3)	13,893	14,516	15,831	16,772	15,696
Total spot market days for fleet(4)	2,135	3,930	4,168	2,945	3,667
Total calendar days for fleet(5)	16,136	18,541	20,275	19,917	19,544
Fleet utilization(6)	99.3%	99.5%	98.6%	99.0%	99.1%
Fleet operational utilization(7)	93.3%	92.5%	91.1%	96.2%	95.5%

<b>AVERAGE DAILY RESULTS</b>					
Adjusted average charter rate(8)	\$ 7,355	\$ 6,708	\$ 6,437	\$ 7,029	\$ 7,418
	2,816	2,732	2,901	2,983	3,092

Vessel operating expenses(9)					
General and administrative expenses(10)	195	197	153	146	156
Management fees(11)	341	348	362	362	360
Total daily operating expenses(12)	3,011	2,929	3,054	3,129	3,248

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

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

	<b>Year ended December 31,</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Voyage revenues	\$ 131,972,892	\$ 141,315,881	\$ 144,132,183	\$ 154,311,921	\$ 164,330,202
Voyage expenses	(14,087,511)	(17,575,538)	(15,390,265)	(15,716,537)	(20,687,175)
Charter equivalent revenues	\$ 117,885,381	\$ 123,740,343	\$ 128,741,918	\$ 138,595,384	\$ 143,643,027
Total voyage days for fleet	16,028	18,446	19,999	19,717	19,363
Adjusted average charter rate	\$ 7,355	\$ 6,708	\$ 6,437	\$ 7,029	\$ 7,418

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

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

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previously presented these within investing activities. This standard was retrospectively applied to all periods presented.

### **B. Capitalization and Indebtedness**

Not applicable

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

Not Applicable.

### **D. Risk Factors**

#### **Risks Related To Our Industry**

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

Historically, the international LPG carrier market has been cyclical with attendant volatility in profitability, charter rates and vessel values. The degree of charter rate volatility among different types of gas carriers has varied widely. Because many factors influencing the supply of and demand for vessel capacity are unpredictable, the timing, direction and degree of changes in the international gas carrier market are also not predictable. Charter rates for small LPG carriers have generally improved from the second half of 2017 through early 2019. If charter rates do not continue to improve or again decline significantly, as they did beginning in late 2014 to the first half of 2017 largely as a result of low oil prices, our earnings may decrease, particularly with respect to our vessels deployed in the spot market, or those vessels whose charters will be subject to renewal during 2019, as they may not be extended or renewed on favorable terms when compared to the terms of the expiring charters. As of April 1, 2019, of our 44 operating LPG carriers, including two vessels that are chartered in and four vessels in which we own a 50.1% equity interest pursuant to a joint venture agreement with a financial investor (the JV Vessels), 7 were deployed in the spot market while another 20 were scheduled to complete their existing charters (bareboat and time charters) during 2019. Any of the foregoing factors could have an adverse effect on our revenues, profitability, liquidity, cash flow and financial position.

Future growth in the demand for LPG carriers and charter rates, including for the vessel size segments comprising our fleet, will depend on economic growth in the world economy and demand for LPG product transportation that exceeds the capacity of the growing worldwide LPG carrier fleet's ability to match it. We believe that the future growth in demand for LPG carriers and the charter rate levels for LPG carriers will depend primarily upon the supply and demand for LPG, particularly in the economies of China, Japan, India and Southeast Asia, as well as U.S. shale production, and upon seasonal and regional changes in demand and changes to the capacity of the world fleet. The capacity of the world shipping fleet appears likely to increase in the near term, although growth in the 3,000 to 8,000 cbm segment of small LPG carriers is expected to be limited in the period 2019-2020. Oil prices may remain relatively low and economic growth may be limited in the near term, and possibly for an extended period, which could have an adverse effect on our business and results of operations.

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

The factors that influence demand for our vessels include:

supply and demand for LPG products;

the price of oil;

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global and regional economic conditions;

the distance LPG products are to be moved by sea;

availability of alternative transportation means;

changes in seaborne and other transportation patterns;

environmental and other regulatory developments; and

weather.

The factors that influence the supply of vessel capacity include:

the number of newbuilding deliveries;

the scrapping rate of older vessels;

LPG carrier prices;

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

the number of vessels that are out of service.

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

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

Our business and operating results have been, and will continue to be, affected by global and regional economic conditions. The recovery of the global economy from the severe decline in prior years remains subject to downside risks. More specifically, some LPG products we carry are used in cyclical businesses, such as the manufacturing of plastics and in the chemical industry, and, accordingly, weakness and reduction in demand in those industries could adversely affect the LPG carrier industry. In particular, an adverse change in economic conditions affecting China, Japan, India or Southeast Asia generally could have a negative effect on the demand for LPG products, thereby adversely affecting our business, financial position and results of operations, as well as our future prospects. In recent years China and India have been among the world's fastest growing economies in terms of gross domestic product, and

any economic slowdown in the Asia Pacific region particularly in China or India may adversely affect LPG demand and our results of operations. Moreover, any deterioration in the economy of the United States or the European Union, may further adversely affect economic growth in Asia. In addition, although to date, the continuing adverse economic conditions in Greece have not had an adverse effect on our or our managers' operations, the slow recovery of, and any renewed deterioration in, the Greek economy and the continuation, albeit with reduced severity, of capital controls imposed by the Greek government in June 2015, may result in the imposition of new regulations that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Greek government new taxes or other fees. Our business, financial position and results of operations, as well as our future prospects, could likely be materially and adversely affected by adverse economic conditions in any of these countries or regions.

The imposition by the U.S., China or other governments of protectionist trade measures, including tariffs and other trade restrictions, the exit of the United Kingdom from the European Union, the continuing war in Syria, renewed terrorist attacks around the world and the refugee crisis could also adversely affect global economic conditions and the world LPG, oil and petroleum markets and in turn the demand for seaborne transportation of these commodities. The tariffs imposed, and threatened, by the U.S. and China have led to concerns regarding a potentially protracted trade war that may continue to negatively affect LPG shipping markets in Asia, which were weak in the fourth quarter of 2018.



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

Our growth, which depends on growth in the supply and demand for LPG products and LPG shipping, was adversely affected by the sharp decrease in world trade and the global economy experienced in the latter part of 2008 and in 2009 and the decline in oil prices beginning in the third quarter of 2014. Although the global economy has recovered, economic conditions and oil prices remain below the levels reached before the economic downturn. World and regional demand for LPG products and LPG shipping can be adversely affected by a number of factors, such as:

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

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

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

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

decreases in the consumption of LPG or natural gas due to availability of new alternative energy sources, or increases in the price of LPG or natural gas relative to other energy sources, or other factors making consumption of LPG or natural gas less attractive; and

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

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

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

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter-to-quarter volatility in our operating results. The LPG carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of propane and butane for heating during the winter months. Tanker markets are also typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere, but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues may be stronger in fiscal quarters ended December 31 and March 31, although the fourth quarter of 2018 did not exhibit this traditional strength as a result of a weak LPG shipping market in Asia, and conversely, our revenues may be weaker

during the fiscal quarters ended June 30 and September 30. This seasonality could materially affect our quarterly operating results.

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

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

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

The medium range type product carrier and crude oil tanker shipping sectors are cyclical with attendant volatility in charter rates and vessel values. One of our three product carriers is currently operating on a time charter scheduled to expire in May 2020 while the remaining two are under bareboat charter arrangements scheduled to expire in April 2019 and September 2020, respectively. The bareboat charter for our crude oil tanker is scheduled to expire in March 2020. If prevailing market conditions in these sectors, which have declined sharply since mid-2016, are depressed at such times as these charters expire or otherwise are terminated, we may not be able to renew or replace existing charters for these vessels at the same or similar rates. If we were required to enter into a charter when charter hire rates are low, our results of operations could be adversely affected.

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

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

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

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

general economic and market conditions affecting the shipping industry;

age, sophistication and condition of our vessels;

types and sizes of vessels;

availability of other modes of transportation;

cost and delivery of schedules for newbuildings;

governmental and other regulations;

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

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

technological advances.

In 2018, we recognized an impairment loss of \$ 11.4 million relating to eleven of our vessels, five of which were sold and delivered to their new owners in 2018, and six of which were classified as held for sale as of December 31, 2018. In 2017, we recognized an impairment loss of \$6.5 million relating to seven of our oldest vessels, four of which were sold in 2017. In 2016, we recognized an impairment loss of \$5.7 million relating to

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six of our oldest vessels. If we sell vessels at a time when vessel prices have fallen, the sale may be for less than the vessel's carrying value in our financial statements, resulting in a loss and reduction in earnings. Furthermore, if vessel values experience significant declines, we may have to record an impairment adjustment in our financial statements, which would also result in a reduction in our profits. If the market value of our fleet declines, we may not be in compliance with certain provisions of our existing loan agreements and we may not be able to refinance our debt or obtain additional financing or, if reinstated, pay dividends. If we are unable to pledge additional collateral, our lenders could accelerate our debt and foreclose on our fleet. The loss of our vessels would mean we could not run our business.

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

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

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

While we do not bear the cost of fuel or bunkers under time and bareboat charters, fuel is a significant expense in our shipping operations when vessels are deployed under spot charters. Changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the OPEC ( Organization Of Petroleum Exporting Countries ) and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Furthermore fuel, which became less expensive with the decline of the price of oil beginning in the third quarter of 2014, has increased in price to since 2017 with increasing oil prices, and may become significantly more expensive in the future, which may reduce our profitability. In addition, the pending entry into force on January 1, 2020 of the 0.5% global sulphur cap in marine fuels under the International Convention for Prevention of Pollution from Ships ( MARPOL ) Annex VI may lead to changes in the production quantities and prices of different grades of marine fuel by refineries and introduces an additional element of uncertainty in fuel markets, which could result in additional costs and adversely affect our cash flows, earnings and results from operations.

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

Our business and the operation of our vessels are materially affected by government regulation in the form of international conventions and national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries of their registration. These regulations include, but are not limited to the U.S. Oil Pollution Act of 1990, or OPA, that establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills and applies to any discharges of oil from a vessel, including discharges of fuel oil (bunkers) and lubricants, the U.S. Clean Air Act, U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002, and regulations of the International Maritime Organization, or the IMO, including the International Convention for the Prevention of Pollution from Ships of 1975, the International

Convention for the Prevention of Marine Pollution of 1973, and the International Convention for the Safety of Life at Sea of 1974. To comply with these and other regulations, including the new MARPOL Annex VI sulfur emission requirements instituting a global 0.5% (lowered from 3.5%) sulphur cap on marine fuels from January 1, 2020 and the IMO ballast water management ( BWM ) convention, which requires

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vessels to install expensive ballast water treatment systems ( BWTS ), we may be required to incur additional costs to meet new maintenance and inspection requirements, develop contingency plans for potential spills, and obtain insurance coverage. Those laws and regulations are often revised, and we cannot predict the ultimate cost of complying with them, or the impact they may have on the resale prices or useful lives of our vessels. However, a failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Additional laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which could materially adversely affect our operations. We are also required by various governmental and quasi-governmental agencies to obtain permits, licenses, certificates and financial assurances with respect to our operations. These permits, licenses, certificates and financial assurances may be issued or renewed with terms that could materially and adversely affect our operations.

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

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

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

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

Due to concern over the risks of climate change, a number of countries and the International Maritime Organization, or IMO , have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emission from ships. These regulatory measures may include adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. Emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, or the Kyoto Protocol , or any amendments or successor agreements, including the Paris Agreement adopted under the United Nations Framework Convention on Climate Change in December 2015, which contemplates commitments from each nation party thereto to take action to reduce greenhouse gas emissions and limit increases in global temperatures but did not include any restrictions or other measures specific to shipping emissions. However, restrictions on shipping emissions are likely to continue to be considered, and a new treaty may be adopted in the

future that includes additional restrictions on shipping emissions to those already adopted under the International Convention for the Prevention of Marine Pollution from Ships, or the MARPOL Convention . Compliance with future changes in laws and regulations relating to climate change could increase the costs of operating and maintaining our ships and could require us to install new



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emission controls, as well as acquire allowances, pay taxes related to our greenhouse gas emissions or administer and manage a greenhouse gas emissions program.

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

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

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention. Our fleet is currently classed with Lloyds Register of Shipping, Nippon Kaiji Kyokai, or NKK, the American Bureau of Shipping, DNV and Bureau Veritas.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Our vessels are on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be dry docked every two to three years for inspection of the underwater parts of such vessel. However, for vessels not exceeding 15 years that have means to facilitate underwater inspection in lieu of dry docking, the dry docking can be skipped and be conducted concurrently with the special survey.

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

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

Crew members, suppliers of goods and services to a vessel, shippers of cargo and others may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of funds to have the arrest lifted.

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

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

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition our vessels for hire. Requisition for

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

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

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

marine accident or disaster;

piracy and terrorism;

explosions;

environmental accidents;

pollution;

loss of life;

cargo and property losses or damage; and

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

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

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

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

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden, off the coast of Somalia. Although the frequency of sea piracy worldwide leveled off somewhat in recent years, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and in the Gulf of Guinea. If these piracy attacks occur in regions in which our vessels are deployed and are characterized by insurers as war risk zones, as the Gulf of Aden continues to be, or Joint War

Committee (JWC) war and strikes listed areas, premiums payable for such coverage, for which we are responsible with respect to vessels employed on spot charters, but not vessels employed on bareboat or time charters, could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including employing onboard security guards, could increase in such circumstances. We usually employ armed guards on board the vessels on time and spot charters that transit areas where Somali pirates operate. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

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

We are an international company and primarily conduct our operations outside the United States. Changing economic, political and governmental conditions in the countries where we are engaged in business or where our

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vessels are registered affect us. In the past, political conflicts, particularly in the Arabian Gulf, resulted in attacks on vessels, mining of waterways and other efforts to disrupt shipping in the area. Acts of terrorism may increase with the continuing conflicts in the Middle East and North Africa, and therefore our vessels may face higher risks of being attacked. In addition, future hostilities or other political instability in regions where our vessels trade could affect our trade patterns and adversely affect our operations and performance. If certain shipping lanes were to close, such as Iran's past threat to close the Straits of Hormuz, it could adversely affect the availability of, and the demand for crude oil and petroleum products, as well as LPG. This would negatively affect our business and our customers' investment decisions over an extended period of time. In addition, sanctions against oil exporting countries such as Iran, Syria and Venezuela, and the events in Ukraine and related sanctions against Russia, may also impact the availability of crude oil, petroleum products and LPG and which would increase the availability of applicable vessels, thereby impacting negatively charter rates. In addition, any charters that we enter into with Chinese customers may be subject to new regulations in China that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Chinese government new taxes or other fees. Changes in laws and regulations, including with regards to tax matters, and their implementation by local authorities could affect our vessels chartered to Chinese customers, as well as our vessels calling to Chinese ports, and could have a material adverse effect on our business, results of operations and financial condition.

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

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

From time to time on charterers' instructions, our vessels have called and may again call on ports located in countries subject to sanctions and embargoes imposed by the United States government and countries identified by the United States government as state sponsors of terrorism, such as Iran, Syria and North Korea. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. On January 16, 2016, Implementation Day for the Iran Joint Comprehensive Plan of Action (JCPOA), the United States lifted its nuclear-related secondary sanctions against Iran which prohibited certain conduct by non-U.S. companies and individuals that occurred entirely outside of U.S. jurisdiction involving specified industry sectors in Iran, including the energy, petrochemical, automotive, financial, banking, mining, shipbuilding and shipping sectors. By lifting the secondary sanctions against Iran, the U.S. government effectively removed U.S. imposed restraints on dealings by non-U.S. companies, such as our Company, and individuals with these formerly targeted Iranian business sectors. Non-U.S. companies continued to be prohibited under U.S. sanctions from (i) knowingly engaging in conduct that seeks to evade U.S. restrictions on transactions or dealings with Iran or that causes the export of goods or services from the United States to Iran, (ii) exporting, re-exporting or transferring to Iran any goods, technology, or services originally exported from the U.S. and / or subject to U.S. export jurisdiction and (iii) conducting transactions with of the Iranian or Iran-related individuals and entities that remain or are placed in the future on OFAC's list of Specially Designated Nationals and Blocked Persons (SDN List), notwithstanding the lifting of secondary sanctions. However,

on August 6, 2018, the U.S. re-imposed an initial round of secondary sanctions and as of November 5, 2018, all of the secondary sanctions the U.S. had suspended under the JCPOA have been re-imposed.

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The U.S. government's primary Iran sanctions have remained largely unchanged, including during the period from the JCPOA Implementation Day to the re-imposition of secondary sanctions in 2018, and as a consequence, U.S. persons also continue to be broadly prohibited from engaging in transactions or dealings with the Government of Iran and Iranian financial institutions, which effectively impacts the transfer of funds to, from, or through the U.S. financial system whether denominated in US dollars or any other currency.

None of our vessels called in any ports in Cuba, North Korea, Syria or Iran in 2014 or 2015. In 2016, two of our vessels made a total of two port calls to Iran, representing less than 0.1% of the 2,412 total port calls made by all the vessels owned by us in 2016 and in 2017 six of our vessels made a total of 82 port calls to Iran which represents 2.67% of the 3,074 port calls made by all of our operating fleet within the stated year. In 2018, 4 of our vessels made a total of 12 port calls to Iran, all prior to November 5, 2018, representing 0.5% of the 2,653 port calls made by all of the vessels in our operating fleet in 2018. We believe all such port calls were made in full compliance with applicable economic sanctions laws and regulations, including those of the United States, the European Union and other relevant jurisdictions. See also Item 4B: Business Overview Disclosure of activities pursuant to Section 13(r) of the U.S. Securities Exchange Act of 1934 for information on the port calls made to Iran. Our charter agreements include provisions that restrict trades of our vessels to countries targeted by economic sanctions unless such transportation activities involving sanctioned countries are permitted under applicable economic sanctions and embargo regimes. Our ordinary chartering policy is to seek to include similar provisions in all of our period charters. Prior to agreeing to waive existing charter party restrictions on carrying cargoes to or from ports that may implicate sanctions risks, we ensure that the charterers have proof of compliance with international and U.S. sanctions requirements, or applicable licenses or other exemptions.

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

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

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





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

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

## **Risks Related To Our Business**

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

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

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

As of April 1, 2019, of our 48 vessels, including two chartered in vessels and four vessels in which we own a 50.1% equity interest pursuant to a joint venture agreement, 41 were under period charters (bareboat charters and time charters), while 7 were deployed in the spot market. As of April 1, 2019, 68% of our anticipated fleet days were covered by period charter contracts for the remainder of 2019 and 28% for 2020, with period charters for 20 of our vessels scheduled to expire in 2019 and 11 of our period charters scheduled to expire in 2020.

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



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

In our operating history we have derived a significant part of our revenue from a small number of charterers. For the years ended December 31, 2016, 2017 and 2018 we had no customers from which we derived more than 10% of our revenues. For the year ended December 31, 2018, our three largest customers accounted for 25% of our revenues. Overall, we anticipate a limited number of customers will continue to represent significant amounts of our revenue. If these customers cease doing business or do not fulfill their obligations under the charters for our vessels, our results of operations and cash flows could be adversely affected. Further, if we encounter any difficulties in our relationships with these charterers, our results of operations, cash flows and financial condition could be adversely affected.

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

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

incur additional indebtedness;

create liens on our assets;

sell capital stock of our subsidiaries;

make investments;

engage in mergers or acquisitions;

pay dividends; and

make capital expenditures.

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

They also require that our Chief Executive Officer, Harry Vafias, together with his immediate family, at all times own at least 10% of our outstanding capital stock and certain of our loan agreements provide that it would be an event of default if Harry Vafias ceased to serve as an executive officer or director of our company, Harry Vafias together with his immediate family, ceased to control our company or any other person or group controlled 25% or more of the voting power of our outstanding capital stock. In addition, our loan agreements include restrictions on the payment of dividends in amounts exceeding 50% of our free cash flow in any rolling 12-month period. As of December 31, 2018, we were in compliance with the covenants in our loan agreements.

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

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

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

Our loan agreements, which are secured by liens on our vessels, contain various financial covenants, including requirements that relate to our financial condition, operating performance and liquidity. For example, we are required to maintain a maximum consolidated leverage ratio that is based, in part, upon the market value of the vessels securing the applicable loan, as well as a minimum ratio of the market value of vessels securing a loan to the principal amount outstanding under such loan. The market value of LPG carriers, product carriers and crude oil tankers is sensitive to, among other things, changes in the LPG carrier, product carrier and crude oil tanker charter markets, respectively, with vessel values deteriorating in times when LPG carrier, product carrier and tanker charter rates, as applicable, are falling and improving when charter rates are anticipated to rise. Lower charter rates in the LPG carrier, product carrier and crude oil tanker markets coupled with the difficulty in obtaining financing for vessel purchases have adversely affected product carrier and Aframax tanker values, and the impact of the dramatic decline in oil prices on demand for LPG has adversely affected LPG carrier values since the fourth quarter of 2014, with some improvement alongside increasing oil prices in the second half of 2017 and 2018. A continuation or worsening of these conditions would lead to a significant decline in the fair market values of our vessels, which may result in our not being in compliance with these loan covenants. If the value of our vessels deteriorates, we may have to record an impairment adjustment in our financial statements as we did in each of our last five fiscal years which would adversely affect our financial results and could further hinder our ability to raise capital.

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

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

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

competitive pressures.

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

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

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

As of December 31, 2018 we had outstanding indebtedness, net of deferred arrangement fees, of \$443.3 million. We would expect to incur further indebtedness in connection with any further expansion of our fleet. This increase in the level of indebtedness and the need to service the indebtedness may impact our profitability and cash available for growth of our fleet, working capital and dividends if any. Additionally, further increases in interest rate levels, which have started to increase in the last few years from historically low levels, may increase the cost of servicing our indebtedness with similar results.

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

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

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

The amounts outstanding under our senior secured credit facilities have been, and we expect borrowings under additional credit facilities we have entered into and may enter into in the future will generally be, advanced at a floating rate based on LIBOR, which has increased in the last few years after a period of stability at low levels, and 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, LIBOR, which was at low levels for an extended period of time, increased in 2017 and 2018 and may continue to increase from these levels. Our financial condition could be materially adversely affected at any time that we have not entered into interest rate hedging arrangements to hedge our exposure to the interest rates applicable to our credit facilities and any other financing arrangements we may enter into in the future, including those we enter into to finance a portion of the amounts payable with respect to newbuildings. As of December 31, 2018, we had approximately 25% of our loan exposure under interest rate swap arrangements. Even if we have entered into interest rate swaps or other derivative instruments for purposes of managing our interest rate exposure, our hedging strategies may not be effective and we may incur substantial losses.

***Increased regulatory oversight, uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR after 2021 may adversely affect the amounts of interest we pay under our debt arrangements and our results of operations.***

Regulators and law enforcement agencies in the United Kingdom and elsewhere are conducting civil and criminal investigations into whether the banks that contribute to the British Bankers Association (the BBA ) in connection with the calculation of daily LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate

LIBOR. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to this alleged manipulation of LIBOR.



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On July 27, 2017, the United Kingdom Financial Conduct Authority ( FCA ), which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021 (the FCA Announcement ). The FCA Announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. The Secured Overnight Financing Rate, or SOFR , has been proposed by the Alternative Reference Rate Committee, a committee convened by the U.S. Federal Reserve that includes major market participants and on which regulators participate, as an alternative rate to replace U.S. Dollar LIBOR. It is not possible to predict the effect of the FCA Announcement, including any discontinuation or change in the method by which LIBOR rates are determined, or how any such changes or alternative methods for calculating benchmark interest rates would be applied to any particular existing agreement containing terms based on LIBOR, such as our existing loan agreements. Any such changes or developments in the method pursuant to which LIBOR rates are determined may result in an increase in reported LIBOR rates or any alternative rates. If that were to occur, the amount of interest we pay under our credit facilities and any other financing arrangements may be adversely affected which may adversely affect our results of operations.

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

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

To the extent our interest rate swaps do not qualify for treatment as hedges for accounting purposes, we recognize fluctuations in the fair value of such contracts in our statement of operations. In addition, changes in the fair value of any derivative contracts that do qualify for treatment as hedges, are recognized in Accumulated other comprehensive income on our balance sheet. Our financial condition could also be materially adversely affected to the extent we do not hedge our exposure to interest rate fluctuations under our financing arrangements under which loans have been advanced at a floating rate based on LIBOR.

In addition, we had entered in the past and may enter in the future into foreign currency derivative contracts in order to hedge an exposure to foreign currencies related to shipbuilding contracts.

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

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

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

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

As of April 1, 2019, Stealth Maritime Corporation S.A. ( Stealth Maritime ) served as commercial manager for all 48 operating vessels in our fleet and technical manager for 33 of the 36 operating vessels in our fleet not deployed on bareboat charters, while subcontracting the technical management of two of the remaining vessels in our fleet not deployed on bareboat charters to Brave Maritime, which is affiliated with Stealth Maritime, and one to an unaffiliated third party.

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

the administration, chartering and operations supervision of our fleet;

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

relations with charterers and charter brokers;

operational expertise; and

management experience.

The loss of Stealth Maritime's services or its failure to perform its obligations to us properly for financial or other reasons could materially and adversely affect our business and the results of our operations. Although we may have rights against Stealth Maritime if it defaults on its obligations to us, you would have no recourse against Stealth Maritime. In addition, we might not be able to find a replacement manager on terms as favorable as those currently in place with Stealth Maritime. Further, we expect that we will need to seek approval from our lenders to change our manager. In addition, if Stealth Maritime or Brave Maritime suffers material damage to its reputation or relationships, including as a result of a spill or other environmental incident or an accident, or any violation or alleged violation of U.S., EU or other sanctions, involving ships managed by Stealth Maritime or Brave Maritime whether or not owned by us, it may harm the ability of us or our subsidiaries to successfully compete in our industry.

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

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

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

In addition to our management contract with Stealth Maritime, a company controlled by members of the Vafias family other than our Chief Executive Officer, from time to time we may enter into other transactions with companies affiliated with members of the Vafias family such as the two charters we entered into in April 2012 and the agreements for the acquisition of four newbuilding LPG carriers in September 2012. Stealth Maritime also contracts for the crewing of vessels in our fleet with Navis Maritime Services Inc., which is 25% owned by Stealth Maritime. Such transactions could create conflicts of interest that could adversely affect our business or your interests as holders of our common stock, as well as our financial position, results of operations and our future prospects.

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

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

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

It is possible that Stealth Maritime or companies affiliated with Stealth Maritime, including Brave Maritime, could, in the future, agree to manage vessels that compete directly with ours. As long as Stealth Maritime (or an

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entity with respect to which Harry N. Vafias is an executive officer, director or the principal shareholder) is our fleet manager or Harry Vafias is an executive officer or director of the Company, Stealth Maritime has granted us a right of first refusal to acquire any LPG carrier, which Stealth Maritime may acquire in the future. In addition, Stealth Maritime has agreed that it will not charter-in any LPG carrier without first offering the opportunity to charter-in such vessel to us. Our President and Chief Executive Officer, Harry N. Vafias, has granted us an equivalent right with respect to any entity that he is an executive officer, director or principal shareholder of, so long as he is an executive officer or a director of our company. Were we, however, to decline any such opportunity offered to us or if we do not have the resources or desire to accept any such opportunity, Stealth Maritime or the entity controlled by Mr. Vafias could retain and manage the vessel. This right of first refusal does not cover product carriers or crude oil tankers. In addition, these restrictions, including the right of first refusal, do not apply to Brave Maritime. Furthermore, this right of first refusal does not prohibit Stealth Maritime from managing vessels owned by unaffiliated third parties in competition with us. In such cases, they could compete with our fleet and may face conflicts between their own interests and their obligations to us. In the future, we may also consider further diversifying into wet, dry or other gas shipping sectors, which, like product carriers and crude oil tankers, are not covered by this right of first refusal agreement. Any such vessels would be in competition with Stealth Maritime and companies affiliated with Stealth Maritime. Stealth Maritime might be faced with conflicts of interest with respect to their own interests and their obligations to us that could adversely affect our business and your interests as stockholders.

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

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

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

As of April 1, 2019, we had completed our newbuilding program and had no agreements to acquire any additional vessels. However, delays in the delivery of any additional newbuilding or secondhand vessels we may agree to acquire in the future, would delay our receipt of revenues generated by these vessels and, to the extent we have arranged charter employment for these vessels, could possibly result in the cancellation of those charters, and therefore adversely affect our anticipated results of operations. Although this would delay our funding requirements for the installment payments to purchase these vessels, it would also delay our receipt of revenues under any charters we arrange for such vessels. The delivery of newbuilding vessels could be delayed, other than at our request, because of, among other things, work stoppages or other labor disturbances; bankruptcy or other financial crisis of the shipyard building the vessel; hostilities or political or economic disturbances in the countries where the vessels are being built, including any escalation of recent tensions involving North Korea; weather interference or catastrophic event, such as a major earthquake, tsunami or fire; our requests for changes to the original vessel specifications; requests from our

customers, with whom we have arranged any charters for such vessels, to delay construction and delivery of such vessels due to weak economic conditions and shipping demand and a dispute with the shipyard building the vessel.

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

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

As and when market conditions permit, we intend to continue to prudently grow our fleet over the long term. The acquisition of such additional vessels could impose significant additional responsibilities on our management and staff, and may necessitate that we, and they, increase the number of personnel. In the future, we may not be able to identify suitable vessels, acquire vessels on advantageous terms or obtain financing for such acquisitions. Any future growth will depend on:

locating and acquiring suitable vessels;

identifying and completing acquisitions or joint ventures;

integrating any acquired business successfully with our existing operations;

expanding our customer base; and

obtaining required financing.

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

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

Since our initial public offering through to December 31, 2018 we have sold 31 LPG carriers and have classified another six of our vessels as held for sale. Two of these held for sale vessels as of December 31, 2018 were delivered to their new owners within the first quarter of 2019 and a 49.9% equity interest in the remaining four held for sale vessels was sold in the first quarter of 2019. We may decide to sell more vessels from our fleet if, in our view, the market conditions are favorable for such sales. The chartering arrangements with respect to four LPG carriers of our fleet include options for the respective charterers to purchase the vessels at stipulated prices at any time during the

term of the existing charter for the respective vessels. The option exercise prices with respect to these vessels decline over time and reflect an estimate, made at the time of entry into the applicable charter in the first quarter of 2014, of market prices. In addition, the chartering arrangements for four LPG carriers in our fleet give the charterer the right to purchase the respective vessels at the end of the current charter term in 2021 and 2022 and 2029. This might result in our company realizing losses or gains depending on the time each vessel option is exercised. If the charterers were to exercise these options with respect to any or all of these vessels or if we sell additional vessels, the expected size of our LPG carrier fleet would be reduced and, if there were a scarcity of secondhand LPG carriers available for acquisition at such time and because of the delay in delivery associated with commissioning newbuilding LPG carriers, we could be unable to replace these



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vessels with other comparable vessels, or any other vessels, quickly or, if LPG carrier values were higher than currently anticipated at the time we were required to sell these vessels, at a cost equal to the purchase price paid by the charterer. Consequently, if we sell additional vessels or if these purchase options were to be exercised, the expected size of our LPG carrier fleet would be reduced, and as a result our anticipated level of revenues would be reduced.

In addition, the operation of our JV agreement, pursuant to which we sold the 49.9% equity interest in the four JV vessels in the first quarter of 2019, may increase certain administrative burdens, delay decision-making, and make it more difficult to obtain debt financing or complicate the operation of the vessels acquired under the joint venture agreement. For example, the joint venture agreement requires that certain decisions regarding chartering or sale of the JV vessels be made jointly by us and the JV investor. Accordingly, if the JV investor were to fail to cooperate with us with respect to these matters, such JV vessels may have to be sold or fixed on a period charter at an inopportune time, which could adversely affect our results of operations.

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

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

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

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

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

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

***We have expanded into the product carrier sector and into the crude oil tanker sector and we may not be able to successfully execute this expansion, or any further expansion, in such sectors or any other sectors, such as dry or***

*other wet or gas shipping sectors we choose to expand into, which could have an adverse effect on our business, results of operation and financial condition.*

We have expanded into the product carrier sector with the acquisition of three medium range product carriers and into the crude oil tanker sector with one Aframax tanker. In the future, we may further expand in

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these sectors or into dry or other wet or other gas shipping sectors if opportunities arise. We have limited experience in these sectors, including the product carrier and crude oil tanker sectors, and an inability to successfully execute our recent expansion into these sectors or any such future expansion plans could:

be costly;

distract us from our LPG carrier business; and

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

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

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

In general, the cost of maintaining a vessel in good operating condition increases with its age. As of April 1, 2019, the average age of the vessels in our fleet, including chartered in vessels and the JV vessels, was approximately 8.5 years. Older vessels are typically less fuel efficient and more costly to maintain and operate than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

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

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

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

our insurance premiums and costs could increase significantly.

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

Our major stockholder, our Chief Executive Officer, including through a company he controls, owns approximately 17.2% of our outstanding common stock as of April 1, 2019 and exerts considerable influence on

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the outcome of matters on which our stockholders are entitled to vote, including the election of our Board of Directors and other significant corporate actions. The interests of this stockholder may be different from your interests.

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

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

Generally, we and our subsidiaries will qualify for this exemption for a taxable year if our shares are treated as primarily and regularly traded on an established securities market in the United States. Our shares of common stock will be so treated if (i) the aggregate number of our shares of common stock traded during such year on an established securities market in the United States exceeds the aggregate number of our shares of common stock traded during that year on established securities markets in any other single country, (ii) either (x) our shares of common stock are regularly quoted during such year by dealers making a market in our shares or (y) trades in our shares of common stock are effected, other than in de minimis quantities, on an established securities market in the United States on at least 60 days during such taxable year and the aggregate number of our shares of common stock traded on an established securities market in the United States during such year equals at least 10% of the average number of our shares of common stock outstanding during such taxable year and (iii) our shares of common stock are not closely held during such taxable year. For these purposes, our shares of common stock will be treated as closely held during a taxable year if, for more than one-half the number of days in such taxable year, one or more persons each of whom owns either directly or under applicable attribution rules, at least 5% of our shares of common stock, own, in the aggregate, 50% or more of our shares of common stock, unless we can establish, in accordance with applicable documentation requirements, that a sufficient number of the shares of common stock in the closely-held block are owned, directly or indirectly, by persons that are residents of foreign jurisdictions that provide United States shipping companies with an exemption from tax that is equivalent to that provided by Section 883 to preclude other stockholders in the closely-held block from owning 50% or more of the closely-held block of shares of common stock.

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

Our Chief Executive Officer, who beneficially owned approximately 17.2% of our shares of common stock as of April 1, 2019, has entered into an agreement with us regarding his compliance, and the compliance by certain entities that he controls and through which he owns our shares, with the certification procedures designed to establish status as

a qualified stockholder. In certain circumstances, his compliance and the compliance of such

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entities he controls with the terms of that agreement may enable us and our subsidiaries to qualify for the benefits of Section 883 even where persons (each of whom owns, either directly or under applicable attribution rules, 5% or more of our shares) own, in the aggregate, more than 50% of our outstanding shares. However, his compliance and the compliance of such entities he controls with the terms of that agreement may not enable us or our subsidiaries to qualify for the benefits of Section 883. We or any of our subsidiaries may not qualify for the benefits of Section 883 for any year.

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

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

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

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

We do not believe that we were a PFIC for 2018. This belief is based in part upon our beliefs regarding the value of the assets that we hold for the production of or in connection with the production of passive income relative to the

value of our other assets. Should these beliefs turn out to be incorrect, then we and certain of our subsidiaries could be treated as PFICs for 2018. There can be no assurance that the U.S. Internal Revenue Service ( IRS ) or a court will not determine values for our assets that would cause us to be treated as a PFIC for 2018 or a subsequent year.



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In addition, although we do not believe that we were a PFIC for 2018, we may choose to operate our business in the current or in future taxable years in a manner that could cause us to become a PFIC for those years. Because our status as a PFIC for any taxable year will not be determinable until after the end of the taxable year, and depends upon our assets, income and operations in that taxable year, there can be no assurance that we will not be considered a PFIC for 2019 or any future taxable year.

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

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

As a foreign private issuer, we are entitled to claim an exemption from many of Nasdaq's corporate governance practices. Currently, our corporate governance practices comply with the Nasdaq corporate governance standards applicable to U.S. listed companies other than that, while Nasdaq requires listed companies to obtain prior shareholder approval for certain issuances of authorized stock in transactions not involving a public offering, as permitted under Marshall Islands law and our articles of incorporation and bylaws, we do not need prior shareholder approval to issue shares of authorized stock. To the extent we rely on this or other exemptions you may not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements.

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

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



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

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

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

**Risks Related To Our Common Stock**

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

The market price of our common stock has fluctuated widely since our initial public offering in October 2005 and may continue to do so as a result of many factors, including our actual results of operations and perceived prospects, the prospects of our competition and of the shipping industry in general and in particular the LPG carrier sector, differences between our actual financial and operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general valuations for companies in the shipping industry, particularly the LPG carrier sector, changes in general economic or market conditions and broad market fluctuations.

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

*We may not pay dividends on our common stock.*

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

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



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

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

These provisions include:

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

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

prohibiting cumulative voting in the election of directors;

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

limiting the persons who may call special meetings of stockholders;

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

prohibiting certain transactions with interested stockholders.

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

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

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

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

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

Prior to the initial public offering, we owned nine LPG carriers. Since the initial public offering, we acquired an additional 66 LPG carriers, three product carriers and one Aframax crude oil tanker and as of December 31, 2018 we had concluded with the sale of 31 LPG carriers while we had classified six LPG vessels as held for sale. As of December 31, 2018, we had a fleet of 47 LPG carriers, including three LPG carriers we charter-in, three product carriers, and one Aframax crude oil tanker. In the first quarter of 2019, we completed

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the sale of two vessels which were classified as of December 31, 2018 as held for sale and the sale of a 49.9% equity interest in the entities owning four remaining vessels that were also classified as held for sale. As of April 1, 2019, our fleet is composed of 44 LPG carriers (including two vessels that are chartered-in which aggregate 18,517 cbm in capacity and four vessels which aggregate 20,573 cbm in which we own a 50.1% equity interest and which we refer to as the JV Vessels), with a total capacity of approximately 298,099 cubic meters (cbm), three medium range product carriers with a total capacity of 140,000 dwt and one 115,804 dwt Aframax tanker.

Our company operates through a number of subsidiaries which either directly or indirectly own or charter in the vessels in our fleet. A list of our subsidiaries, including their respective jurisdiction of incorporation, as of April 1, 2019, all of which are wholly-owned by us other than as indicated therein, is set forth in Exhibit 8 to this Annual Report on Form 20-F.

## **B. Business Overview**

We own a fleet of LPG carriers providing international seaborne transportation services to LPG producers and users, as well as crude oil and product carriers chartered to oil producers, refiners and commodities traders. Our LPG carriers carry various petroleum gas products in liquefied form, including propane, butane, butadiene, isopropane, propylene and vinyl chloride monomer, which are all byproducts of the production of crude oil and natural gas. The three medium range product carriers in our fleet are capable of carrying refined petroleum products such as gasoline, diesel, fuel oil and jet fuel, as well as edible oils and chemicals, while our Aframax tanker is used for carrying crude oil. We believe that we have established a reputation as a safe, cost-efficient operator of modern and well-maintained LPG carriers. We also believe that these attributes, together with our strategic focus on meeting our customers' chartering needs, has contributed to our ability to attract leading charterers as our customers and to our success in obtaining charter renewals. We are managed by Stealth Maritime, a privately owned company controlled by other members of the Vafias family, of which our Chief Executive Officer is a member.

As of April 1, 2019, our fleet consisted of 44 LPG carriers, including two chartered-in LPG carriers and four JV vessels, with an average age of 8.3 years, two 2008-built product carriers, one 2009-built product carrier and one 2010-built Aframax crude oil tanker.

The table below describes our fleet and its deployment as of April 1, 2019.

**Table of Contents****LPG Carriers (44 Vessels)**

<b>Name</b>	<b>Year Built</b>	<b>Vessel Size (cbm)</b>	<b>Vessel Type</b>	<b>Employment Status</b>	<b>Expiration of Charter(1)</b>
<i>Eco Arctic</i>	2018	22,000	semi-refrigerated	Time Charter	February 2020
<i>Eco Ice</i>	2018	22,000	semi-refrigerated	Time Charter	February 2020
<i>Eco Freeze</i>	2018	22,000	semi-refrigerated	Time Charter	April 2019
<i>Eco Frost</i>	2017	22,000	semi-refrigerated	Time Charter	October 2019
<i>Kazak (2)</i>	2010	11,000	fully-pressurized	Time Charter	December 2019
<i>Eco Nical</i>	2016	7,541	fully-pressurized	Time Charter	December 2019
<i>Gas Cathar(2)</i>	2001	7,517	fully-pressurized	Time Charter	June 2019
<i>Gas Husky</i>	2012	7,516	fully-pressurized	Bareboat Charter	June 2019
<i>Gas Esco</i>	2012	7,514	fully-pressurized	Bareboat Charter	December 2019
<i>Eco Dominator(7)</i>	2016	7,221	fully-pressurized	Time Charter	May 2019
<i>Eco Galaxy</i>	2015	7,213	fully-pressurized	Time Charter	December 2019
<i>Eco Chios(3)</i>	2014	7,211	fully-pressurized	Bareboat Charter	June 2022
<i>Eco Stream(3)</i>	2014	7,210	fully-pressurized	Bareboat Charter	March 2022
<i>Gas Haralambos(8)</i>	2007	7,020	fully-pressurized	Time Charter	January 2020
<i>Gas Flawless</i>	2007	6,337	fully-pressurized	Time Charter	March 2021
<i>Gas Ethereal</i>	2006	5,036	fully-pressurized	Time Charter	December 2019
<i>Gas Prodigy</i>	2003	5,031	fully-pressurized	Spot	
<i>Eco Enigma</i>	2015	5,025	fully-pressurized	Spot	
<i>Eco Universe</i>	2015	5,025	fully-pressurized	Time Charter	August 2019
<i>Eco Czar</i>	2015	5,020	fully-pressurized	Time Charter	January 2020
<i>Eco Nemesis</i>	2015	5,019	fully-pressurized	Time Charter	September 2019
<i>Gas Monarch</i>	1997	5,018	fully-pressurized	Spot	
<i>Gas Defiance(8)</i>	2008	5,018	fully-pressurized	Time Charter	January 2020
<i>Gas Shuriken(8)</i>	2008	5,018	fully-pressurized	Spot	
<i>Gas Elixir</i>	2011	5,018	fully-pressurized	Spot	
<i>Gas Cerberus</i>	2011	5,018	fully-pressurized	Time Charter	April 2019
<i>Gas Myth</i>	2011	5,018	fully-pressurized	Time Charter	January 2020
<i>Gas Inspiration</i>	2006	5,018	fully-pressurized	Time Charter	October 2019
<i>Eco Invictus</i>	2014	5,016	fully-pressurized	Time Charter	November 2019
<i>Eco Green(4)</i>	2015	4,991	fully-pressurized	Time Charter	November 2020
<i>Eco Dream(4)</i>	2015	4,989	fully-pressurized	Time Charter	September 2020
<i>Gas Spirit</i>	2001	4,112	fully-pressurized	Time Charter	November 2019
<i>Gas Nemesis II(ex. Gas Zael)</i>	2001	4,111	fully-pressurized	Spot	
<i>Eco Loyalty(5)(6)</i>	2015	3,529	fully-pressurized	Bareboat Charter	June 2022
<i>Eco Elysium(5)</i>	2014	3,526	fully-pressurized	Bareboat Charter	September 2021
<i>Eco Royalty(5)(6)</i>	2015	3,525	fully-pressurized	Bareboat Charter	April 2022
<i>Eco Corsair(5)(9)</i>	2014	3,524	fully-pressurized	Time Charter	December 2019
<i>Eco Lucidity(8)</i>	2015	3,517	fully-pressurized	Time Charter	August 2019
<i>Gas Imperiale</i>	2008	3,515	fully-pressurized	Spot	
<i>Gas Astrid(3)</i>	2009	3,514	fully-pressurized	Bareboat Charter	April 2022
<i>Gas Exelero(3)</i>	2009	3,513	fully-pressurized	Bareboat Charter	June 2022
<i>Gas Alice</i>	2006	3,513	fully-pressurized	Time Charter	August 2019



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<i>Gas Galaxy</i>	1997	3,312	fully-pressurized	Time Charter	January 2021
<i>Gas Pasha</i>	1995	3,310	fully-pressurized	Time Charter	April 2019
<b>298,099 cbm</b>					

(1) Earliest date charters could expire.

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- (2) Vessel chartered-in by us under a hire charter scheduled to expire in the fourth quarter of 2019 for the *Kazak* and under a bareboat charter scheduled to expire in the first quarter of 2020 for the *Gas Cathar*.
- (3) Subject to a purchase option pursuant to which the charterer may purchase such vessel at any time during the charter at a price that declines over time by an agreed annual amount or pro-rated from the agreed value of the vessel at the time of entering into the charter in the first quarter of 2014.
- (4) Charterer has option to extend charter for an additional year.
- (5) Subject to purchase option pursuant to which charterer may purchase such vessel at the end of the charter at the price agreed at the time of entering into the agreement.
- (6) Charterer has option to extend charter for an additional three-year period.
- (7) Consecutive spot voyage charters.
- (8) JV vessel in which we own a 50.1% equity interest.
- (9) Following the stated time charter's expiration, the vessel has been agreed to enter at a ten year bareboat charter.

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

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

- (1) Earliest date charters could expire.

In the first quarter of 2019, we agreed to sell a 49.9% equity interest in the subsidiaries owning four of our vessels, the *Gas Haralambos*, the *Gas Defiance*, the *Gas Shuriken* and the *Eco Lucidity*, to a leading maritime-focused investor. We and our manager, Stealth Maritime, will continue to manage these vessels. The agreement also contemplates potential further co-investments in additional second-hand small LPG vessels meeting certain employment and other conditions that are acquired from third parties, or our fleet. We and the investor each have certain rights to purchase or bid for the purchase of vessels subject to this arrangement in the event of their proposed sale.

**Commercial and Technical Management of Our Fleet**

We have a management agreement with Stealth Maritime, pursuant to which Stealth Maritime provides us with technical, administrative, commercial and certain other services. Stealth Maritime is a leading ship-management company based in Greece, established in 1999 in order to provide shipping companies with a range of services. Our manager's safety management system is ISM certified in compliance with IMO's regulations by Lloyd's Register. In relation to the technical services, Stealth Maritime is responsible for arranging for the crewing of the vessels, the day to day operations, inspections and vetting, maintenance, repairs, drydocking and insurance. Administrative functions include but are not limited to accounting, back-office, reporting, legal and secretarial services. In addition, Stealth Maritime provides services for the chartering of our vessels and monitoring thereof, freight collection, and sale and purchase. In providing most of these services, Stealth Maritime pays third parties and receives reimbursement from us. In addition, Stealth Maritime may subcontract technical management and crew management for some of our vessels to third parties, including Navis Maritime Services Inc., in which Stealth Maritime has a 25% interest, Jebsens Maritime Inc. previously Selandia Crew Management Philippines Inc. and Southfield Agencies Inc., all based in Manila, and Brave Maritime (an affiliate of Stealth Maritime) based in Greece. As of April 1, 2019 the Company no longer had

any vessel being crewed by Southfield Agencies Inc., as the last vessel under a manning agreement with them was the Gas Texiana, which was sold in February 2019. As of April 1, 2019, the technical management of two of our ships was subcontracted by Stealth Maritime to Brave Maritime. These crew and technical managers are supervised by Stealth Maritime.

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

The initial term of our management agreement with Stealth Maritime expired in June 2010; however, unless six months notice of non-renewal is given by either party prior to the end of the then current term, this agreement automatically extends for additional 12 month periods. No such notice has been given, and accordingly, this agreement will extend to June 2020.

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

**Crewing and Employees**

Stealth Maritime ensures that all seamen have the qualifications and licenses required to comply with international regulations and shipping conventions, and that our vessels employ experienced and competent personnel. In 2018, Navis Maritime Services Inc., Jepsens Maritime Inc. previously Selandia Crew Management Philippines Inc. and Southfield Agencies Inc., each of which is based in Manila, were responsible for providing the crewing of our LPG fleet, to the extent that these vessels were not deployed on bareboat charters. These responsibilities include training, compensation, transportation and additional insurance of the crew. As of April 1, 2019, the Company no longer had any vessels being crewed by Southfield Agencies Inc., as the last vessel under a manning agreement with them was the *Gas Texiana*, which was sold in February 2019.

**Chartering of the Fleet**

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

Vessels operating in the spot market generate revenues that are less predictable but may enable us to capture increased profit margins during periods of improvements in LPG charter rates, although we are then exposed to the risk of declining LPG carrier charter rates. Typically spot market charters can last from a few days up to two months. If we

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

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In formulating our chartering strategy we evaluate past, present and future performance of the freight markets and balance the mix of our chartering arrangements in order to achieve optimal results for the fleet. As of April 1, 2019 and including our two chartered in vessels and four JV vessels, we had 7 vessels operating in the spot market, 18 vessels on time charters expiring in 2019, 11 on time charters expiring from 2020 to 2021 and 12 on bareboat charters expiring from 2019 to 2029. In terms of charter coverage as of April 1, 2019, we had 68% of the available calendar days fixed under period charters for 2019, and 28% for 2020.

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

## **Customers**

Our assessment of a charterer's financial condition and reliability is an important factor in negotiating employment for our vessels. Principal charterers include producers of LPG products, such as national, major and other independent energy companies and energy traders, and industrial users of those products. For the year ended December 31, 2018, we had no customer accountable for more than 10% of our total revenues. In addition, vessels under bareboat charter may be sub-chartered to third parties.

## **Environmental and other Regulations**

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

A variety of governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (United States Coast Guard, harbor master or equivalent), classification societies, flag state administration (country of registry), charterers and particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and financial assurances for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of operation of one or more of our vessels.

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

*Environmental Regulations International Maritime Organization ( IMO )*

The International Maritime Organization ( IMO ), the United Nations agency for maritime safety and the prevention of pollution by ships, has negotiated international conventions relating to pollution by ships. In 1973, IMO adopted the International Convention for the Prevention of Pollution from Ships ( MARPOL ), which has

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been periodically updated with relevant amendments. MARPOL addresses pollution from ships by oil, noxious liquid substances carried in bulk, harmful substances carried by sea in packaged form, sewage, garbage, and air emissions. Our vessels are subject to standards imposed by the IMO.

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

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

The IMO confirmed in October 2016 that a global 0.5% sulfur cap on marine fuels will come into force on January 1, 2020, as agreed in amendments adopted in 2008 for Annex VI to MARPOL. Annex VI sets progressively stricter regulations to control sulfur oxides (SO<sub>x</sub>) and nitrous oxides (NO<sub>x</sub>) emissions from ships, which present both environmental and health risks. The 0.5% sulfur cap marks a significant reduction from the current global sulfur cap of 3.5%, which had been implemented since January 1, 2012. When the 2020 sulfur cap was decided upon in 2008, it was also agreed that a review should be undertaken to assess whether there was sufficient compliant fuel available to meet the 2020 date, failing which, the date could be deferred to 2025. That review was completed in July 2016 by a consortium of consultants led by CE Delft and submitted to the IMO's Marine Environment Protection Committee (MEPC) during their 70th session. The review concluded that sufficient compliant fuel would be available to meet the new requirement. However, there have been competing studies, that hold the opposing view that refining capacity will not be sufficient in 2020, with an estimated 60-70% additional sulfur plant capacity required by 2020. China, Hong Kong and Taiwan have announced an early implementation of the sulfur cap effective January 1, 2019. The regulations, which were announced in mid-2018 and apply from January 2019, are similar to those already applied in the ECAs. They set a sulfur content limit of 0.5% and will affect all vessels sailing within 12 nautical miles of the coast as well as when berthing. There have also been questions as to how the sulfur cap will be enforced, as it is up to individual parties to MARPOL to enforce fines and sanctions. We may incur costs to comply with the amended Annex VI requirements, including if we were to elect to install scrubbers on any of our vessels. We currently have no committed capital expenditure obligations for the installation of scrubbers.

Our LPG carriers must have an IMO Certificate of Fitness demonstrating compliance with construction codes for LPG carriers. These codes, and similar regulations in individual member states, address fire and explosion risks posed by the transport of liquefied gases. Collectively, these standards and regulations impose detailed requirements relating to the design and arrangement of cargo tanks, vents, and pipes; construction materials and compatibility; cargo pressure;



and temperature control. All of our LPG carriers have Certificates of Fitness and we intend to obtain such certificates for the vessels that we have agreed to acquire.

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Many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969 (the CLC) (the United States, with its separate OPA 90 regime described below, is not a party to the CLC). This convention generally applies to vessels that carry oil in bulk as cargo. Under this convention and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, the registered owner of a regulated vessel is strictly liable for pollution damage in the territorial waters or exclusive economic zone of a contracting state caused by the discharge of any oil from the ship, subject to certain defenses. Under an amendment to the 1992 Protocol that became effective on November 1, 2003, for vessels of 5,000 to 140,000 gross tons, liability per incident is limited to 4.51 million. Special Drawing Rights (SDR) plus 631 SDR for each additional gross ton over 5,000. The SDR is an International Monetary Fund unit pegged to a basket of currencies. The right to limit liability under the CLC is forfeited where the spill is caused by the owner's actual fault and, under the 1992 Protocol, where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to states that are parties to the CLC must provide evidence of insurance covering the liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law regimes govern, and liability is imposed either on the basis of fault or in a manner similar to that convention. We believe that our P&I insurance will cover any liability under the CLC.

In 2001, the IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, which imposes strict liability on ship owners for pollution damage caused by discharges of bunker oil in jurisdictional waters of ratifying states. The Bunker Convention also requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). Because the Bunker Convention does not apply to pollution damage governed by the CLC, it applies only to discharges from any of our vessels that are not transporting oil. The Bunker Convention entered into force on November 21, 2008. Liability limits under the Bunker Convention were increased as of June 2015. In jurisdictions where the Bunker Convention has not been adopted, such as the United States, liability for spill or releases of oil from ship's bunkers typically is determined by national or other domestic laws in the jurisdiction where the events occur.

Our LPG vessels and product carriers may also become subject to the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea adopted in 1996 as amended by the Protocol to the HNS Convention, adopted in April 2010 (2010 HNS Protocol) (collectively, the 2010 HNS Convention), if it enters into force. The Convention creates a regime of liability and compensation for damage from hazardous and noxious substances (or HNS), including liquefied gases. The 2010 HNS Convention sets up a two-tier system of compensation composed of compulsory insurance taken out by ship owners and an HNS Fund that will come into play when the insurance is insufficient to satisfy a claim or does not cover the incident. Under the 2010 HNS Convention, if damage is caused by bulk HNS, claims for compensation will first be sought from the ship owner up to a maximum of 100 million Special Drawing Rights (or SDR). If the damage is caused by packaged HNS or by both bulk and packaged HNS, the maximum liability is 115 million SDR. Once the limit is reached, compensation will be paid from the HNS Fund up to a maximum of 250 million SDR. The 2010 HNS Convention has not been ratified by a sufficient number of countries to enter into force, and at this time we cannot estimate with any certainty the costs of compliance with its requirements should it enter into force.

At the international level, the IMO adopted the BWM Convention in February 2004. The Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention took effect on September 8, 2017. Many of the implementation dates originally contained in the BWM Convention had already passed prior to its effectiveness, so that the period for installation of mandatory ballast water exchange requirements would be very short, with several thousand ships per year needing to install the systems. Consequently, the IMO Assembly passed a resolution in

December 2013 revising the dates for implementation of the ballast water management

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requirements so that they are triggered by the entry into force date. In effect, this makes all vessels constructed before September 8, 2017 existing vessels, allowing for the installation of ballast water management systems on such vessels at the first renewal IOPP survey following entry into force of the BWM Convention. In July 2017, the implementation scheme was further changed to require vessels with International Oil Pollution Prevention ( IOPP ) certificates expiring between September 8, 2017 and September 8, 2019 to comply at their second IOPP renewal. Each vessel in our current fleet has been issued or will be issued a BWM plan Statement of Compliance by the classification society with respect to the applicable IMO regulations and guidelines. The cost of compliance could increase for our vessels as a result of these requirements, although it is difficult to predict the overall impact of such a requirement on our operations.

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

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

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

The United States Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA applies to discharges of any oil from a vessel, including discharges of fuel oil (bunkers) and lubricants. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which include the United States territorial sea and its two hundred nautical mile exclusive economic zone. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. OPA and CERCLA both define owner and operator in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Accordingly, both OPA and CERCLA impact our operations.

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

natural resources damage and the costs of assessment thereof;

real and personal property damage;

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

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

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

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

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

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

We currently maintain, for each of our vessels, pollution liability coverage insurance in the amount of \$1 billion per vessel per incident. In addition, we carry hull and machinery and protection and indemnity insurance to cover the risks of fire and explosion. Under certain circumstances, fire and explosion could result in a catastrophic loss. While we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates. If the damages from a catastrophic spill exceeded our insurance coverage, it would have a severe effect on us and could possibly result in our insolvency.

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. Under the self-insurance provisions, the ship owner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the United States Coast Guard regulations by providing a financial guaranty evidencing sufficient self-insurance.

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

the ports where our vessels call.

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

*Environmental Regulations Other Environmental Initiatives*

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

On March 23, 2012, the U.S. Coast Guard adopted new ballast water discharge standards under the U.S. National Invasive Species Act, or NISA. The regulations, which became effective on June 21, 2012, set maximum acceptable discharge limits for living organisms and established standards for ballast water management systems, and they are consistent with the requirements under the 2004 BWM Convention described above. The new requirements are being phased in based on the size of the vessel and its next drydocking date. As of the date of this report, the U.S. Coast Guard has approved sixteen Ballast Water Treatment Systems.

The U.S. Clean Water Act ( CWA ) prohibits the discharge of oil or hazardous substances in navigable waters and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA 90. Under U.S. Environmental Protection Agency ( EPA ) regulations we are required to obtain a CWA permit to discharge ballast water and other wastewaters incidental to the normal operation of our vessels if we operate within the three mile territorial waters or inland waters of the United States. This permit, which the EPA has designated as the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, or VGP, incorporates the current U.S. Coast Guard requirements for ballast water management, as well as supplemental ballast water requirements, and includes requirements applicable to 26 specific discharge streams, such as deck runoff, bilge water and gray water. The U.S. Coast Guard and the EPA have entered into a memorandum of understanding which provides for collaboration on the enforcement of the VGP requirements. As a result, it is expected that the U.S. Coast Guard will include the VGP as part of its normal Port State Control inspections. The EPA issued a new VGP that became effective in December 2013. Among other things, it contained numeric ballast water discharge limits for most vessels and more stringent requirements for exhaust gas scrubbers and required the use of environmentally friendly lubricants. We have submitted NOIs (Notices Of Intent) for Discharges Incidental to the Normal Operation of a Vessel under the 2013 VGP to the U.S. EPA for all our ships trading in U.S. waters. The U.S. Coast Guard had provided waivers to vessels prior to the US. Coast Guard approval of Ballast Water Treatment Systems. The EPA, on the other hand, has taken a different approach to enforcing the ballast water management standards in the 2013 VGP. Under a December 27, 2013 policy the agency may consider why vessels do not have the requisite ballast water management technology installed when taking actions to compel compliance with the requirements of the 2013 VGP. The ballast water management standards of the 2013 VGP were challenged by the Canadian Shipowners Association in the U.S. Second Circuit Court of Appeals. The U.S. Second Circuit Court of Appeals ruled on October 5, 2015 that EPA acted arbitrarily and capriciously with respect to certain of the ballast water provisions in the 2013 VGP. The Court remanded the issue to EPA to either justify its approach in the 2013 VGP or redraft the ballast water sections of the VGP consistent with the Court s ruling. In the meantime, the 2013 VGP will remain in effect. Compliance with the



EPA and Coast Guard ballast water management regulations could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

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**Table of Contents***Climate Control Initiatives*

Although the Kyoto Protocol to the United Nations Framework Convention on Climate Change requires adopting countries to implement national programs to reduce emissions of greenhouse gases, emissions of greenhouse gases from international shipping are not currently subject to the Kyoto Protocol. The Kyoto Protocol was extended to 2020 at the 2012 United Nations Climate Change Conference, with the hope that a new climate change treaty would be adopted by 2015 and come into effect by 2020. The Paris Agreement adopted under the United Nations Framework Convention on Climate Change in December 2015, contemplates commitments from each nation party thereto to take action to reduce greenhouse gas emissions and limit increases in global temperatures but did not include any restrictions or other measures specific to shipping emissions. However, restrictions on shipping emissions are likely to continue to be considered and a new treaty may be adopted in the future that includes restrictions on shipping emissions. International or multi-national bodies or individual countries may adopt their own climate change regulatory initiatives. The IMO's Marine Environment Protection Committee adopted two new sets of mandatory requirements to address greenhouse gas emissions from shipping that entered into force in January 2013. The Energy Efficiency Design Index establishes minimum energy efficiency levels per capacity mile and applies to new vessels. Currently operating vessels must develop and implement Ship Energy Efficiency Plans. By 2025, all new ships built must be 30% more energy efficient than those built in 2014. These new requirements could cause us to incur additional costs to comply. The IMO is also considering the development of market-based mechanisms for limiting greenhouse gas emissions from ships, but it is impossible to predict the likelihood of adoption of such a standard or the impact on our operations. In April 2015, the EU adopted regulations requiring the monitoring and reporting of greenhouse gas emissions from marine vessels (of over 5,000 gross tons) which went into effect in January 2018. The United States EPA has issued a finding that greenhouse gas emissions endanger the public health and safety and has adopted regulations under the Clean Air Act to limit emissions of greenhouse gases from certain mobile sources and proposed regulations to limit greenhouse gas emissions from large stationary sources. Although the mobile source regulations do not apply to greenhouse gas emissions from vessels, EPA is considering a petition from the California Attorney General and environmental groups to regulate greenhouse gas emissions from ocean-going vessels. Any passage of climate control initiatives by the IMO, the EU or the individual countries in which we operate that limit greenhouse gas emissions from vessels could require us to limit our operations or make significant financial expenditures that we cannot predict with certainty at this time. Passage of climate control initiatives that affect the demand for LPG products and oil may also materially affect our business. Even in the absence of climate control legislation and regulations, our business may be materially affected to the extent that climate change may result in sea level changes or more intense weather events.

On June 29, 2017, the Global Industry Alliance, or the GIA, was officially inaugurated. The GIA is a program, under the Global Environmental Facility-United Nations Development Program- IMO project, which supports shipping, and related industries, as they move towards a low carbon future. Organizations including, but not limited to, shipowners, operators, classification societies, and oil companies, signed to launch the GIA.

In addition, the United States is currently experiencing changes in its environmental policy, the results of which have yet to be fully determined. For example, in April 2017, the U.S. President signed an executive order regarding the environment that targets the United States' offshore energy strategy, which affects parts of the maritime industry and may affect our business operations. Additional legislation or regulation applicable to the operation of our ships that may be implemented in the future could negatively affect our profitability. Furthermore, recent action by the IMO's Maritime Safety Committee and U.S. agencies indicate that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. For example, cyber-risk management systems must be incorporated by ship owners and managers by 2021. This might cause companies to cultivate additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. However, the impact of such regulations is difficult to predict at this time.



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### *Vessel Security Regulations*

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

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

on-board installation of ship security alert systems;

the development of vessel security plans; and

compliance with flag state security certification requirements.

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

### *IMO Cyber Security*

The Maritime Safety Committee, at its 98th session in June 2017, also adopted Resolution MSC.428(98) - Maritime Cyber Risk Management in Safety Management Systems. The resolution encourages administrations to ensure that cyber risks are appropriately addressed in existing safety management systems (as defined in the ISM Code) no later than the first annual verification of the company's Document of Compliance after January 1, 2021. Owners risk having ships detained if they have not included cyber security in the ISM Code safety management on ships by January 1, 2021.

### *Vessel Recycling Regulations*

The EU has also recently adopted a regulation that seeks to facilitate the ratification of the IMO Recycling Convention and sets forth rules relating to vessel recycling and management of hazardous materials on vessels. In addition to new requirements for the recycling of vessels, the new regulation contains rules for the control and proper management of hazardous materials on vessels and prohibits or restricts the installation or use of certain hazardous materials on

vessels. The new regulation applies to vessels flying the flag of an EU member state and certain of its provisions apply to vessels flying the flag of a third country calling at a port or anchorage of a member state. For example, when calling at a port or anchorage of a member state, a vessel flying the flag of a third country will be required, among other things, to have on board an inventory of hazardous materials that complies with the requirements of the new regulation and the vessel must be able to submit to the relevant authorities of that member state a copy of a statement of compliance issued by the relevant authorities of the country of the vessel's flag verifying the inventory. The new regulation will take effect on non-EU-flagged vessels calling on EU ports of call beginning on December 31, 2020.

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### **Classification and Inspection**

All our vessels are certified as being in class by a classification society member of the International Association of Classification Societies such as Lloyds Register of Shipping, Bureau Veritas, American Bureau of Shipping, RINA SpA, DNV and Nippon Kaiji Kyokai. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard contracts and memoranda of agreement. If the vessel is not certified on the date of closing, we have no obligation to take delivery of the vessel. Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as in class by a classification society that is a member of the International Association of Classification Societies. Every vessel's hull and machinery is classed by a classification society authorized by its country of registry. The classification society certifies that the vessel has been built and maintained in accordance with the rules of such classification society and complies with applicable rules and regulations of the country of registry of the vessel and the international conventions of which that country is a member. Each vessel is inspected by a surveyor of the classification society every year an annual survey, every two to three years an intermediate survey, and every four to five years a special survey. Vessels also may be required, as part of the intermediate survey process, to be dry-docked every 30 to 36 months for inspection of the underwater parts of the

vessel and for necessary repairs related to such inspection; alternatively, such requirements may be met concurrently with the special survey.

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

All areas subject to surveys as defined by the classification society, are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

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Vessels are drydocked for the special survey for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a recommendation which must be rectified by the ship owner within the prescribed time limits.

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

#### *General*

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

#### *Hull and Machinery Insurance*

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

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

#### *Protection and Indemnity Insurance*

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

Our current protection and indemnity insurance coverage for Oil Pollution is \$1.0 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Claims pooling between the clubs is regulated by the Pooling Agreement which defines the risks that can be pooled and how losses are to be shared between the participating clubs. The Pool provides a mechanism for sharing all claims in excess of US\$10 million up to, approximately US\$8 billion.

Under the current structure, clubs' contributions to claims in the lower pool layer from \$10 million to \$50 million are assessed on a tripartite formula which takes account of each club's contributing tonnage, premium and claims record. For claims falling in the upper pool layer from \$50 million to \$100 million, 7.5% is retained by the club bringing the claim and 92.5% is shared by all on a tonnage-weighted basis.



The Group clubs arrange a common market reinsurance contract to provide reinsurance for claims which exceed the upper limit of the pool (US \$100 million) up to an amount of US \$3.1 billion any one claim (US \$1 billion for Oil Pollution claims). It is said to be the largest single marine reinsurance contract in the market.

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

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

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act. Section 13(r) requires an issuer to disclose whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran. Disclosure is required even where the activities, transactions or dealings are conducted in compliance with applicable law. Provided in this section is information concerning the activities of us and our affiliates that occurred in 2018 and which we believe may be required to be disclosed pursuant to Section 13(r) of the Exchange Act.

In 2018, 4 of our vessels made an aggregate of 12 port calls to Iran to load C3+ (a petrochemical gas) which was subsequently discharged in China, all of which port calls and discharges were made prior to November 5, 2018. These port calls were made while the vessels were on consecutive voyage charters to an international Far Eastern trader operating under such charterer's instructions. These port calls represented 0.5% of the 2,653 total port calls made by all the vessels owned by us in 2018. As the vessel owner, we earned revenues at the agreed daily charter rates from the charterer. The aggregate gross revenue attributable to these port calls in 2018 was approximately \$13.7 million while the aggregate net profit before finance charges (we do not attribute finance charges to individual vessel voyages) was approximately \$1.5 million. All the charter party agreements for our vessels restrict the charterers from calling in Iran in violation of U.S. sanctions, or carrying any cargo to or from Iran which is subject to U.S. sanctions.

We do not believe that any of these transactions or activities are sanctionable. January 16, 2016 was implementation day under the Joint Comprehensive Plan of Action ( JCPOA ) among the P5+1 (China, France, Germany, Russia, the United Kingdom, and the United States), the E.U., and Iran, and the United States and the E.U. lifted nuclear-related sanctions on Iran which were re-imposed by the United States on August 6, 2018 and November 5, 2018. All activities, transactions and dealings reported in this section occurred after the implementation date of the JCPOA and prior to the re-implementation of the applicable U.S. sanctions. We do not intend to charter our vessels to charterers who may make, or may sub-let the vessels to sub-charterers who may make, port calls to Iran, so long as the activities are not permissible and potentially sanctionable under U.S. or other applicable laws.

**Competition**

We operate in a highly competitive global market based primarily on supply and demand of vessels and cargoes. While the worldwide LPG sector is comparatively smaller than other shipping sectors, consisting of vessels of varying sizes between 1,000 and 85,000 cbm, it is a diversified global market with many charterers, owners and operators of vessels. As of April 1, 2019, our LPG carrier fleet, including our two chartered in vessels and four JV vessels, had an average age of 8.3 years. Accordingly, we believe we are well positioned from a competitive standpoint in terms of our vessels meeting the ongoing needs of charterers. Also, as of April 1, 2019, we had one of the largest single-owned fleets in our primary sector segment (3,000 cbm to 8,000 cbm), which, in our view, also positions us well from the standpoint of charterers and competitors. We believe, however, that the LPG shipping sector will continue to be highly competitive, and will be driven by both energy production and consumption.

Ownership of medium range product carriers and crude oil tankers capable of transporting crude oil and refined petroleum products, such as gasoline, diesel, fuel oil and jet fuel, as well as edible oils and chemicals, is highly

diversified and is divided among many independent tanker owners. Many oil companies and other oil

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

## **Seasonality**

The LPG carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of propane and butane for heating during the winter months. Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere, but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues may be stronger in fiscal quarters ended December 31 and March 31 and relatively weaker during the fiscal quarters ended June 30 and September 30, as was generally the case in each of the last five fiscal years other than the fourth quarter of 2018 which did not reflect this typical strength mostly as a result of weak conditions in the Asian LPG market.

## **C. Organizational Structure**

As of April 1, 2019, other than the subsidiaries owning the JV vessels as indicated therein, we were the sole owner of all the outstanding shares of the subsidiaries listed in Exhibit 8.

## **D. Properties**

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

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

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

None.

## **Item 5. Operating and Financial Review and Prospects**

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this Annual Report. This discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set

forth under Item 3. Key Information Risk Factors and elsewhere in this Annual Report, our actual results may differ materially from those anticipated in these forward-looking statements.

## **Overview**

We are a provider of international seaborne transportation services to LPG producers and users, as well as crude oil and product carriers to oil producers, refineries and commodities traders. As of December 31, 2018 we

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operated a fleet of 47 LPG carriers, including 44 vessels we own and 3 vessels that were chartered in, that carry various petroleum gas products in liquefied form, including propane, butane, butadiene, isopropane, propylene and VCM ( Vinyl Chloride Monomer ), three medium range product carriers that carry refined petroleum products such as gasoline, diesel, fuel oil and jet fuel, as well as edible oils and chemicals, and one Aframax tanker which is used for carrying crude oil. In the first quarter of 2019, we completed the sale of two vessels, redelivered one of our chartered in vessels and concluded the sale of a 49.9% equity interest in the entities owning four additional vessels. All of the aforementioned vessels sold in the first quarter of 2019 had been classified as of December 31, 2018 as held for sale. Accordingly, as of April 1, 2019, our fleet is composed of 38 LPG carriers, excluding the two vessels that are chartered in and four JV Vessels, with a total capacity of 259,009 cbm and three medium range product carriers with a total capacity of 140,000 dwt and one 115,804 dwt crude oil tanker. For the years ended December 31, 2016, 2017 and 2018, we owned an average of 53.4, 52.6 and 50.8 vessels, respectively, generating revenues of \$144.1 million, \$154.3 million and \$164.3 million, respectively.

In the first quarter of 2019, we sold a 49.9% equity interest in the subsidiaries owning four of our vessels, the *Gas Haralambos*, the *Gas Defiance*, the *Gas Shuriken* and the *Eco Lucidity*, to a leading maritime-focused investor. We and our manager, Stealth Maritime, will continue to manage these vessels. These four vessels were classified as held for sale as of December 31, 2018, and following the closing date of these sales, the entities owning these vessels, including associated debt totaling \$ 30.1 million, are no longer fully consolidated in our balance sheet as we and the investor will have joint control over the vessels. Our 50.1% equity interest in these entities will be accounted for under the equity method.

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

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

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

As of April 1, 2019, 9 of our LPG carriers, 2 of our medium range product carriers and our Aframax crude oil tanker were deployed on bareboat charters, under which the charterer is responsible for the costs associated with the operations of the vessels. Of the remaining vessels in our fleet, as of April 1, 2019, 7 were employed in the spot market, with the remaining vessels deployed on time charters. As of April 1, 2019, 68% of our anticipated fleet days for the existing fleet were covered by period charter contracts for the remainder of 2019 and 28 % for 2020. The corresponding forward coverage as of April 1, 2018 was 67% for the remainder of 2018 and 33% for 2019. We are, however, exposed to prevailing charter rate fluctuations for the remaining anticipated fleet days not covered by period

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

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### **A. Operating Results**

#### **Factors Affecting Our Results of Operations**

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

*Calendar days.* We define calendar days as the total number of days in a period during which each vessel in our fleet was in our possession including off-hire days associated with major repairs, drydockings or special or intermediate surveys. Calendar days are an indicator of the size of our fleet over a period and affect both the amount of revenue and the amount of expense that we record during that period. In the first quarter of 2019, we agreed to sell a 49.9% equity interest in the entities owning four of our LPG carriers. We may also elect to sell additional vessels in our fleet from time to time, such as the seven LPG carriers we agreed to sell in 2018. Four of our LPG carriers are subject to arrangements pursuant to which the charterer has options to purchase the vessels at declining stipulated prices at any time during the current charter for the respective vessels, in addition four of our vessels are subject to arrangements pursuant to which the charterer has options to purchase the vessels at the end of their current charters in 2021 and 2022 and 2029. If any of these purchase options were to be exercised, the expected size of our LPG carrier fleet would be reduced, and as a result our anticipated level of calendar days and revenues would be reduced.

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

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

*Cyclical.* The international gas carrier market, including the transport of LPG, is cyclical with attendant volatility in profitability, charter rates and vessel values, resulting from changes in the supply of, and demand for, LPG carrier capacity. From the last quarter of 2011 until the third quarter of 2014, LPG carrier market conditions generally improved from low levels with higher LPG carrier charter rates and utilization levels, however, the impact of the dramatic decline in oil prices on demand for LPG adversely affected LPG carrier charter rates and utilization levels from the fourth quarter of 2014 until the latter part of 2017, particularly in the smaller vessel classes. In 2017, there were increases in oil prices and in the second half of 2017 some limited improvement in LPG carrier charter rates and utilization levels which continued in 2018 and early 2019 as well with the exception of a temporary slowdown in the Asian region. As of April 1, 2019, we had 7 vessels trading in the spot market and 20 LPG carriers with charters expiring in 2019.



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

With regard to the vessels in the spot market, we are exposed to changes in spot rates for LPG carriers and such changes affect our earnings and the value of our LPG carriers at any given time. When LPG vessel prices are considered to be low, companies not usually involved in shipping may make speculative vessel orders, thereby increasing the global supply of LPG carriers, satisfying demand

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sooner and potentially suppressing charter rates. With regard to the four tankers in our fleet, one of our product carriers is employed on a fixed-rate time charter expiring in May 2020 and two of the product carriers are deployed on fixed rate bareboat charters expiring in April 2019 and September 2020, respectively, while the Aframax tanker is deployed on fixed rate bareboat charter that expires in March 2020, which has limited our exposure to fluctuations in charter rates for these vessels. However, we are exposed further to prevailing charter rates in the product and crude tanker sectors when these vessels' existing charters expire. Currently tanker market rates are at low levels therefore it is likely that any negotiation of the charter rates of new period contracts in the near term will occur at relatively low levels.

*Seasonality.* The LPG carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of propane and butane for heating during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues may be stronger in fiscal quarters ending December 31 and March 31 and relatively weaker during the fiscal quarters ending June 30 and September 30, as was the case in 2016 and 2017, however, the fourth quarter of 2018 did not exhibit this strength mainly due to a weakness in the Asian LPG market. We have had limited exposure to seasonality with respect to our product carriers and Aframax tanker as these are deployed on long term or medium term fixed rate charters; however, we are exposed to seasonal changes in the tanker markets, which are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance, to the extent we charter our tankers on shorter term charters.

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

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

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

We employ our vessels under time, bareboat and spot charters. Bareboat charters provide for the charterer to bear the cost of operating the vessel and as such typically market rates for bareboat charters are lower than those for time charters. Vessels operating on period charters, principally time and bareboat charters, provide more predictable cash flows, but can yield lower profit margins than vessels operating in the spot charter market during periods characterized by favorable market conditions. As a result, during the time our vessels are committed on period charters we will be unable, during periods of improving charter markets, to take advantage of improving charter rates

as we could if our vessels were employed only on spot charters. Vessels operating in the spot charter market generate revenues that are less predictable but may enable us to capture increased profit margins during periods of improving charter rates, although we are then exposed to the risk of declining LPG carrier, product carrier or crude oil tanker charter rates, which may have a materially adverse impact on our financial

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

***Voyage Expenses***

Voyage expenses include port and canal charges, bunkers (fuel oil) expenses and commissions. These charges and expenses increase in periods during which vessels are employed on the spot market, because under these charters, these expenses are for the account of the vessel owner. Under period charters, these charges and expenses, including bunkers (fuel oil) but excluding commissions which are always paid by the vessel owner, are paid by the charterer. Bunkers (fuel oil), the price of which declined beginning in the third quarter of 2014 into 2017 when prices increased, accounted for 56.3% of total voyage expenses for the year ended December 31, 2018, 42.4% of total voyage expenses for the year ended December 31, 2017 and 39.7% of total voyage expenses for the year ended December 31, 2016. Commissions on hire are paid to our manager Stealth Maritime and/or third party brokers. Stealth Maritime receives a fixed brokerage commission of 1.25% on freight, hire and demurrage for each vessel based on our management agreement since 2005. In 2018, port and canal charges and bunker expenses represented a relatively small portion of our vessels' overall expenses, 9.4%, because the majority of our vessels were employed under period charters, including time and bareboat charters, that require the charterer to bear such expenses. As of April 1, 2019, we had 7 vessels in the spot market for which we pay voyage expenses; the corresponding number as of April 1, 2018 was 10 and as of April 1, 2017 was 8.

***Vessel Operating Expenses***

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

***Management Fees***

During 2018, we paid Stealth Maritime, our fleet manager, a fixed rate management fee of \$440 per day for each vessel in our fleet under spot or time charter and a fixed rate fee of \$125 per day for each of the vessels operating on bareboat charter. These rates have been in effect since January 1, 2007. Stealth Maritime also receives a fee equal to 1.0% calculated on the price stated in the relevant memorandum of agreement for any vessel bought or sold by them on our behalf. From these management fees paid to Stealth Maritime, Stealth Maritime pays one technical manager that is responsible for the technical management of some of our vessels that are not technically managed by Stealth Maritime on a day-to-day basis.

***General and Administrative Expenses***

We incur general and administrative expenses that consist primarily of legal fees, audit fees, office rental fees, officers and board remuneration or reimbursement, directors and officers insurance, listing fees and other general and administrative expenses. Our general and administrative expenses also include our direct compensation expenses and the value of non-cash executive services provided through, and other expenses arising from, our management agreement with Stealth Maritime, our directors' compensation and the value of the lease expense for the space we rent from Stealth Maritime. For our compensation expenses, pursuant to our management agreement, we reimburse Stealth

Maritime for its payment of the compensation of our Chief Executive Officer, Deputy Chairman and Executive Director, Chief Technical Officer, and Internal Auditor. During the year ended December 31, 2018, such compensation was in the aggregate amount of \$1.2 million plus \$0.3 million of stock-based compensation expense relating to equity awards issued to our executive officers and

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non-executive members of our Board of Directors in August 2018. As of December 31, 2018, we had \$0.6 million of unrecognized stock-based compensation expense that we expect to recognize ratably over the remaining vesting period to August 2019.

***Inflation***

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

***Depreciation and Dry docking***

We depreciate our vessels on a straight-line basis over their estimated useful lives, determined to be 30 years from the date of their initial delivery from the shipyard in the case of our LPG carriers and 25 years in the case of our product carriers and crude oil tanker. Depreciation is based on cost less the estimated scrap value of the vessels. We expense costs associated with dry dockings and special and intermediate surveys as incurred which may affect the volatility of our results. During 2018, we dry docked 7 vessels at a total cost of \$3.6 million. We expect that during 2019 our dry docking costs will be lower, as 2 vessels are scheduled to be dry docked in 2019.

***Impairment Loss***

Based on the accounting standards followed by the Company, impairment losses are recognized on long-lived assets used in operations or held for sale, when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts and the asset's carrying value exceeds its fair value. The Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value and the difference is recorded as an impairment loss in the consolidated statements of operations. For the years ended December 31 2018, 2017 and 2016, we recognized an impairment loss of \$11.4 million on eleven of our vessels, \$6.5 million on seven of our oldest vessels and \$5.7 million on six of our oldest vessels, respectively.

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

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

In 2018, we sold and delivered to their new owners the *Gas Enchanted*, the *Gas Evoluzione*, the *Gas Legacy*, the *Gas Sikousis*, and the *Gas Marathon*, all for further trading; we recognized an aggregate loss of \$0.8 million on the sale of these vessels. Another two of our vessels, the *Gas Sincerity* and the *Gas Texiana*, which were agreed to be sold in 2018, were delivered to their new owners in the first quarter of 2019. In 2017, we sold the *Gas Moxie*, the *Gas Nirvana*, the *Gas Icon* and the *Gas Emperor*, for further trading, for which we recognized an aggregate loss of \$0.1 million. In 2016, we sold the *Gas Arctic* for demolition and the *Gas Ice* for further trading, for which we recognized an aggregate gain of \$0.1 million.

During the year ended December 31, 2014, we sold two vessels, the *Gas Cathar* and the *Gas Premiership*, that were leased back by our Company on a bareboat hire basis. The aforementioned transaction is classified as a sale and lease back transaction and in accordance with US GAAP ASC 840-40, the net gain on sale of vessels of

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\$0.8 million must be amortized throughout the lease period of the vessels. The lease for the *Gas Cathar* is scheduled to expire in the first quarter of 2020 while the lease for the *Gas Premiership* expired in the fourth quarter of 2018.

***Loss on Derivatives***

All of our nine interest rate swaps, as of December 31, 2018, are accounted for as cash flow hedges and the changes in their fair values are recorded in Accumulated other comprehensive income. All changes in the fair value of our cash flow interest rate swaps and foreign currency exchange agreements that are not accounted for as cash flow hedges, are recorded in earnings under Loss on Derivatives. To the extent we have interest rate swaps and foreign currency exchange agreements in this category, this increases the potential volatility in our reported earnings, in comparison to the case where such arrangements did qualify for hedge accounting, due to the recognition of non-cash fair value movements of our cash flow interest rate swaps and foreign currency exchange arrangements directly in our statement of operations.

***Interest Expense and Finance Costs***

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

**Results of Operations*****Year ended December 31, 2018 compared to the year ended December 31, 2017***

The average number of vessels in our fleet was 50.8 for the year ended December 31, 2018 compared to 52.6 for the year ended December 31, 2017.

**REVENUES** Voyage revenues for the year ended December 31, 2018 were \$164.3 million compared to \$154.3 million for the year ended December 31, 2017, an increase of \$10.0 million, primarily due to improved market conditions. Total calendar days for our fleet were 19,554 for the year ended December 31, 2018 compared to 19,917 for the year ended December 31, 2017; due to the decrease in the average number of vessels in our fleet. Of the total calendar days in 2018, 4,691 or 24.0% were bareboat charter days and 11,005 or 56.3% were time charter days and 3,667 or 18.8% were spot days. This compares to 4,934 or 24.8% bareboat charter days and 11,838 or 59.4% time charter days and 2,945 or 14.8% were spot days in 2017. Our fleet operational utilization was 95.5% and 96.2% for the years ended December 31, 2018 and December 31, 2017, respectively.

**VOYAGE EXPENSES** Voyage expenses were \$20.7 million for the year ended December 31, 2018 compared to \$15.7 million for the year ended December 31, 2017, an increase of \$5.0 million, or 31.8%. This was primarily due to the increased number of spot days and the higher bunker prices prevailing in 2018 compared to 2017. Voyage expenses consisted largely of bunker charges in the amount of \$11.6 million for 2018 compared to bunker charges in the amount of \$6.7 million for 2017, an increase of \$4.9 million. Under spot charters we are responsible for paying the vessels' bunkers consumption, as well as most expenses. Voyage expenses also included port expenses of \$2.8 million for the year ended December 31, 2018 compared to \$2.5 million for the year ended December 31, 2017, an increase of \$0.3 million and commissions to third parties which were \$2.8 million for the year ended December 31, 2018 and \$2.7 million for the year ended December 31, 2017.





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**VESSEL OPERATING EXPENSES** Vessel operating expenses were \$60.4 million for the year ended December 31, 2018 compared to \$59.4 million for the year ended December 31, 2017, an increase of \$1.0 million, or 1.7%. The increase in operating expenses, in spite of the net reduction of the average number of our owned vessels by two, was mainly driven by the operation of three additional new 22,000 cbm semi-refrigerated LPG vessels not yet delivered in the same period of last year which are more expensive to operate compared to smaller LPG vessels. Other components of vessel operating expenses were repairs and maintenance costs which increased from \$6.4 million in the year ended December 31, 2017 to \$7.4 million in the year ended December 31, 2018 mainly due to some unforeseen technical needs of some older vessels.

**DRY DOCKING COSTS** Dry docking costs were \$3.6 million for the year ended December 31, 2018 compared to \$3.5 million for the year ended December 31, 2017, an increase of \$0.1 million, or 2.9%. For each of the year ended December 31, 2018 and the year ended December 31, 2017 seven vessels were dry docked.

**MANAGEMENT FEES** Management fees were \$7.0 million for the year ended December 31, 2018 compared to \$7.2 million for the year ended December 31, 2017, a decrease of \$0.2 million or 2.8%. The decrease was due to the lower average number of vessels in the fleet. The daily management fees per vessel did not change during these periods and remained at \$440 per day for vessels under time and spot charter and at \$125 per day for vessels under bareboat charter.

**GENERAL AND ADMINISTRATIVE EXPENSES** General and administrative expenses for the year ended December 31, 2018 were \$3.0 million compared to \$2.9 million for the year ended December 31, 2017, an increase of \$0.1 million or 3.4%. Included in the general and administrative expenses for the years ended December 31, 2018 and December 31, 2017 are \$1.2 million and \$1.1 million respectively paid to our manager for the services of the Company's executive officers pursuant to our management agreement. Stock based compensation expense for the vested and non-vested shares, which is also part of the general and administrative expenses, increased to \$0.3 million during the year ended December 31, 2018 from \$0.1 million during the year ended December 31, 2017.

**DEPRECIATION** Depreciation expenses for the 50.8 average number of vessels in our fleet for the year ended December 31, 2018 were \$41.3 million compared to \$38.9 million for the 52.6 average number of vessels in our fleet for the year ended December 31, 2017 an increase of \$2.4 million or 6.2%. This increase in depreciation expenses, in spite of the net reduction of the average number of our owned vessels by two was mainly due to the addition of three 22,000 cbm semi-refrigerated vessels which have significantly higher carrying values, and therefore associated annual depreciation expense compared to a smaller LPG vessel.

**IMPAIRMENT LOSS** During the year ended December 31, 2018 the Company recognized an impairment loss of \$11.4 million for eleven of its vessels, six of which were classified as held for sale as of December 31, 2018. With regards to the remaining five vessels for which we incurred impairment charges, one was delivered to her new owners in the second quarter of 2018, three were delivered to their new owners in the third quarter of 2018 while the remaining one was delivered to their new owners in the fourth quarter of 2018. During the year ended December 31, 2017, the Company recognized an impairment loss of \$6.5 million for seven of its oldest vessels, four of which were sold in 2017.

**NET (GAIN)/ LOSS ON SALE OF VESSELS** During the year ended December 31, 2018 we agreed to the sale of seven vessels. Five of these vessels the *Gas Enchanted*, the *Gas Evoluzione*, the *Gas Legacy*, the *Gas Sikousis*, and the *Gas Marathon* were delivered to their new owners within 2018 and for these vessels we incurred a net loss on the sale of these vessels of \$0.8 million. The remaining two vessels agreed to be sold within the year 2018, the *Gas Sincerity* and the *Gas Texiana* were delivered to their new owners within the first quarter of 2019. During the year ended December 31, 2017 we sold four of our oldest vessels, the *Gas Moxie*, the *Gas Nirvana*, the *Gas Icon* and the *Gas*

*Emperor* all for further trading. The net loss on the sale of these vessels was \$77.3 thousands.

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**OTHER OPERATING COSTS/(INCOME)** During the year ended December 31, 2018 we received \$0.6 million of legal claims. This income was partially offset by a \$0.1 million charge related to the delay of the delivery of our new 22,000 cbm semi-refrigerated vessels.

**INTEREST AND FINANCE COSTS** Interest and finance costs were \$23.3 million for the year ended December 31, 2018 compared to \$16.7 million for the year ended December 31, 2017, an increase of \$6.6 million, or 39.5%. The increase in interest and finance cost was mainly due the increase in our bank debt and to an increase in Libor rates.

**INTEREST INCOME** Interest income was \$0.6 million for the year ended December 31, 2018 compared to \$0.3 million for the year ended December 31, 2017, an increase of \$0.3 million related mostly to a higher amount of time deposits and higher deposit rates offered compared to rates offered in the same period of last year.

**NET INCOME/(LOSS)** As a result of the above factors, we recorded a net loss of \$12.3 million for the year ended December 31, 2018, compared to net loss of \$1.2 million for the year ended December 31, 2017.

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

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

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

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

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

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

2017 the Company faced higher drydocking cost as per vessel drydocked due to the trading areas of some of the vessels due for drydock.

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

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

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

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

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

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

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

**LOSS ON DERIVATIVES** Included in the results for the year ended December 31, 2017 are net losses from interest rate derivative instruments of \$0.4 million. Interest paid on interest rate swap arrangements amounted to \$0.4 million for the year ended December 31, 2017, compared to \$1.1 million for the year ended December 31, 2016 and net gains from change in fair value of the same arrangements was nil for the year ended December 31, 2017 compared to gains of \$0.3 million for the year ended December 31, 2016.

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

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

### **B. Liquidity and Capital Resources**

As of December 31, 2018, we had cash and cash equivalents of \$64.5 million, restricted cash of \$3.0 million classified as current assets and restricted cash of \$11.9 million classified as non-current assets.

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

We had net proceeds from vessel sales of \$29.7 million in 2018, \$11.5 million in 2017 and \$1.5 million in 2016. In the first quarter of 2019, we agreed to sell a 49.9% equity interest in four of our vessels, the *Gas Defiance*, the *Gas Shuriken*, the *Gas Haralambos* and the *Eco Lucidity*, to a leading maritime-focused investor for an aggregate consideration of \$20.7 million. We last raised capital in 2014, through three registered common stock offerings with net proceeds of approximately \$112.3 million. Our principal use of funds has been to acquire our vessels, maintain the quality of our vessels, service our debt and fund working capital requirements, as well as to repurchase shares of our common stock in 2014, 2015 and the first half of 2016.

Our liquidity needs, as of December 31, 2018 through the end of 2019, primarily relate to scheduled debt repayments, funding expenses for operating our vessels and general and administrative expenses, as well as any vessel acquisitions we elect to make either independently or in collaboration with a third party investor. Generally, our primary sources of funds, in the short term, have been cash from operating activities and, in the long term, bank borrowings and equity financings.

As of December 31, 2018, our aggregate debt outstanding net of deferred finance charges was \$443.3 million, of which \$71.8 million was classified as current liability. An amount of \$30.1 million classified as current liability as of December 31, 2018 is debt associated with our four JV vessels, of which \$16.3 million was repaid up to March 27, 2019 and the remaining amount will no longer be consolidated in our financial statements.

We believe our working capital is sufficient for our present short-term liquidity requirements. We believe our internally generated cash flows will be sufficient to fund our operations, including working capital requirements, for at least 12 months taking into account our existing capital commitments and debt service requirements.

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

Our dividend policy or any resumption of stock repurchases will also affect our liquidity position. See **Item 8. Financial Information** **Dividend Policy**.

### **Cash Flows**

Net cash provided by operating activities was \$37.8 million for the year ended December 31, 2018, \$52.4 million for the year ended December 31, 2017, and \$36.2 million for the year ended December 31, 2016. This represents the net amount of cash, after expenses, generated by chartering our vessels. The reduction of our net cash provided by our operating activities in 2018 compared to the same period of last year was attributed mostly to the higher net losses incurred in 2018 driven primarily by the increased voyage expenses by \$5.0 million and the increased finance costs by \$6.6 million. Net cash provided by operating activities increased in 2017 compared to 2016, mainly due to the increase in revenue as a result of improved fleet utilization and a rise in freight rates.





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Net cash used in investing activities was \$78.6 million for the year ended December 31, 2018, \$48.9 million for the year ended December 31, 2017, and \$54.1 million for the year ended December 31, 2016. During 2018, we acquired three 22,000 cbm new LPG semi-refrigerated vessels, the *Eco Ice*, the *Eco Arctic* and the *Eco Freeze*, for which we paid a total of \$108.3 million. During 2017, we acquired one LPG vessel, the *Eco Frost*, for which we paid a total of \$33.3 million, while we paid an amount of \$27.3 million as advances related to the three remaining LPG newbuilding deliveries, two of which were delivered in January 2018 and one in April 2018. During 2016, we acquired two LPG vessels, the *Eco Nical* and the *Eco Dominator*, for which we paid a total of \$33.0 million while we paid an amount of \$23.2 million as advances related to the four remaining LPG newbuilding deliveries. With regards to the sale of vessels, during 2018, we agreed to sell seven vessels, all for further trading. Five of these vessels, the *Gas Enchanted*, the *Gas Evoluzione*, the *Gas Legacy*, the *Gas Sikousis*, and the *Gas Marathon* were delivered to their new owners within 2018 with net sale proceeds of \$29.1 million. In 2017, we sold four of our oldest vessels, the *Gas Moxie*, the *Gas Nirvana*, the *Gas Icon* and the *Gas Emperor*, all for further trading with net sale proceeds of \$11.5 million. In 2016, we sold two of our oldest vessels, the *Gas Arctic* for demolition and the *Gas Ice* for further trading, with net sale proceeds of \$1.5 million.

Net cash (used in)/ provided by financing activities net cash provided by financing activities was \$57.3 million for the year ended December 31, 2018, consisting mainly of \$115.7 million in proceeds from long-term debt, while \$56.7 million in loan repayments of which \$46.7 million were regular loan installments and \$10.0 million were voluntary repayments of existing credit facilities of two of our vessels agreed to be sold. Net cash used in financing activities was \$14.1 million for the year ended December 31, 2017, consisting mainly of \$56.3 million of loan repayments and \$43.0 million of debt proceeds. Net cash used in financing activities was \$27.2 million for the year ended December 31, 2016, consisting mainly of \$31.2 million in proceeds from long-term debt offset by \$55.6 million in loan repayments.

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

**Credit Facilities**

We, and certain of our subsidiaries, have entered into a number of credit facilities in connection with financing the acquisition of certain vessels in our fleet. The following summarizes certain terms of our credit facilities under which we had aggregate outstanding indebtedness net of deferred finance charges of \$443.3 million, as of December 31, 2018 which is reflected in our balance sheet as Long-term debt and Current portion of long-term debt. For a description of our credit facilities also see Note 11 to our consolidated financial statements included elsewhere in this report.

Credit Facility	Outstanding Principal Amount (in millions)	Maturity	Installment Frequency	Installment Amount (in millions)	Balloon (in millions)	Mortgaged Vessels
February 12, 2008	\$ 11.88	Dec 2022	Quarterly	\$ 0.59	\$ 2.41	

							Stealth Falcon (ex. Navig8 Faith)
July 30, 2008	\$ 13.85	Nov 2020	Semi-Annual	\$ 0.97	\$ 9.97		Gas Defiance, Gas Shuriken
April 14, 2014	\$ 11.70	Apr 2024	Quarterly	\$ 0.32	\$ 4.60		Gas Astrid, Gas Exelero

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<b>Credit Facility</b>	<b>Outstanding Principal Amount (in millions)</b>	<b>Maturity</b>	<b>Installment Frequency</b>	<b>Installment Amount (in millions)</b>	<b>Balloon (in millions)</b>	<b>Mortgaged Vessels</b>
April 16, 2014	\$ 16.30	Apr 2020	Quarterly	\$ 0.52	\$ 13.18	Gas Haralambos, Eco Lucidity
December 14, 2018	\$ 14.09	Dec 2023	Quarterly	\$ 0.55	\$ 3.09	Stealth Berana, Eco Invictus
	\$ 9.48	Dec 2023	Quarterly	\$ 0.20	\$ 5.48	Gas Elixir
March 27, 2018	\$ 25.20	Mar 2024	Quarterly	\$ 0.83	\$ 7.88	Gas Cerberus
						Gas Myth
March 1, 2011	\$ 11.63	Jan 2020	Quarterly	\$ 0.38	\$ 9.75	Gas Husky
	\$ 11.75	Jun 2020	Quarterly	\$ 0.38	\$ 9.50	Gas Esco
September 23, 2013	\$ 15.24	Dec 2022	Quarterly	\$ 0.74	\$ 3.04	Gas Ethereal, Gas Alice, Gas Inspiration, Gas Imperiale
March 24, 2014	\$ 11.48	Mar 2021	Semi-Annual	\$ 0.63	\$ 8.33	Eco Stream
	\$ 11.48	Jun 2021	Semi-Annual	\$ 0.63	\$ 8.33	Eco Chios
	\$ 12.67	Jul 2022	Semi-Annual	\$ 0.54	\$ 8.33	Eco Galaxy
June 20, 2014	\$ 7.53	Jan 2023	Quarterly	\$ 0.17	\$ 4.64	Eco Corsair
	\$ 8.08	Jan 2023	Quarterly	\$ 0.19	\$ 4.93	Eco Elysium
July 29, 2014	\$ 9.24	Jul 2023	Quarterly	\$ 0.26	\$ 4.23	Eco Enigma
	\$ 9.24	Jul 2023	Quarterly	\$ 0.26	\$ 4.23	Eco Universe
July 4, 2014	\$ 8.73	Aug 2021	Quarterly	\$ 0.20	\$ 6.50	Eco Czar
	\$ 8.73	Sep 2021	Quarterly	\$ 0.20	\$ 6.50	Eco Nemesis
December 20, 2013	\$ 12.75	Sep 2022	Quarterly	\$ 0.25	\$ 9.00	Eco Dream
	\$ 12.75	Sep 2022	Quarterly	\$ 0.25	\$ 9.00	Eco Green
	\$ 12.90	Feb 2023	Quarterly	\$ 0.25	\$ 8.74	Eco Nical
	\$ 13.15	Jun 2023	Quarterly	\$ 0.25	\$ 8.74	Eco Dominator
December 24, 2015	\$ 8.96	Dec 2022	Quarterly	\$ 0.19	\$ 5.97	Eco Royalty
	\$ 8.96	Dec 2022	Quarterly	\$ 0.19	\$ 5.97	Eco Loyalty
December 7, 2017	\$ 9.20	Dec 2022	Quarterly	\$ 0.33	\$ 4.00	Magic Wand
	\$ 10.32	Dec 2022	Quarterly	\$ 0.36	\$ 4.50	Stealth Bahla
May 18, 2016	\$ 29.45	May 2025	Quarterly	\$ 0.51	\$ 16.25	Eco Frost
	\$ 31.60	Dec 2025	Quarterly	\$ 0.52	\$ 16.57	Eco Ice

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March 1, 2017	\$ 33.62	Jan 2026	Quarterly	\$ 0.63	\$ 15.23	Eco Arctic
	\$ 34.00	Apr 2026	Quarterly	\$ 0.63	\$ 15.11	Eco Freeze

The interest rates on the outstanding loans as of December 31, 2018 are based on LIBOR plus a margin which varies from 0.80% to 3.00%. The average interest rates (including the margin) on the above outstanding loans were 5.34% for the year ended December 31, 2018 and 3.97% for the year ended December 31, 2017. As

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of December 31, 2018, \$111.5 million of our outstanding loans were covered by interest rate swap agreements paying fixed rates ranging from 1.52% to 2.89% and received floating rates based on LIBOR.

As of April 1, 2019, six of our vessels, the *Gas Prodigy*, the *Gas Flawless*, the *Gas Monarch*, the *Gas Pasha*, the *Gas Spirit*, and the *Gas Nemesis II*, were unencumbered. We had no undrawn borrowing capacity under our existing credit facilities.

## **Financial Covenants**

Our credit facilities contain financial covenants requiring us to:

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

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

ensure that our ratio of EBITDA (as defined in the loan agreements) to interest expense over the preceding twelve months is at all times more than 2.5 times; and

to maintain on a monthly basis a cash balance amounting to \$3,002,490 representing a proportionate amount of the next installment and relevant interest plus a minimum aggregate cash balance amounting to \$11,930,059 in the earnings account with the relevant banks.

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

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

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

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

cross-default clauses.

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

None.

**D. Trend Information**

Our results of operations depend primarily on the charter hire rates that we are able to realize. In turn, charter rates are determined by the underlying balance in demand and supply for our vessels. Demand for LPG

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transportation is influenced by various global economic factors and trade patterns, while the supply is primarily a factor of the fleet growth, determined by the number of vessels in the order book entering the fleet and the number of vessels exiting the fleet, primarily sold for demolition. As a result, the LPG shipping sector has been a highly cyclical industry experiencing volatility in charter hire rates and vessel values.

After a difficult period following the global financial crisis we saw some improvement from the fourth quarter of 2011 to the third quarter of 2014, charter rates subsequently declined sharply, due largely to the dramatic decline in oil prices, and despite some reasonable improvement between the second half of 2017 and until the first quarter of 2019 the charter rates remain well below levels reached in 2007 and 2008. Although prospects for the small LPG segment currently appear favorable as the orderbook for 2019 and the next couple of years is negligible, future growth in the demand for LPG carriers and charter rates will depend on economic growth in the world economy and demand for LPG. Global financial conditions remain volatile and demand for LPG transportation may decrease in the future. We believe that the future growth in demand for LPG carriers and the charter rate levels will depend primarily upon the supply and demand for LPG particularly supply in the United States and the economies of the Middle East where large quantities are produced, and demand in the Far East and developing countries like Asia and Africa and in general upon seasonal and regional changes in supply/demand and changes to the capacity of the world fleet.

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

**E. Off Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

**F. Contractual Obligations**

Contractual obligations as of December 31, 2018 were:

	Payments due by period (in thousands)				More than 5 years (After January 1, 2024)
	Total	Less than 1 year (2019)	1-3 years (2020-2021)	3-5 years (2022-2023)	
Long-term debt obligations	\$ 445,971	\$ 72,584	\$ 126,461	\$ 150,110	\$ 96,816
Interest on principal amounts outstanding(1)	\$ 77,869	\$ 20,295	\$ 32,221	\$ 18,210	\$ 7,143
Interest on interest rate swap arrangements outstanding(1)	\$ (85)	\$ (242)	\$ (218)	\$ 241	\$ 134
Management fees(2)	\$ 8,578	\$ 5,719	\$ 2,859	\$	\$
Operating lease obligations	\$ 6,654	\$ 6,264	\$ 390	\$	\$
Total	\$ 538,987	\$ 104,620	\$ 161,713	\$ 168,561	\$ 104,093



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- (1) Based on assumed 3M LIBOR rates of 2.63% for 2019, 2.55% for 2020, 2.45% for 2021, 2.40% for 2022, and 2.38% for 2023 and thereafter and assumed 6M LIBOR rates of 2.63% for 2019, 2.47% for 2020, 2.36% for 2021, 2.38% for 2022 and 2.45% for 2023 and thereafter, and the effect of our interest rate swap arrangements.
- (2) Based on our management agreement with Stealth Maritime, we pay it \$125 per vessel per day for vessels on bareboat charter and \$440 per vessel per day for vessels not on bareboat charter for our existing fleet (but excluding our contracted vessels). We also pay 1.25% of the gross freight, demurrage and charter hire collected from employment of our ships and 1.0% of the contract price of any vessels bought or sold on our

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behalf. The initial term of our management agreement with Stealth Maritime expired in June 2010 but is extended on a year-to-year basis thereafter unless six-months written notice is provided prior to the expiration of the term. No such notice was provided up to December 31, 2018, therefore the current term of our management agreement expires in June 2020.

**Critical Accounting Policies**

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

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

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

We review certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions including any regulatory changes that may have a material impact on the vessel lives. The decline in the values of some of the vessels included in our LPG fleet and the decline in the global economy were considered to be indicators of potential impairment. As of the end of each respective quarter of 2018, we performed step one, the undiscounted cash flow test as required by the ASC guidance. We determined undiscounted projected net operating cash flows for each vessel and compared it to the vessel's carrying value. This assessment was made at the individual vessel level since separately identifiable cash flow information for each vessel was available. In developing estimates of future cash flows to be generated over remaining useful lives of the vessels, we made assumptions about the future, such as: (1) vessel charter rates, (2) vessel utilization rates, (3) vessel operating expenses, (4) dry docking costs, (5) vessel scrap values at the end of vessels remaining useful lives and (6) the remaining useful lives of the vessels. These assumptions were based on historical trends as well as future expectations in line with our historical performance and our expectations for future fleet utilization under our current fleet deployment strategy, vessel sales and purchases, and overall market conditions.

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

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

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

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

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

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

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

actual five year historical average utilization rate for the vessels of twenty years of age and above.

Based on our historical experience and future expectations, we believe the use of different assumptions for these items depending on whether a vessel is less than 20 years old or 20 years old or more, provides a better estimate of the expected future chartering profile and associated operating expenses for vessels in these different age groups.

Although we believe that the assumptions we use to calculate future cash flows are reasonable and appropriate, such assumptions are highly subjective.

During the first nine months of 2018, the Company identified and recorded an impairment loss of \$8,161,963 for seven of its vessels, the *Gas Legacy*, the *Gas Enchanted*, the *Gas Evoluzione*, the *Gas Sikousis*, the *Gas Marathon*, the *Gas Sincerity* and the *Gas Texiana*, which were agreed to be sold for further trading. As of December 31, 2018, the Company identified and recorded an additional impairment loss of \$3,189,858 relating to vessels *Gas Shuriken*, *Gas Defiance*, *Gas Haralambos* and *Eco Lucidity*, following the decision to enter into, or potentially enter into, as applicable, joint venture agreements with a third party investor based on which the third party investor would acquire a 49.9% equity interest in these four vessel owning companies of the Company and the vessels were classified as vessels held for sale. For the three months ended December 31, 2018, no impairment loss was identified and recorded for the Company's vessels that are held for use.

As of June 30, 2017, the Company identified and recorded an impairment loss of \$897,965 relating to one of the oldest vessels of the fleet, *Gas Monarch*, and as of September 30, 2017, the Company identified and recorded an impairment loss of \$1,258,037, relating to two of the oldest vessels of the fleet, *Gas Pasha* and *Gas Evoluzione*. In addition, during the first nine months of 2017, the Company identified and recorded an impairment loss of \$4,305,271 for four of its oldest vessels, the *Gas Moxie*, the *Gas Nirvana*, the *Gas Icon* and the *Gas Emperor* which were sold during the year 2017, for further trading. For the three months ended December 31, 2017, no impairment loss was identified and recorded for the Company's vessels that are held for use. Furthermore, as of December 31, 2017, the fair market value of each vessel of 20 years of age and above exceeded its carrying value. For 2016 we had six of our oldest vessels of the fleet impaired, the *Gas Moxie*, the *Gas Emperor*, the *Gas Marathon*, the *Gas Texiana*, the *Gas Nirvana* and the *Gas Galaxy*, as in each case the undiscounted net operating cash flows of each of these vessels did not exceed the respective vessel's carrying value. The total impairment loss identified and recorded by the Company was \$11,351,821 as of December 31, 2018, \$6,461,273 during the year ended December 31, 2017 and \$5,735,086 as of December 31, 2016.

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

**Table of Contents***Sensitivity Analysis.*

The impairment test is highly sensitive to variances in future charter rates. When we conducted the analysis of the impairment test as of December 31, 2018 we also performed a sensitivity analysis related to the future cash flow estimates. Set forth below is an analysis, as of December 31, 2018, of the percentage difference between the current average rates for our fleet compared with the base rates used in the impairment test as described above, as well as an analysis of the impact on our impairment analysis if we were to utilize the most recent five-year, three-year and one-year historical average rates, which shows the number of vessels whose carrying value would not have been recovered and the related impairment charge.

	Percentage difference between our average 2018 rates as compared with the base rates for the vessels		5-year historical average rate		3-year historical average rate		1-year historical average rate	
	of less than twenty years of age	of twenty years of age and above	No. of vessels	Amount (\$ million)	No. of vessels	Amount (\$ million)	No. of vessels	Amount (\$ million)
LPG Carriers	-1.70%	16.93%						
Product Carriers	-30.46%				3	38.6	3	38.6
Aframax Tanker	-18.52%							

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

Based on the carrying value of each of our vessels held for use as of December 31, 2018 and what we believe the charter-free market values of each of these vessels was as of December 31, 2018, 20 of our 42 owned vessels in the water have current carrying values above their market values (25 of our 50 vessels in the water as at December 31, 2017). We believe that the aggregate carrying value of these vessels, assessed separately, exceeds their aggregate charter-free market value by approximately \$67 million and \$78 million as of December 31, 2018 and 2017, respectively.

The Company's estimates of market values assume that the vessels are all in good and seaworthy condition without need for repair and, if inspected, would be certified as being in class without recommendations of any kind. In addition, because vessel values are highly volatile, these estimates may not be indicative of either the current or future prices that the Company could achieve if it were to sell any of the vessels. The Company would not record an impairment charge for any of the vessels for which the fair market value is below its carrying value unless and until the Company either determines to sell the vessel for a loss or determines that the vessel's carrying amount is not recoverable. The Company believes that the undiscounted projected net operating cash flows over the estimated remaining useful lives for those vessels that have experienced declines in estimated market values below their carrying values exceed such vessels' carrying values as of December 31, 2018, and accordingly has not recorded an impairment charge.

*Vessel depreciation:* We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation and impairment, if any. We depreciate our vessels on a straight-line basis over their estimated useful lives, estimated to be 25 or 30 years from date of initial delivery from the shipyard depending on the vessel type. We believe that a 30-year depreciable life is consistent with that of other gas vessel owners and reflects management's intended use and a 25-year depreciable life is consistent with other product carrier vessel owners and reflects management's intended use. Depreciation is based on cost less the estimated residual scrap value. An increase in the useful life of the vessel or in the residual value would have the effect of decreasing the

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annual depreciation charge and extending it into later periods. A decrease in the useful life of the vessel or in the residual value would have the effect of increasing the annual depreciation charge. No events or circumstances occurred in 2018 that would require us to revise estimates related to depreciation and such revisions are not expected to occur in the future.

**G. Safe Harbor**

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

**Item 6. Directors, Senior Management and Employees****A. Directors, Senior Management and Employees**

The following table sets forth, as of April 1, 2019, information for each of our directors and executive officers.

Name	Age	Positions	Year	
			Director Became Director	Director's Current Term Expires
Harry N. Vafias	41	Chief Executive, President, Chief Financial Officer and Class III Director	2004	2021
Michael G. Jolliffe	69	Chairman of the Board, Class II Director	2004	2019
Lambros Babilis	51	Deputy Chairman and Class I Director	2007	2020
Markos Drakos	59	Class III Director	2006	2021
John Kostoyannis	53	Class II Director	2010	2019

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

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

*Michael G. Jolliffe* has been Chairman of our Board of directors since 2004. He is a Director of a number of companies in shipping, agency representation, shipbroking and capital services. Mr. Jolliffe is Co-Founder of Tsakos Energy Navigation Ltd, a crude oil and product carrier and LNG shipping company listed on the New York Stock Exchange. He is CEO of Tsakos Containers Navigation Ltd. He is also Chairman of the Wighams Group of



companies, owning companies involved in shipbroking, agency representation and capital market businesses. Mr. Jolliffe is a Director of ColdHarbour Marine, a company manufacturing equipment for the marine industry. Mr. Jolliffe is also a Trustee of The Honeypot children's charity.

*Lambros Babilis* has been Deputy Chairman of our Board of Directors and an Executive Director since 2007. Mr. Babilis was the Technical Manager of Stealth Maritime Corporation from 2006 until 2011 when he

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became the Chief Operating Officer, and has worked for the Stealth Maritime Corporation since 2000. From 1997 until 2000, Mr. Babilis worked in the Technical Department of Multi Trading Ship Management, a company specializing in chemical tankers. From 1993 until 1997, Mr. Babilis worked in a consulting or research capacity for various EEC Shipping related projects and worked as a consultant to shipping companies and as a representative of the Technical Chamber of Greece to the Joint Committee of Health and Safety of Ship Repair (Perama Zone). In addition, from 1996 until 1997, Mr. Babilis was involved in the construction of the Landing Ships at Eleusis Shipyards (Detachment of Hellenic Navy). From 1992 until 1993, Mr. Babilis worked for an international consortium, including PricewaterhouseCoopers and Port and Transport Consulting of Bremen, for the design of the Port Management Information System of Piraeus Port Authority. Mr. Babilis started his career in the Operations Department of Trade and Transport Inc. Mr. Babilis has been involved in the research center of Athens University of Economics and Business and in the Ocean Transportation Economics department at the National Technical University of Athens. From 1994 until 1996, Mr. Babilis was the General Secretary of the Hellenic Association of Naval Architects. Mr. Babilis graduated from the National Technical University of Athens, department of Naval Architecture and Marine Engineering, in 1990, and received an honorary scholarship from the Hellenic Scholarship foundation.

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

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

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

The Chairman of our Board of Directors receives annual fees of \$70,000, plus reimbursement for his out-of-pocket expenses, while each of our other independent directors receives fees of up to \$35,000 per annum, plus reimbursement of their out-of-pocket expenses. Executive directors received no compensation for their services as directors. We do not have service contracts with any of our directors. In addition, we have not paid any compensation to our executive officers. Under our management agreement with Stealth Maritime, we reimburse Stealth Maritime for its payment of the compensation to our Chief Executive Officer, Chief Financial Officer, Deputy Chairman and Executive Director, Internal Auditor and our Chief Technical Officer. The aggregate of such compensation for each of the years 2016 and 2017 was \$1.1 million and \$1.2 million for the year 2018.

Our executive officers and directors are also eligible to receive awards under our equity compensation plan described below under Equity Compensation Plan. In August 2018, we awarded an aggregate of 264,621 restricted shares of common stock to directors and officers, all which are scheduled to vest in August 2019, subject to satisfaction of the

vesting terms. The restricted shares are subject to forfeiture until they become vested. We did not grant any awards under our equity compensation plan to directors or officers of the Company

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during the years ended December 31, 2017 and 2016. We recognized share-based compensation expense of \$0.3 million, \$0.1 million and \$0.3 million in 2016, 2017 and 2018, respectively. As of December 31, 2018, there was an additional \$0.6 million of share-based compensation expense relating to the awards granted in August 2018 which we expect to recognize ratably over the remaining vesting period to August 2019.

### **C. Board Practices**

The Board of Directors may change the number of directors by a vote of a majority of the entire Board. Each director is elected to serve until the third succeeding annual meeting of stockholders and until his or her successor shall have been duly elected and qualified, except in the event of death, resignation or removal. A vacancy on the board created by death, resignation, removal (which may only be for cause), or failure of the stockholders to elect the entire class of directors to be elected at any election of directors or for any other reason, may be filled only by an affirmative vote of a majority of the remaining directors then in office, even if less than a quorum, at any special meeting called for that purpose or at any regular meeting of the board of directors. Our Board of Directors is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term.

At December 31, 2018 and April 1, 2019, we had five members on our Board of Directors named above. Our Board of Directors has determined that Michael G. Jolliffe, Markos Drakos and John Kostoyannis are independent directors within the meaning of the applicable Nasdaq listing requirements and SEC independence requirements applicable to Audit Committee members since none of them has received any compensation from the Company except for director's fees and restricted stock awards to directors and none of them has any relationship or has had any transaction with the Company which the Board believes would compromise their independence. Officers are elected from time to time by vote of our Board of Directors and hold office until a successor is elected.

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

During the fiscal year ended December 31, 2018, the full Board of Directors held four meetings. Each director attended all of the meetings of the Board and all of the meetings of committees of which such director was a member in 2018, except for one director, who attended at least 75% of such meetings.

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

### **Corporate Governance**

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

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

- a Code of Business Conduct and Ethics;

a Nominating and Corporate Governance Committee Charter;

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a Compensation Committee Charter; and

an Audit Committee Charter.

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

**Committees of the Board of Directors**

The Board of Directors has established an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee. As of April 1, 2019, the Audit Committee consists of Messrs. Markos Drakos (Chairman), Michael Jolliffe, and John Kostoyannis. The Nominating and Corporate Governance Committee consists of Messrs. Michael Jolliffe (Chairman), Markos Drakos and John Kostoyannis. The Compensation Committee consists of Messrs. Michael Jolliffe (Chairman), Markos Drakos and John Kostoyannis. Each of the directors on these committees has been determined by our Board of Directors to be independent under the standards of the Nasdaq Stock Market, and, in the case of the Audit Committee, the SEC.

***Audit Committee***

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

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

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

Company's compliance with legal and regulatory requirements;

independent auditor's appointment, qualifications and independence;

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

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

***Nominating and Corporate Governance Committee***

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

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

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

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

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

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

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

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

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

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

***Compensation Committee***

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

establishing and periodically reviewing the Company's compensation programs;

administering the Company's equity compensation plan;

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

reviewing and monitoring management development and succession plans and activities;

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

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



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

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

#### **D. Employees**

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

As of December 31, 2018, 371 officers and 396 crew members served on board the vessels in our fleet. However, these officers and crew are not directly employed by the Company.

#### **E. Share Ownership `**

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

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**Table of Contents****Equity Compensation Plan**

We have an equity compensation plan, the 2015 Equity Compensation Plan (the 2015 Plan ), which was approved by our stockholders on September 17, 2015 and replaced our previous equity compensation plan (the 2007 Plan ) which expired in August 2015. The 2015 Plan is generally administered by the Compensation Committee of our Board of Directors, except that the full board may act at any time to administer the 2015 Plan, and authority to administer any aspect of the 2015 Plan, other than grants of awards to executive officers and as prohibited by law or stock exchange regulation, may be delegated by our Board of Directors or by the Compensation Committee to an executive officer or any other person. The 2015 Plan allows the plan administrator to grant awards of shares of our common stock or the right to receive or purchase shares of our common stock (including options to purchase common stock, restricted stock and stock units, bonus stock, share units, performance units, and stock appreciation rights) to officers, directors or other persons or entities providing significant services to us or our subsidiaries. The actual terms of an award, including the number of shares of common stock relating to the award, any exercise or purchase price, any vesting, forfeiture or transfer restrictions, the time or times of exercisability for, or delivery of, shares of common stock, are determined by the plan administrator and set forth in a written award agreement with the participant.

The aggregate number of shares of our common stock for which awards may be granted under the 2015 Plan cannot exceed 10% of the number of shares of our common stock issued and outstanding at the time any award is granted. Awards made under the 2015 Plan that have been forfeited (including our repurchase of shares of common stock subject to an award for the price, if any, paid to us for such shares of common stock, or for their par value), cancelled or have expired, will not be treated as having been granted for purposes of the preceding sentence. In November 2014, we awarded an aggregate of 230,713 restricted shares of common stock to directors and officers, 50% of which vested on November 20, 2015, 25% of which vested on November 20, 2016 and 25% of which vested on November 20, 2017, the third anniversary of grant. In August 2018, we awarded an aggregate of 264,621 restricted shares of common stock to directors and officers, all of which shares are scheduled to vest in August 2019, subject to satisfaction of vesting terms. No equity awards were made for the years ended December 31, 2017, 2016 and 2015. As of April 1, 2019, awards with respect to an aggregate of 264,621 shares of our common stock had been granted under the 2015 Plan and awards with respect to 555,479 shares of our common stock were granted under our 2007 Plan from its adoption in 2005 to its expiration in August 2015. No additional awards can be granted under our 2007 Plan.

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

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

The 2015 Plan provides for double trigger vesting after a change in control. Unless the plan administrator determines otherwise, if a change in control occurs in which the Company is not the surviving corporation (or the Company survives only as a subsidiary of another corporation), all outstanding awards that are not exercised or



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paid at the time of the change in control will be assumed by, or replaced with awards that have comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation). Unless the award agreement provides otherwise, if a participant's employment is terminated by us without cause, or the participant terminates employment for good reason, in either case within 12 months following the change in control, the participant's outstanding awards will become fully vested as of the date of termination. If the vesting of any such award is based, in whole or in part, on performance, the applicable award agreement will specify how the portion of the award that becomes vested upon termination will be calculated.

In the event of a change in control, if all outstanding awards are not assumed by, or replaced with awards with comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation), the plan administrator may take any of the following actions with respect to any or all outstanding awards, without the consent of any participant: (i) may determine that outstanding stock options and stock appreciation rights will automatically accelerate and become fully exercisable, and the restrictions and conditions on outstanding awards will immediately lapse; (ii) may determine that participants will receive a payment in settlement of outstanding awards in such amount and form as may be determined by the plan administrator; (iii) may require that participants surrender their outstanding stock options and stock appreciation rights in exchange for a payment, in cash or stock as determined by the plan administrator, equal to the amount (if any) by which the fair market value of the shares of common stock subject to the unexercised stock option and stock appreciation right exceed the stock option exercise price or base price and (iv) the plan administrator may terminate outstanding stock options and stock appreciation rights after giving participants an opportunity to exercise the outstanding stock options and stock appreciation rights. Such surrender, termination or payment will take place as of the date of the change in control or such other date as the plan administrator may specify. If the per share fair market value of our stock does not exceed the per share exercise price or base price, as applicable, we will not be required to make any payment to the participant upon surrender of the stock option or stock appreciation right.

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

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

### **A. Major Shareholders**

The following table sets forth certain information regarding the beneficial ownership of our outstanding shares of common stock as of April 15, 2019 by:

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

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

each of our directors; and

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



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Beneficial ownership is determined in accordance with the rules of the SEC. In general, a person who has or shares voting power and/or dispositive power with respect to securities is treated as a beneficial owner of those securities. It does not necessarily imply that the named person has the economic or other benefits of ownership. For purposes of this table, shares subject to options, warrants or rights currently exercisable or exercisable within 60 days of April 15, 2019 are considered as beneficially owned by the person holding such options, warrants or rights. Each shareholder is entitled to one vote for each share held. The applicable percentage of ownership for each shareholder is based on 40,125,184 shares of common stock outstanding as of April 15, 2019. Information for certain holders is based on their latest filings with the Securities and Exchange Commission or information delivered to us.

Name of Beneficial Owner	Shares Beneficially Owned	
	Number	Percentage
<b>Principal Stockholders</b>		
Glendon Capital Management L.P.(1)	6,403,167	16.0%
Flawless Management Inc.(2)	6,223,176	15.5%
MSDC Management, L.P.(3)	3,708,819	9.2%
Redwood Capital Management, LLC(4)	2,415,287	6.0%
<b>Executive Officers and Directors</b>		
Harry N. Vafias(2)	6,891,966	17.2%
Michael G. Jolliffe	*	*
Lambros Babilis	*	*
Markos Drakos	*	*
John Kostoyannis	*	*
All executive officers and directors as a group (5 persons)	6,991,752	17.4%

\* Less than 1%.

- (1) Based on filings made by Glendon Capital Management L.P. with the SEC. According to these filings, these shares are directly owned by Glendon Opportunities Fund, L.P. (the Fund), Altair Global Credit Opportunities Fund LLC (the Sub-Advised Fund) and a separately managed account. According to these filings, (i) the Fund is beneficial owner of over 10% of the issuer's securities on an individual basis, (ii) the Sub-Advised Fund and the separately managed account do not own 10% of the issuer's securities on an individual basis and (iii) Glendon Capital Management LP is the investment manager to the Fund and the separately managed account and the investment sub-adviser to the Sub-Advised Fund, and may be deemed to beneficially own these securities under the Securities Exchange Act of 1934.
- (2) The shares beneficially owned by Harry N. Vafias include (i) according to a Schedule 13D jointly filed with the SEC on February 5, 2018 by Flawless Management Inc. and Harry N. Vafias, 6,491,189 shares of common stock beneficially owned by Harry N. Vafias, of which 6,073,095 shares of common stock are owned by Flawless Management Inc., and (ii) 400,777 shares of common stock subsequently acquired, including 150,081 shares which are beneficially owned by Flawless Management Inc. and Harry N. Vafias and 250,696 restricted shares beneficially owned by Harry N. Vafias, which remain subject to vesting. Harry N. Vafias has sole voting power and sole dispositive power with respect to all such shares. Excludes any shares of common stock which may be held by members of Mr. Vafias' immediate family, and in which Mr. Vafias may have a minority economic interest, in accordance with the determination of beneficial ownership under Section 13(d) of the Securities Exchange Act of 1934.
- (3)

According to Amendment No. 2 to a Schedule 13G jointly filed by and on behalf of each of MSDC Management, L.P. ( MSDC ) and MSD Credit Opportunity Master Fund, L.P. with the SEC on February 16, 2016, MSDC is the investment manager of, and may be deemed to beneficially own 3,708,819 shares of common stock beneficially owned by, MSD Credit Opportunity Master Fund, L.P. and has sole voting power and joint dispositive power with respect to all such shares.

- (4) According to Amendment No. 2 to a Schedule 13G jointly filed by and on behalf of each Redwood Capital Management, LLC, Redwood Master Fund, Ltd. and Jonathan Kolatch, which may each be deemed to have shared voting power and joint dispositive power with respect to all such shares, on February 11, 2016.

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We effected a registered public offering of our common stock and our common stock began trading on the Nasdaq Stock Market in October 2005. Our major stockholders have the same voting rights as our other shareholders. As of April 15, 2019, we had approximately 19 shareholders of record. Three of the stockholders of record were located in the United States and held in the aggregate 32,685,732 shares of common stock representing approximately 81.5% of our outstanding shares of common stock. However, the three United States shareholders of record include CEDEFEST, which, as nominee for The Depository Trust Company, is the record holder of 32,685,432 shares of common stock. Accordingly, we believe that the shares held by CEDEFEST include shares of common stock beneficially owned by both holders in the United States and non-United States beneficial owners. As a result, these numbers may not accurately represent the number of beneficial owners in the United States. We are not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

On November 26, 2014, we publicly announced that our Board of Directors had authorized the repurchase of up to \$10,000,000 of shares of our common stock and on February 26, 2015 we publicly announced that our Board of Directors had approved an additional \$20,000,000 of common stock repurchases. As of April 1, 2019, 3,872,232 shares of common stock had been repurchased with no repurchase since April 2016 (843,022 in 2014, 2,372,097 in 2015, 657,113 in 2016 and nil in 2017, 2018 and 2019), for an aggregate of \$20.3 million. Repurchases have been suspended under the program.

**B. Related Party Transactions**

Pursuant to our Audit Committee Charter, our Audit Committee is responsible for establishing procedures for the approval of all related party transactions involving executive officers and directors, which procedures require the audit committee to approve any such transaction. Our Code of Business Conduct and Ethics requires our Audit Committee to review and approve any related party transaction as defined in Item 7.B of Form 20-F before it is consummated.

***Management Affiliations***

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

***Management and Other Fees***

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

Beginning in 2018, Stealth Maritime has used the services of Navis Maritime Services Inc., a vessel manning company which is 25% owned by Stealth Maritime, to provide crew to certain of our vessels. As of April 1, 2019, 30 vessels were being manned by Navis Maritime Services Inc., with the intention of transferring the whole fleet to them. The fees charged by Navis Maritime Services Inc. are \$2,500 per month, per vessel, which is the same rate charged by



the other manning agents providing crew for our vessels used by the Company. Fees paid to Navis Maritime Services Inc. for 2018 were \$0.4 million.

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In the year ended December 31, 2018, we paid Stealth Maritime a fixed management fee of \$440 per vessel operating under a voyage or time charter per day, pro-rated for the calendar days we own the vessels. We paid a fixed fee of \$125 per vessel per day for each of our vessels operating on bareboat charter. These fixed daily fees are based on the management agreement with Stealth Maritime and have not changed since 2007. Management fees for the years ended December 31, 2016, 2017 and 2018 were \$7.3 million, \$7.2 million and \$7.0 million, respectively. In addition, our manager arranges for supervision onboard the vessels, when required, by superintendent engineers and when such visits exceed a period of five days in a twelve-month period we are charged \$500 for each additional day. In the years ended December 31, 2016, 2017 and 2018 we paid \$0.17 million, \$0.13 million, and \$0.14 million, respectively, related to onboard supervision. We pay our manager, Stealth Maritime, a fee equal to 1.25% of the gross freight, demurrage and charter hire collected from the employment of our vessels. For the years ended December 31, 2016, 2017 and 2018, total brokerage commissions of 1.25% amounted to \$1.8 million, \$1.9 million and \$2.0 million, respectively, and were included in our consolidated statements of operations under Voyage expenses related party. Stealth Maritime also receives a fee equal to 1.0% calculated on the price as stated in the relevant memorandum of agreement for any vessel bought or sold by them on our behalf. For the years ended December 31, 2016, 2017 and 2018, the amounts of \$0.4 million, \$0.5 million and \$1.6 million, respectively, were capitalized to the cost of the vessels in respect of the 1.0% purchase fee.

For the years ended December 31, 2016, 2017 and 2018, the amounts of \$0.01 million, \$0.1 million and \$0.2 million respectively, were recognized as commission expenses relating to the sale of vessels and are included in our consolidated statements of operations under the caption Net (gain)/loss on sale of vessels . For the year ended December 31, 2018, commission expenses relating to the sale of vessels of \$0.2 million are included in the consolidated statements of operation under the caption Impairment Loss .

We also reimburse Stealth Maritime for its payment for executive services related to our Chief Executive Officer, Deputy Chairman and Executive Director, Chief Financial Officer, Internal Auditor and Chief Technical Officer. During the years ended December 31, 2016, 2017 and 2018, such compensation was in the aggregate amount of \$1.1 million, \$1.1 million and \$1.2 million, respectively.

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

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

On May 26, 2014, we entered into an agreement with Brave Maritime for the supervision of the construction of eight of our newbuilding vessels for a fixed fee of Euro 390,000 per vessel. On January 25, 2016, we entered into a new supervision agreement with Brave Maritime for the supervision of the construction of our four 22,000 cbm semi-refrigerated newbuilding vessels at Euro 490,000 per ship. For the years ended December 31, 2016, 2017 and 2018, the supervision fees amounted to \$854,022, \$535,864 and \$1,790,789, respectively, and were capitalized to the cost of the respective vessels.

***Right of First Refusal***

As long as Stealth Maritime (or an entity with respect to which Harry N. Vafias is an executive officer, director or shareholder) is our fleet manager or Harry N. Vafias, is an executive officer or director of the Company, Stealth Maritime has granted us a right of first refusal to acquire any LPG carrier, which Stealth Maritime may acquire in the future. Stealth Maritime has also agreed that it will not charter-in any LPG carrier without first offering the

opportunity to charter-in such vessel to us. Our President and Chief Executive Officer Harry N. Vafias has granted us an equivalent right with respect to any entity that he is an executive officer, director or principal shareholder of, so long as he is an executive officer or director of us. This right of first

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refusal does not prohibit Stealth Maritime or an entity controlled by Mr. Vafias from managing vessels owned by unaffiliated third parties in competition with us, nor does it cover product carriers or crude oil tankers.

***Office Space***

We lease office space from an entity affiliated with Stealth Maritime. In the years ended December 31, 2016, 2017 and 2018, we made lease payments of \$72,907, \$82,192 and \$84,686, respectively. The lease rate for 2019 is 72,000 per year as per renewed contract effective from January 2019.

***Vessel Charters***

In April 2012, we entered into time charter out agreements with an entity affiliated with members of the Vafias family for the vessels *Alpine Endurance* (renamed *Stealth Bahla*) and *Gas Esco*. The *Alpine Endurance* charter commenced in June 2012, upon its delivery from the previous charterer. The duration of the charter was four years and there was an option to extend the charter for an additional year. The charter was not extended and instead the vessel was fixed in August 2016 on a one year bareboat charter to a charterer not related to the Company or the Vafias family. The five-year charter for the *Gas Esco* commenced in June 2012 and expired in June 2017. Following the charter expiration, *Gas Esco* was fixed on a two year bareboat charter to a charterer not related to the Company or the Vafias family. Revenues from these two charters for the years ended December 31, 2016, 2017 and 2018 were \$7.6 million, \$2.0 million and \$nil, respectively, which are recorded in our consolidated statements of operations under Revenues related party. The vessel operating expenses in accordance with the terms of the respective time charter agreements for the *Stealth Bahla* and the *Gas Esco*, for the years ended December 31, 2016, 2017 and 2018, were \$3.0 million, \$0.8 million and \$nil, respectively, which are recorded in our consolidated statements of operations under Vessel Operating Expenses related party.

**C. Interest of Experts and Counsel**

Not applicable

**Item 8. Financial Information**

See Item 18. Financial Statements below.

*Significant Changes.* Other than as described in Note 21 Subsequent Events to our consolidated financial statements included in this Annual Report, no significant change has occurred since the date of such consolidated financial statements.

*Legal Proceedings.* To our knowledge we are not currently a party to any material lawsuit that, if adversely determined, would have a material effect on our financial position, results of operations or liquidity. From time to time in the future we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal proceedings which may have, or have had a material effect on our financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our financial position, results of operations or liquidity.

**Item 9. The Offer and Listing**  
**Trading on the Nasdaq Stock Market**

Following our initial public offering in the United States in October 2005, our shares of common stock were quoted on the Nasdaq National Market, and are now listed on the Nasdaq Global Select Market, under the symbol GASS .

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**Table of Contents****Item 10. Additional Information****A. Share Capital**

Under our articles of incorporation, our authorized capital stock consists of 5,000,000 shares of preferred stock, \$0.01 par value per share, none of which is issued or outstanding and 100,000,000 shares of common stock, \$0.01 par value per share, of which 44,549,729 shares were issued, including 4,424,545 shares repurchased by the Company and held as treasury stock, and 40,125,184 shares outstanding and fully paid as of December 31, 2018 and April 1, 2019. All of our shares of stock are in registered form.

***Common Stock***

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

***Blank Check Preferred Stock***

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

***Dividends***

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

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

Under the terms of our existing credit facilities, we are generally permitted to declare or pay cash dividends in any twelve month period as long as the amount of the dividends and share repurchases do not exceed 50% of the Company's free cash flow (as defined in our credit agreements) and provided we are not in default under the other covenants contained in these credit facilities. See Item 3. Key Information Risk Factors Risks Related To Our Common Stock We may not pay dividends on our common stock .

**B. Articles of Incorporation and Bylaws**

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

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Under our bylaws, annual stockholder meetings will be held at a time and place selected by our Board of Directors. The meetings may be held in or outside of the Marshall Islands. Special meetings may be called by the Board of Directors. Our Board of Directors may set a record date between 15 and 60 days before the date of any meeting to determine the stockholders that will be eligible to receive notice and vote at the meeting.

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

The Board of Directors may change the number of directors by a vote of a majority of the entire board. Each director shall be elected to serve until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal, or the earlier termination of his term of office. The Board of Directors has the authority to fix the amounts which shall be payable to the members of our Board of Directors for attendance at any meeting or for services rendered to us.

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

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

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

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



change of control of our company or the removal of our management.

*Classified Board of Directors.* Our articles of incorporation provide for a Board of Directors serving staggered, three-year terms. Approximately one-third of our Board of Directors will be elected each year. This

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classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of our company. It could also delay stockholders who do not agree with the policies of the Board of Directors from removing a majority of the Board of Directors for two years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **C. Material Contracts**

We refer to Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions for a discussion of our material agreements that we have been a party to outside the ordinary course of our business during the two-year period immediately preceding the date of this annual report.

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

## **D. Exchange Controls and Other Limitations Affecting Stockholders**

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common stock. On July 22, 2015, Greece implemented capital controls restricting the transfer of funds out of Greece, which restricted our use of the limited amount of cash we held in Greece at that date for remittances outside of Greece. Cash deposited in Greek banks after that date is not restricted for remittances outside Greece.

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

## **E. Tax Considerations**

### *Marshall Islands Tax Consequences*

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

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

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

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

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

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

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

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

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

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

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

Publicly-Traded Test ).

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

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

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

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

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

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

For purposes of being able to determine the persons who own 5% or more of our stock, or 5% Stockholders, the regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the United States Securities and Exchange Commission, or the SEC, as having a 5% or more beneficial interest in our common stock. The regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Stockholder for such purposes.

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



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

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

Our Chief Executive Officer, who is treated under applicable ownership attribution rules as owning approximately 17.2% of our shares of common stock as of April 1, 2019, has entered into an agreement with us regarding his compliance, and the compliance by certain entities that he controls and through which he owns our shares, with the certification requirements designed to substantiate status as qualified stockholders. In certain circumstances, his compliance and the compliance of such entities he controls with the terms of that agreement may enable us and our subsidiaries to qualify for the benefits of Section 883 even where persons each of whom owns, either directly or under applicable attribution rules, 5% or more of our shares own, in the aggregate, more than 50% of our outstanding shares. There can be no assurance, however, that his compliance and the compliance of such entities he controls with the terms of that agreement will enable us or our subsidiaries to qualify for the benefits of Section 883.

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

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

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

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

we or our subsidiaries have, or are considered to have, a fixed place of business in the United States involved in the earning of shipping income; and

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

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

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

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

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

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

### *United States Taxation of Gain on Sale of Vessels*

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

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

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

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

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

### *Distributions*

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common stock to a United States Holder will generally constitute dividends, which may be taxable as ordinary income or qualified dividend income as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the United States Holder's tax

basis in his common stock on a dollar for dollar basis and thereafter as capital gain. Because we are not a United States corporation, United States Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us.

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Dividends paid with respect to our common stock will generally be treated as passive category income or, in the case of certain types of United States Holders, general category income for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

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

*Sale, Exchange or other Disposition of Common Stock*

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

*PFIC Status and Significant Tax Consequences*

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

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

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

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25 percent of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services will not constitute passive income. By contrast, rental income will generally

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constitute passive income unless we are treated under specific rules as deriving our rental income in the active conduct of a trade or business.

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

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

We do not believe that we were a PFIC for 2018. This belief is based in part upon our beliefs regarding the value of the assets that we hold for the production of or in connection with the production of passive income relative to the value of our other assets. Should these beliefs turn out to be incorrect, then we and certain of our subsidiaries could be treated as PFICs for 2018. There can be no assurance that the IRS or a court will not determine values for our assets that would cause us to be treated as a PFIC for 2018 or a subsequent year. In addition, although we do not believe that we were a PFIC for 2018, we may choose to operate our business in the current or in future taxable years in a manner that could cause us to become a PFIC for those years. Because our status as a PFIC for any taxable year will not be determinable until after the end of the taxable year, and depends upon our assets, income and operations in that taxable year, there can be no assurance that we will not be considered a PFIC for 2018 or any future taxable year.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a United States Holder would be subject to different taxation rules depending on whether the United States Holder makes an election to treat us as a



Qualified Electing Fund, which election we refer to as a QEF election. As an alternative to making a QEF election, a United States Holder should be able to make a mark-to-market election

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with respect to our common stock, as discussed below. Regardless of whether a United States Holder makes a QEF election or a mark-to-market election, if we were to be treated as a PFIC for any taxable year ending on or after December 31, 2018, the United States Holder generally would be required to file an IRS Form 8621 reporting his ownership of shares in a PFIC.

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

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

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

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

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

If we were to be treated as a PFIC for any taxable year, a United States Holder who does not make either a QEF election or a mark-to-market election for that year, whom we refer to as a Non-Electing Holder, would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common stock in a taxable year in excess of 125 percent of the

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average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock), and (2) any gain realized on the sale, exchange or other disposition of our common stock. Under these special rules:

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

the amount allocated to the current taxable year or to any portion of the United States Holder's holding period prior to the first taxable year for which we were a PFIC would be taxed as ordinary income; and

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

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

*Other PFIC Elections.*

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

If we were treated as a controlled foreign corporation for United States federal income tax purposes for the taxable year that included the termination date, then a United States Holder could make a deemed dividend election with respect to our common stock. If a deemed dividend election is made, the United States Holder is required to include in income as a dividend his, her or its pro rata share (based on all of our stock held by the United States Holder, directly or under applicable attribution rules, on the termination date) of our post-1986 earnings and profits as of the close of the taxable year that includes the termination date (taking only earnings and profits accumulated in taxable years in which we were a PFIC into account). The deemed dividend described in the preceding sentence is treated as an excess distribution for purposes of the rules described above under the heading *Taxation of United States Holders Not making a Timely QEF or Mark-to-Market Election*. The United States Holder would increase his, her or its basis in our stock by the amount of the deemed dividend. Following a deemed dividend election, the United States Holder would not be treated, for purposes of the PFIC rules, as having owned the stock during a period prior to the termination date when we qualified as a PFIC. For purposes of determining whether the deemed dividend election is available, we generally will be treated as a controlled foreign corporation for a taxable year when, at any time during that year, United States persons, each of whom owns, directly or under applicable attribution rules, shares having 10%

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

A deemed sale or deemed dividend election must be made on the United States Holder's original or amended return for the shareholder's taxable year that includes the termination date and, if made on an amended

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return, such amended return must be filed not later than the date that is three years after the due date of the original return for such taxable year. Special rules apply where a person is treated, for purposes of the PFIC rules, as indirectly owning our common stock.

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

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

### *Dividends on Common Stock*

Non-United States Holders generally will not be subject to United States federal income tax or withholding tax on dividends received from us with respect to our common stock, unless that income is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income generally is taxable only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States.

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

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

the gain is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain generally is taxable only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States; or

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

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

### *Backup Withholding and Information Reporting*

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

fails to provide an accurate taxpayer identification number;

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

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

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

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

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

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

Not applicable.

### **G. Statement by Experts**

Not applicable.

### **H. Documents on Display**

We are subject to the informational requirements of the Exchange Act. In accordance with these requirements, we file reports and other information as a foreign private issuer with the SEC. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. You may access our public filings with the SEC without charge on this website.

### **I. Subsidiary Information**

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures About Market Risk** **Our risk management policy**

Our primary market risks relate to adverse movements in freight rates for small LPG carriers and any declines that may occur in the value of our assets which are made up primarily of small LPG carriers. Our policy is to also continuously monitor our exposure to other business risks, including the impact of changes in interest rates, currency rates, and bunker prices on earnings and cash flows. We assess these risks and, when appropriate, enter into derivative contracts with credit-worthy counter parties to minimize our exposure to the risks. In regard to bunker prices, as our employment policy for our vessels has continued to be and is expected to continue with a high percentage of our fleet on period employment, we are not directly exposed for the majority of our fleet to increases in bunker fuel prices as these are the responsibility of the charterer under period charter arrangements.



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

**Interest rate risk**

We are subject to market risks relating to changes in interest rates, because we have floating rate debt outstanding under our loan agreements on which we pay interest based on LIBOR plus a margin. In order to

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manage our exposure to changes in interest rates due to this floating rate indebtedness, we enter into interest rate swap agreements. Set forth below is a table of our interest rate swap arrangements converting floating interest rate exposure into fixed as of December 31, 2018 and 2019.

	Effective Date	Termination Date	Notional Amount Fixed on Effective Date (in millions)	Rate (StealthGas pays)	Floating Rate (StealthGas Receives)	Fair Value December 31, 2018 (in millions)	Notional Amount December 31, 2018 (in millions)	Estimated Notional Amount December 31, 2019 (in millions)
<b>Swap 1</b>	September 30, 2015	September 30, 2020	\$ 17.6	2.60%	3 month U.S. dollar LIBOR	\$ (0.01)	\$ 9.34	\$ 6.82
<b>Swap 2</b>	September 30, 2015	September 30, 2020	\$ 17.6	1.69%	3 month U.S. dollar LIBOR	\$ (0.13)	\$ 9.34	\$ 6.82
<b>Swap 3</b>	October 2, 2015	October 2, 2020	\$ 12.1	1.54%	3 month U.S. dollar LIBOR	\$ (0.19)	\$ 9.48	\$ 8.60
<b>Swap 4</b>	November 4, 2015	August 4, 2021	\$ 11.2	1.52%	3 month U.S. dollar LIBOR	\$ (0.22)	\$ 8.73	\$ 7.92
<b>Swap 5</b>	December 3, 2015	September 3, 2021	\$ 11.2	1.55%	3 month U.S. dollar LIBOR	\$ (0.22)	\$ 8.73	\$ 7.92
<b>Swap 6</b>	August 16, 2017	May 16, 2025	\$ 16.0	2.12%	3 month U.S. dollar LIBOR	\$ (0.31)	\$ 14.73	\$ 13.71
<b>Swap 7</b>	March 12, 2018	December 11, 2022	\$ 21.6	2.74%	3 month U.S. dollar LIBOR	\$ 0.09	\$ 19.52	\$ 16.77
<b>Swap 8</b>	April 10, 2018	December 11, 2025	\$ 32.6	2.74%	3 month U.S. dollar LIBOR	\$ 0.20	\$ 31.60	\$ 29.52
<b>Swap 9</b>	February 16, 2019	February 16, 2024	\$ 14.5	2.89%	3 month U.S. dollar LIBOR	\$ 0.18	\$	\$ 13.71
<b>Total</b>						\$ (0.61)	\$ 111.47	\$ 111.79

As of December 31, 2018, total bank indebtedness of the Company was \$446.0 million, of which \$111.5 million was covered by the interest rate swap agreements described above. As set forth in the above table, as of December 31, 2018, we paid fixed rates ranging from 1.52% to 2.89% and received floating rates based on LIBOR of approximately 2.04% under our nine floating-to-fixed rate interest rate swap agreements. We have not and do not intend to enter into interest rate swaps for speculative purposes. Based on the amount of our outstanding indebtedness as of December 31, 2018, and our interest swap arrangements as of December 31, 2018, a hypothetical one percentage point increase in relevant interest rates (three and six month U.S. dollar LIBOR) would have increased our interest expense, on an annualized basis, by approximately \$3.3 million (2017: \$3.3 million) for the year ended December 31, 2018.

**Foreign exchange rate fluctuation**

We generate all of our revenues in U.S. dollars and incurred about 14.03% of our expenses in currencies other than U.S. dollars in 2018 (2017: 15%). For accounting purposes, expenses incurred in other currencies are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. Due to our relatively low percentage exposure of any particular currency other than our base currency, which is the U.S. dollar we believe that such currency movements will not otherwise have a material effect on us. As such, we do not hedge these exposures as the

amounts involved do not make hedging economic. As of April 1, 2019 we have no payment obligations related to the building of vessels in currencies other than U.S. dollars.

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

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

Not Applicable.

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**PART II**

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

Not applicable.

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

Not applicable.

**Item 15. Controls and Procedures**

**a. Disclosure Controls and Procedures**

StealthGas's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2018. Disclosure controls and procedures are defined under SEC rules as controls and other procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on the Company's evaluation, management concluded that the Company's disclosure controls and procedures were effective as of December 31, 2018.

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

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

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

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

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

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In making its assessment of the Company's internal control over financial reporting as of December 31, 2018, management used the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) and evaluated the internal control over financial reporting.

Management concluded that, as of December 31, 2018 the Company's internal control over financial reporting was effective.

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

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by Deloitte Certified Public Accountants S.A., an independent registered public accounting firm, as stated in their report which appears herein.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of StealthGas Inc.

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of StealthGas Inc. and subsidiaries (the Company) as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018 of the Company and our report dated April 24, 2019 expressed an unqualified opinion on those financial statements.

**Basis for Opinion**

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

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

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

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

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

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

/S/ Deloitte Certified Public Accountants S.A.

Athens, Greece

April 24, 2019



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

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

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

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

**Item 16B. Code of Ethics**

We have adopted a Code of Business Conduct and Ethics, a copy of which is posted on our website, and may be viewed at <http://www.stealthgas.com>. We will also provide a paper copy free of charge upon written request by our stockholders. Stockholders may direct their requests to the attention of: Investor Relations, 331 Kifissias Avenue, Erithrea 14561 Athens, Greece. No waivers of the Code of Business Conduct and Ethics were granted to any person during the fiscal year ended December 31, 2018.

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

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

	<b>2018</b>	<b>2017</b>
Audit fees	\$ 455	\$ 419
Assurance/audit related fees		
Tax fees		
All other fees		
<b>Total</b>	<b>\$ 455</b>	<b>\$ 419</b>

***(1) Audit fees***

Audit fees represent compensation for professional services rendered for (i) the audit of our financial statements included herein and (ii) the review of our quarterly financial information.

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

Deloitte did not provide any services that would be classified in this category in 2018 and 2017.

***(3) Tax Fees***

Deloitte did not provide any tax services in 2018 and 2017.

**(4) All Other Fees**

Deloitte did not provide any other services that would be classified in this category in 2018 and 2017.

***Non-audit services***

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

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

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

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

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

None.

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

On November 26, 2014, we publicly announced that our Board of Directors had authorized the repurchase of up to \$10,000,000 of shares of our common stock and on February 26, 2015 we publicly announced that our Board of Directors had approved an additional \$20,000,000 of common stock repurchases. As of April 1, 2019, 3,872,232 shares of common stock had been repurchased (843,022 in 2014, 2,372,097 in 2015, 657,113 in 2016 and nil in 2017, 2018 and 2019), for an aggregate of \$20.3 million. We have not made any stock repurchases since April 12, 2016 and repurchases under the program have been suspended.

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

Not Applicable.

**Item 16G. Corporate Governance**

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

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

**Item 16H. Mine Safety Disclosures**

Not Applicable



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

Not Applicable.

**Item 18. Financial Statements**

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

**Item 19. Exhibits**

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

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

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**SIGNATURES**

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

**STEALTHGAS INC.**

By: /s/ Harry N. Vafias  
Name: **Harry N. Vafias**  
Title: **President and Chief Executive  
Officer**  
Date: April 24, 2019

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**StealthGas Inc.**

**Consolidated Financial Statements**

**Index to consolidated financial statements**

	<b>Pages</b>
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Balance Sheets As of December 31, 2017 and 2018</u>	F-3
<u>Consolidated Statements of Operations for the years ended December 31, 2016, 2017 and 2018</u>	F-4
<u>Consolidated Statements of Comprehensive Income/(Loss) for the years ended December 31, 2016, 2017 and 2018</u>	F-5
<u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2016, 2017 and 2018</u>	F-6
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<u>Notes to the Consolidated Financial Statements</u>	F-8



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of StealthGas Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of StealthGas Inc. and subsidiaries (the Company) as of December 31, 2017 and 2018, the related consolidated statements of operations, comprehensive income/(loss), stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 24, 2019 expressed an unqualified opinion on the Company's internal control over financial reporting.

**Basis for Opinion**

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

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

/s/ Deloitte Certified Public Accountants S.A.

April 24, 2019

Athens, Greece

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

**Table of Contents****StealthGas Inc.****Consolidated Balance Sheets**

As of December 31, 2017 and 2018 (Expressed in United States Dollars)

	Note	December 31,	
		2017	2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		51,754,131	64,498,442
Trade and other receivables		3,853,992	2,888,496
Other current assets			134,301
Claims receivable		15,951	
Inventories	4	2,762,299	2,346,723
Advances and prepayments		1,221,029	1,089,539
Restricted cash		3,231,323	3,002,490
Assets held for sale	6		64,906,448
<b>Total current assets</b>		<b>62,838,725</b>	<b>138,866,439</b>
<b>Non current assets</b>			
Advances for vessels under construction and acquisitions	5	61,577,818	
Vessels, net	6	862,061,906	884,748,691
Other receivables		243,075	108,930
Restricted cash		7,917,738	11,930,059
Deferred finance charges	7	941,760	
Fair value of derivatives	12	645,169	1,068,369
<b>Total non current assets</b>		<b>933,387,466</b>	<b>897,856,049</b>
<b>Total assets</b>		<b>996,226,191</b>	<b>1,036,722,488</b>
<b>Liabilities and Stockholders Equity</b>			
<b>Current liabilities</b>			
Payable to related party	3	14,209,624	7,930,642
Trade accounts payable		10,509,465	10,349,358
Accrued liabilities	8	5,880,479	6,879,488
Customer deposits	10	1,820,700	1,336,000
Deferred income	9	4,362,056	5,191,654
Current portion of long-term debt	11	41,966,607	41,726,837
Current portion of long-term debt associated with vessels held for sale	11		30,076,356

<b>Total current liabilities</b>		<b>78,748,931</b>	<b>103,490,335</b>
<b>Non current liabilities</b>			
Fair value of derivatives	12	126,525	465,389
Customer deposits	10	736,000	
Deferred gain on sale and leaseback of vessels	20	190,087	
Deferred income	9	4,035	
Long-term debt	11	342,941,841	371,514,253
<b>Total noncurrent liabilities</b>		<b>343,998,488</b>	<b>371,979,642</b>
<b>Total liabilities</b>		<b>422,747,419</b>	<b>475,469,977</b>
<b>Commitments and contingencies</b>	19		
<b>Stockholders equity</b>			
Capital stock, 5,000,000 preferred shares authorized and zero outstanding with a par value of \$0.01 per share, 100,000,000 common shares authorized 44,285,108 shares issued and 39,860,563 shares outstanding at December 31, 2017 and 44,549,729 shares issued and 40,125,184 shares outstanding at December 31, 2018 with a par value of \$0.01 per share	13	442,850	445,496
Treasury stock, 4,424,545 shares at December 31, 2017 and 2018 with a par value of \$0.01 per share	13	(22,523,528)	(22,523,528)
Additional paid-in capital	13	501,471,768	501,807,478
Retained earnings		93,469,787	80,849,086
Accumulated other comprehensive income		617,895	673,979
<b>Total stockholders equity</b>		<b>573,478,772</b>	<b>561,252,511</b>
<b>Total liabilities and stockholders equity</b>		<b>996,226,191</b>	<b>1,036,722,488</b>

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

**Table of Contents****StealthGas Inc.****Consolidated Statements of Operations****For the Years Ended December 31, 2016, 2017 and 2018****(Expressed in United States Dollars, Except for Share Data)**

	Note	2016	December 31, 2017	2018
<b>Revenues</b>				
Revenues		136,539,399	152,338,278	164,330,202
Revenues related party	3	7,592,784	1,973,643	
<b>Total revenues</b>	<b>16</b>	<b>144,132,183</b>	<b>154,311,921</b>	<b>164,330,202</b>
<b>Expenses</b>				
Voyage expenses	17	13,618,025	13,804,032	18,649,258
Voyage expenses related party	3,17	1,772,240	1,912,505	2,037,917
Charter hire expenses	19,20	4,054,387	3,524,770	6,150,780
Vessels operating expenses	17	55,680,993	58,618,526	59,920,278
Vessels operating expenses related party	3,17	3,141,843	800,908	514,500
Dry-docking costs		3,613,230	3,529,047	3,617,577
Management fees related party	3	7,346,180	7,205,490	7,027,195
General and administrative expenses (including \$1,187,037, \$1,209,499, and \$1,294,722 to related party)		3,110,409	2,898,958	3,046,962
Depreciation	6	39,096,589	38,921,672	41,258,142
Impairment loss	3,6,12	5,735,086	6,461,273	11,351,821
Net (gain)/loss on sale of vessels	6	(118,427)	77,314	763,925
Other operating costs/(income)	5		1,058,863	(549,804)
<b>Total expenses</b>		<b>137,050,555</b>	<b>138,813,358</b>	<b>153,788,551</b>
<b>Income from operations</b>		<b>7,081,628</b>	<b>15,498,563</b>	<b>10,541,651</b>
<b>Other (expenses)/income</b>				
Interest and finance costs		(14,268,148)	(16,661,464)	(23,286,547)
Loss on derivatives	12	(767,196)	(403,943)	(11,982)
Interest income and other income		454,472	322,868	587,477
Foreign exchange (loss)/gain		(299,056)	25,739	(107,119)
<b>Other expenses, net</b>		<b>(14,879,928)</b>	<b>(16,716,800)</b>	<b>(22,818,171)</b>

<b>Net loss</b>		<b>(7,798,300)</b>	<b>(1,218,237)</b>	<b>(12,276,520)</b>
<b>Loss per share</b>				
Basic and diluted	15	(0.20)	(0.03)	(0.31)
<b>Weighted average number of shares</b>				
Basic and diluted		39,824,038	39,809,364	39,860,563

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

**Table of Contents****StealthGas Inc.****Consolidated Statements of Comprehensive Loss****For the Years Ended December 31, 2016, 2017 and 2018****(Expressed in United States Dollars)**

	Note	2016	December 31, 2017	2018
<b>Net loss</b>		<b>(7,798,300)</b>	<b>(1,218,237)</b>	<b>(12,276,520)</b>
<b>Other comprehensive income</b>				
Cash flow hedges				
Effective portion of changes in fair value of interest swap contracts	12	418,723	592,460	56,084
<b>Total other comprehensive income</b>		<b>418,723</b>	<b>592,460</b>	<b>56,084</b>
<b>Total comprehensive loss</b>		<b>(7,379,577)</b>	<b>(625,777)</b>	<b>(12,220,436)</b>

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

**Table of Contents****StealthGas Inc.****Consolidated Statements of Stockholders' Equity****For the Years Ended December 31, 2016, 2017 and 2018****(Expressed in United States Dollars, Except for Number of Shares)**

	Capital stock		Treasury stock		Additional Paid-in Capital (Note 13)	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Total
	Number of Shares (Note 13)	Amount (Note 13)	Number of Shares (Note 13)	Amount (Note 13)				
<b>Balance, January 1, 2016</b>	44,285,108	442,850	(3,767,432)	(20,486,872)	501,002,146	102,486,324	(393,288)	583,051,160
Stock based compensation					340,377			340,377
Stock repurchase			(657,113)	(2,036,656)				(2,036,656)
Comprehensive loss for the year						(7,798,300)	418,723	(7,379,577)
<b>Balance, December 31, 2016</b>	44,285,108	442,850	(4,424,545)	(22,523,528)	501,342,523	94,688,024	25,435	573,975,304
Stock based compensation					129,245			129,245
Comprehensive loss for the year						(1,218,237)	592,460	(625,777)
<b>Balance, December 31, 2017</b>	44,285,108	442,850	(4,424,545)	(22,523,528)	501,471,768	93,469,787	617,895	573,478,772
Issuance of restricted shares and stock based compensation	264,621	2,646			335,710			338,356
						(344,181)		(344,181)

Cumulative effect of accounting change*								
Comprehensive loss for the year						(12,276,520)	56,084	(12,220,436)
<b>Balance, December 31, 2018</b>	44,549,729	445,496	(4,424,545)	(22,523,528)	501,807,478	80,849,086	673,979	561,252,511

\* Opening retained earnings have been adjusted on January 1, 2018 in connection with the adoption of Accounting Standard ASC 606. Please refer to Note 2 Significant Accounting Policies to the consolidated financial statements.

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



**Table of Contents****StealthGas Inc.****Consolidated Statements of Cash Flows****For the Years Ended December 31, 2016, 2017 and 2018****(Expressed in United States Dollars)**

	<b>2016</b>	<b>December 31, 2017</b>	<b>2018</b>
<b>Cash flows from operating activities</b>			
Net loss for the year	(7,798,300)	(1,218,237)	(12,276,520)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>			
Depreciation	39,096,589	38,921,672	41,258,142
Amortization of deferred finance charges	715,587	690,842	858,582
Amortization of deferred gain on sale and leaseback of vessels	(195,574)	(195,040)	(190,087)
Share based compensation	340,377	129,245	338,356
Change in fair value of derivatives	(331,387)	(27,372)	(28,252)
Impairment loss	5,735,086	6,461,273	11,351,821
(Gain)/loss on sale of vessels	(118,427)	77,314	763,925
<b>Changes in operating assets and liabilities:</b>			
<b>(Increase)/decrease in</b>			
Trade and other receivables	825,838	(179,036)	531,796
Other current assets			159,363
Claims receivable	(610,810)	(235,705)	15,951
Inventories	117,744	46,824	(302,873)
Advances and prepayments	(28,955)	57,328	131,490
<b>Increase/(decrease) in</b>			
Balances with related parties	(1,185,024)	6,434,290	(6,278,982)
Trade accounts payable	462,215	1,299,686	381,941
Accrued liabilities	(303,460)	581,000	339,009
Deferred income	(567,411)	(490,031)	755,563
<b>Net cash provided by operating activities</b>	<b>36,154,088</b>	<b>52,354,053</b>	<b>37,809,225</b>
<b>Cash flows from investing activities</b>			
Insurance proceeds	610,810	219,754	
Vessels acquisitions and advances for vessels under construction	(56,215,758)	(60,612,867)	(108,295,690)
Proceeds from sale of vessels, net	1,530,177	11,479,936	29,742,788
<b>Net cash used in investing activities</b>	<b>(54,074,771)</b>	<b>(48,913,177)</b>	<b>(78,552,902)</b>

<b>Cash flows from financing activities</b>			
Stock repurchase	(2,070,306)		
Deferred finance charges paid	(712,614)	(815,256)	(503,265)
Customer deposits paid			(1,220,700)
Loan repayments	(55,630,352)	(56,254,073)	(56,717,059)
Proceeds from long-term debt	31,200,000	43,000,000	115,712,500
<b>Net cash (used in)/provided by financing activities</b>	<b>(27,213,272)</b>	<b>(14,069,329)</b>	<b>57,271,476</b>
Net (decrease)/increase in cash and cash equivalents	(45,133,955)	(10,628,453)	16,527,799
Cash and cash equivalents at beginning of year	118,665,600	73,531,645	62,903,192
<b>Cash and cash equivalents at end of year</b>	<b>73,531,645</b>	<b>62,903,192</b>	<b>79,430,991</b>
<b>Cash breakdown</b>			
Cash and cash equivalents	64,993,923	51,754,131	64,498,442
Restricted cash, current	3,363,012	3,231,323	3,002,490
Restricted cash, non-current	5,174,710	7,917,738	11,930,059
<b>Total cash, cash equivalents and restricted cash shown in the statements of cash flows</b>	<b>73,531,645</b>	<b>62,903,192</b>	<b>79,430,991</b>
<b>Supplemental Cash Flow Information:</b>			
Cash paid during the year for interest, net of amounts capitalized	12,429,729	14,643,885	21,087,903
Non cash investing activity Vessels under construction	124,288	605,800	63,752

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

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### **StealthGas Inc.**

#### **Notes to the Consolidated Financial Statements**

**(Expressed in United States Dollars)**

#### **1. Basis of Presentation and General Information**

The accompanying consolidated financial statements include the accounts of StealthGas Inc. and its wholly owned subsidiaries (collectively, the Company) which, as of December 31, 2018 owned a fleet of forty four liquefied petroleum gas (LPG) carriers, three medium range (M.R.) type product carriers and one Aframax tanker providing worldwide marine transportation services under long, medium or short-term charters. StealthGas Inc. was formed under the laws of Marshall Islands on December 22, 2004.

The Company's vessels are managed by Stealth Maritime Corporation S.A. (the Manager), a related party. The Manager is a company incorporated in Liberia and registered in Greece on May 17, 1999 under the provisions of law 89/1967, 378/1968 and article 25 of law 27/75 as amended by article 4 of law 2234/94. (See Note 3).

During 2016, 2017 and 2018, no charterer accounted for 10% or more of the Company's revenues.

#### **2. Significant Accounting Policies**

**Principles of Consolidation:** The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and include the accounts of StealthGas Inc. and its wholly owned subsidiaries. All inter-company balances and transactions have been eliminated upon consolidation.

**Use of Estimates:** The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Other Comprehensive Income:** The Company follows the provisions of guidance regarding reporting comprehensive income which requires separate presentation of certain transactions, such as unrealized gains and losses from effective portion of cash flow hedges, which are recorded directly as components of stockholders' equity.

**Foreign Currency Translation:** The functional currency of the Company is the U.S. Dollar because the Company's vessels operate in international shipping markets, which utilize the U.S. Dollar as the functional currency. The accounting books of the Company are maintained in U.S. Dollars. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are translated to reflect the period end exchange rates. Resulting gains or losses are separately reflected in the accompanying consolidated statements of operations.

**Cash and Cash Equivalents:** The Company considers highly liquid investments such as time deposits and certificates of deposit with original maturity of three months or less to be cash equivalents.

**Restricted Cash:** Restricted cash mainly reflects deposits with certain banks that can only be used to pay the current loan installments or which are required to be maintained as a certain minimum cash balance per mortgaged vessel or cash held in restricted bank account for guarantees issued by the bank on the Company's behalf. In the event that the obligation relating to such deposits is expected to be terminated within the next twelve months, these deposits are classified as current assets; otherwise they are classified as non-current assets.

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**Trade Receivables:** The amount shown as trade receivables includes estimated recoveries from charterers for hire, freight and demurrage billings, net of allowance for doubtful accounts. At each balance sheet date, all potentially un-collectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. No provision for doubtful accounts was required for any of the periods presented.

**Claims Receivable:** Claims receivable are recorded on the accrual basis and represent the claimable expenses, net of deductibles, incurred through each balance sheet date, for which recovery from insurance companies is probable and claim is not subject to litigation. Any remaining costs to complete the claims are included in accrued liabilities.

**Inventories:** Inventories consist of bunkers (for vessels under voyage charter) and lubricants which are stated at the lower of cost and net realizable value. The cost is determined by the first-in, first-out method. The Company considers victualing and stores as being consumed when purchased and, therefore, such costs are expensed when incurred.

**Advances for vessels under construction:** This represents amounts expended by the Company in accordance with the terms of the construction contracts for vessels as well as other expenses in connection with on-site supervision. In addition, interest costs incurred during the construction (until the asset is substantially complete and ready for its intended use) are capitalized.

**Vessels Acquisitions:** Vessels are stated at cost less depreciation and impairment, if any. Cost consists of the contract price less discounts and any material expenses incurred upon acquisition (initial repairs, improvements, acquisition and expenditures made to prepare the vessel for its initial voyage). Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels, or otherwise are charged to expenses as incurred. The Company records all identified tangible and intangible assets associated with the acquisition of a vessel or liabilities at fair value. Where vessels are acquired with existing time charters, the Company allocates the purchase price to the time charters based on the present value (using an interest rate which reflects the risks associated with the acquired charters) of the difference between (i) the contractual amounts to be paid pursuant to the charter terms and (ii) management's estimate of the fair market charter rate, measured over a period equal to the remaining term of the charter. The capitalized above-market (assets) and below-market (liabilities) charters are amortized as a reduction and increase, respectively, to revenues over the remaining term of the charter.

**Impairment or Disposal of Long-lived Assets:** The Company follows the Accounting Standards Codification (ASC) Subtopic 360-10, Property, Plant and Equipment (ASC 360-10), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. The Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets, quarterly. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value and the difference is recorded as an impairment loss in the consolidated statements of operations. Various factors including anticipated future charter rates, estimated scrap values, future dry-docking costs and estimated vessel operating costs are included in this analysis. These factors are based on historical trends as well as future expectations. Undiscounted cash flows are determined by considering the revenues from existing charters for those vessels that have long term employment and when there is no charter in place the estimates based on historical average rates with an annual increase of 1%. The Company also assumes an average annual inflation rate of 1.50% for operating expenses. An impairment loss was identified and recorded for the years ended December 31, 2016, 2017 and 2018 (Note 6).

**Vessels Depreciation:** The cost of each of the Company's vessels is depreciated on a straight-line basis over the vessel's remaining economic useful life, after considering the estimated residual value. Management estimates the useful life of each of the Company's LPG carriers to be 30 years and product and aframax tankers, to be 25 years, from

the date of their construction.

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***Assets Held for Sale:*** The Company classifies vessels as being held for sale when the following criteria are met: (i) management possessing the necessary authority has committed to a plan to sell the vessels, (ii) the vessels are available for immediate sale in their present condition, (iii) an active program to find a buyer and other actions required to complete the plan to sell the vessels have been initiated, (iv) the sale of the vessels is probable, and transfer of the asset is expected to qualify for recognition as a completed sale within one year and (v) the vessels are being actively marketed for sale at a price that is reasonable in relation to their current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Vessels classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These vessels are not depreciated once they meet the criteria to be classified as held for sale. Furthermore, in the period a vessel meets the held for sale criteria in accordance with ASC 360-10, a loss is recognized for any reduction of the vessel's carrying amount to its fair value less cost to sell. No assets were held for sale as of December 31, 2017. Concerning assets held for sale as of December 31, 2018, refer to Note 6.

***Segment Reporting:*** The Company reports financial information and evaluates its operations by total charter revenues and not by the type of vessel, length of vessel employment, customer or type of charter. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet, and thus, the Company has determined that it operates under one reportable segment as well as one operating segment. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographical information is impracticable.

***Accounting for Special Survey and Dry-docking Costs:*** Special survey and dry-docking costs are expensed in the period incurred.

***Deferred Finance Charges:*** Fees incurred for obtaining new loans or refinancing existing ones are deferred and amortized to interest expense over the life of the related debt using the effective interest method. The unamortized deferred financing charges are presented as a direct deduction from the carrying amount of the related loan and credit facility in the consolidated balance sheet. Deferred financing costs relating to undrawn facilities are presented under non-current assets in the consolidated balance sheet.

***Accounting for Revenue and Related Expenses:*** The Company generates its revenues from charterers for the charter hire of its vessels. Vessels are chartered on time charters, bareboat charters or voyage charters.

A time charter is a contract for the use of a vessel for a specific period of time and a specified daily charter hire rate, which is generally payable in advance. Operating costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubricants are paid for by the Company under time charter agreements. A time charter generally provides typical warranties and owner protective restrictions. The performance obligations in a time charter are satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the owner of the vessel. Some of the Company's time charters may also contain profit sharing provisions, under which the Company can realize additional revenues in the event that spot rates are higher than the base rates in these time charters. A bareboat charter is a contract in which the vessel owner provides the vessel to the charterer for a fixed period of time at a specified daily rate, which is generally payable in advance, and the charterer generally assumes all risk and costs of operation during the bareboat charter period. The time charter and bareboat contracts are considered either operating or finance leases and therefore do not fall under the scope of Accounting Standards Codification (ASC) 606 because (i) the vessel is an identifiable asset (ii) the owner of the vessel does not have substantive substitution rights and (iii) the charterer has the right to control the use of the vessel during the term of the contract and derives the economic benefits from such use. Revenues from time and bareboat charters are recognized ratably on a straight line basis over the period of the respective charter. Revenues from profit sharing arrangements in time charters are recognized in the period earned. Under time and bareboat charter agreements, all

voyages expenses, except commissions are assumed by the charterer.

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A voyage charter is a contract, in which the vessel owner undertakes to transport a specific amount and type of cargo on a load port-to-discharge port basis, subject to various cargo handling terms. The Company accounts for a voyage charter when all the following criteria are met: (1) the parties to the contract have approved the contract in the form of a written charter agreement and are committed to perform their respective obligations, (2) the Company can identify each party's rights regarding the services to be transferred, (3) the Company can identify the payment terms for the services to be transferred, (4) the charter agreement has commercial substance (that is, the risk, timing, or amount of the Company's future cash flows is expected to change as a result of the contract) and (5) it is probable that the Company will collect substantially all of the consideration to which it will be entitled in exchange for the services that will be transferred to the charterer. The Company determined that its voyage charters consist of a single performance obligation which is met evenly as the voyage progresses and begin to be satisfied once the vessel is ready to load the cargo. The voyage charter party agreement generally has a demurrage clause according to which the charterer reimburses the vessel owner for any potential delays exceeding the allowed lay-time as per the charter party clause at the ports visited which is recorded as demurrage revenue. Revenues from voyage charters are recognized on a straight line basis over the voyage duration which commences once the vessel is ready to load the cargo and terminates upon the completion of the discharge of the cargo. In voyage charters vessel operating and voyage expenses are paid for by the Company. The voyage charters are considered service contracts which fall under the provisions of ASC 606 because the Company retains control over the operations of the vessels such as the routes taken or the vessels' speed.

Deferred revenue represents cash received for undelivered performance obligations and deferred revenue resulting from straight-line revenue recognition in respect of charter agreements that provide for varying charter rates. The portion of the deferred revenue that will be earned within the next twelve months is classified as current liability and the remaining as long-term liability.

Vessel voyage expenses are direct expenses to voyage revenues and primarily consist of brokerage commissions, port expenses, canal dues and bunkers. Brokerage commissions are paid to shipbrokers for their time and efforts for negotiating and arranging charter party agreements on behalf of the Company and expensed over the related charter period and all the other voyage expenses are expensed as incurred except for expenses during the ballast portion of the voyage. Any expenses incurred during the ballast portion of the voyage (period between the contract date and the date of the vessel's arrival to the load port) such as bunker expenses, canal tolls and port expenses are deferred and are recognized on a straight-line basis, in voyage expenses, over the voyage duration as the Company satisfies the performance obligations under the contract because these costs are (1) incurred to fulfill a contract that we can specifically identify, (2) able to generate or enhance resources of the company that will be used to satisfy performance of the terms of the contract, and (3) expected to be recovered from the charterer. These costs are considered contract fulfillment costs and are included in prepayments and other assets in the accompanying consolidated balance sheets.

Vessel operating expenses comprise all expenses relating to the operation of the vessel, including crewing, repairs and maintenance, insurance, stores, lubricants and other operating expenses. Vessel operating expenses are expensed as incurred.

Under a bareboat charter, the charterer assumes responsibility for all voyage and vessel operating expenses, dry-docking expenses and risk of operation.

**Leasing:** Leases are classified as capital leases if they meet at least one of the following criteria: (i) the leased asset automatically transfers title at the end of the lease term; (ii) the lease contains a bargain purchase option; (iii) the lease term equals or exceeds 75% of the remaining estimated economic life of the leased asset; (iv) or the present value of the minimum lease payments equals or exceeds 90% of the excess of fair value of the leased property. If none of the above criteria is met, the lease is accounted for as an operating lease. Operating lease payments are recognized as an operating expense in the consolidated statement of operations on a straight-line basis over the lease term. For sale and

lease back transactions, when the lease qualifies as an operating lease and the lease back is considered more than minor but less than substantially all i.e. the seller-lessee retains

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more than a minor part but less than substantially all of the use of the asset, the resulting gains are deferred and amortized to income over the lease period.

**Equity Compensation Plan:** Share-based compensation includes vested and non-vested shares granted to employees of the Company, to employees of the Manager and to non-employee directors, for their services as directors and is included in General and administrative expenses in the consolidated statements of operations. These shares are measured at their fair value, which is equal to the market value of the Company's common stock on the grant date. The shares that do not contain any future service vesting conditions are considered vested shares and the total fair value of such shares is recognized in full on the grant date. The shares that contain a time-based service vesting condition are considered non-vested shares on the grant date and a total fair value of such shares is recognized over the vesting period on a straight-line basis over the requisite service period for each separate portion of the award as if the award was, in substance, multiple awards (graded vesting attribution method) (Note 14).

**Earnings/(Loss) per Share:** Basic earnings per share are computed under the two-class method by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised. Dilution is computed by either the treasury stock method or the two-class method, whichever results in the more dilutive effect. Under the treasury stock method, all of the Company's dilutive securities are assumed to be exercised or converted and the proceeds used to repurchase common shares at the weighted average market price of the Company's common stock during the relevant periods. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted earnings per share computation to the extent these are not anti-dilutive (Note 15).

**Derivatives:** The Company is party to interest swap agreements where it receives a floating interest rate and pays a fixed interest rate for a certain period in exchange. The Company designates its derivatives based on guidance on ASC 815, *Derivatives and Hedging* which establishes accounting and reporting requirements for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The guidance on accounting for certain derivative instruments and certain hedging activities requires all derivative instruments to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings unless specific hedge accounting criteria are met.

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

Contracts which meet the strict criteria for hedge accounting are accounted for as cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that could affect profit or loss.

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

The Company discontinues cash flow hedge accounting if the hedging instrument expires and it no longer meets the criteria for hedge accounting or designation is revoked by the Company. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecasted transaction occurs. When the forecasted transaction occurs, any cumulative gain or loss on the hedging

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instrument is recognized in the statement of income. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to net profit or loss for the year as a component of Loss on derivatives .

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

**Recent Accounting Pronouncements:** On May 28, 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standard Update ( ASU ) No 2014-09 Revenue from Contracts with Customers. ASU 2014-09, as amended, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, and shall be applied either retrospectively to each period presented or as a cumulative effect adjustment as of the date of adoption. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. Under ASC 606, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations of the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfied a performance obligation. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized.

The Company adopted the provisions of ASC 606 for the reporting period commencing on January 1, 2018 and has elected to use the modified retrospective transition method for the implementation of this standard. The Company applied the provisions of ASC 606 to all contracts that were not completed at the date of initial application. As such, the comparative information has not been restated and continues to be reported under the accounting standards in effect for periods prior to January 1, 2018. An adjustment amounting to \$0.3 million was posted in the Company s opening retained earnings as of January 1, 2018.

Since the Company s performance obligation under each voyage contract is met evenly as the voyage progresses, the revenue is recognized on a straight-line basis over the voyage days from the date the vessel is ready to load the cargo to completion of its discharge and is not related to the timing of payment received from its customers. Payment terms under voyage charters are disclosed in the relevant voyage charter agreements. Based on these terms, freight is mainly paid after the completion of the discharge of the cargo. Prior to the adoption of this standard, revenues generated under voyage charter agreements were recognized on a pro-rata basis over the period of the voyage which was deemed to commence upon the later of the completion of discharge of the vessel s previous cargo or upon vessel s arrival to the agreed upon port, and deemed to end upon the completion of discharge of the delivered cargo. The financial impact on the Company s financial statements derives from voyage charters which do not commence and end in the same reporting period due to the timing of recognition of revenue, as well as the timing of recognition of certain voyage related costs.

Further, the adoption of ASC 606 impacted the accounts receivable, other assets, payables to related parties and accrued and other liabilities on our consolidated balance sheet as of December 31, 2018. Under ASC 606, receivables represent an entity s unconditional right to consideration, billed or unbilled. As of December 31, 2018, other current assets include bunker and port expenses of \$0.1 million incurred between the contract date and the date of the vessel s arrival to the load port. As of January 1, 2018 there was \$0.3 million relating to contract fulfillment costs. As of December 31, 2018 and 2017 the unearned revenue related to undelivered performance obligations amounted to nil

and \$0.07 million, respectively and has been included in Deferred income in the accompanying consolidated balance sheet. The Company recognized as revenue the \$0.07 million in the first quarter of 2018.

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The following table presents the impact of the adoption of ASU 2014-09 on our consolidated balance sheet at December 31, 2018:

	<b>As at December 31, 2018</b>		
	<b>Balances without adoption of</b>		
	<b>As reported</b>	<b>ASU 2014-09</b>	<b>Effect of change</b>
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	\$ 2,888,496	\$ 2,941,191	\$ (52,695)
Other current assets	134,301		134,301
<b>Liabilities</b>			
Payable to related party	7,930,642	7,931,297	(655)
Accrued and other liabilities	6,879,488	6,880,536	(1,048)

The following table presents the impact of the adoption of ASU 2014-09 on our consolidated statement of operations:

	<b>For the year ended December 31, 2018</b>		
	<b>Balances without adoption of</b>		
	<b>As reported</b>	<b>ASU 2014-09</b>	<b>Effect of change</b>
Total revenues	\$ 164,330,202	\$ 163,744,736	\$ (585,466)
Voyage expenses	18,649,258	18,498,600	150,658
Voyage expenses related party	2,037,917	2,030,599	7,318
Net loss	(12,276,520)	(12,704,010)	(427,490)
Basic earnings per share	\$ (0.31)	\$ (0.32)	\$ (0.01)
Diluted earnings per share	\$ (0.31)	\$ (0.32)	\$ (0.01)

The cumulative effect of changes made to our opening Consolidated Balance Sheet on January 1, 2018 for the adoption of ASC 606:

	<b>Effect of adoption of</b>		
	<b>December 31, 2017</b>	<b>ASC 606</b>	<b>January 1, 2018</b>
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	3,853,992	(567,845)	3,286,147
Other current assets		293,664	293,664
<b>Liabilities</b>			
Deferred income	4,362,056	70,000	4,432,056
<b>Stockholders Equity</b>			
Retained earnings	93,469,787	(344,181)	93,125,606

The adoption of ASC 606 had no impact on net cash provided by operating activities, investing activities and financing activities for the year ended December 31, 2018.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The standard amends the existing accounting standards for lease accounting and adds additional disclosures about leasing arrangements. The ASU requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by most leases, while lessor accounting remains largely unchanged. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. This update is effective for public entities with reporting periods beginning after December 15, 2018.



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On July 30, 2018, the FASB issued ASU 2018-11 to provide entities with relief from the costs of implementing certain aspects of the new leases standard, ASU 2016-02 (codified as ASC 842). Specifically, under the amendments in ASU 2018-11:

- (a) Entities may elect not to recast the comparative periods presented when transitioning to ASC 842; and
- (b) Lessors may elect not to separate lease and nonlease components when the following criteria are met:
  - Criterion A the timing and pattern of transfer for the lease component are the same as those for the nonlease components associated with that lease component and
  - Criterion B the lease component, if accounted for separately, would be classified as an operating lease.

The transition relief amendments in the ASU apply to entities that have not yet adopted ASC 842. The effective date and transition requirements for the amendments in this update for entities that have not adopted Topic 842 before the issuance of this update are the same as the effective date and transition requirements in Update 2016-02.

In December 2018, the FASB issued ASU 2018-20 to provide narrow scope improvements for lessors. The amendments in this update related to sales taxes and other similar taxes collected from lessees affect all lessors that elect the accounting policy election. In addition, amendments in this update related to lessor costs affect all lessor entities that have lease contracts that either require lessees to pay lessor costs directly to a third party or require lessees to reimburse lessors for costs paid by lessors directly to third parties. Finally, the amendments in this update related to recognition of variable payments for contracts with lease and non-lease components affect all lessor entities with variable payments that relate to both lease and non-lease components. The effective date and transition requirements for the amendments in this update for entities that have not adopted Topic 842 before the issuance of this update are the same as the effective date and transition requirements in ASU 2016-02. The Company adopted this standard for the reporting period commencing on January 1, 2019 and elected the practical expedient under ASU 2018-11 for the vessels under time charter agreements. Furthermore, the Company applied the transition provisions of ASU 2016-02 at its adoption date, rather than the earliest comparative period presented in the financial statements, as permitted by ASU 2018-11. The nature of the lease component and non-lease component that were combined as a result of applying the practical expedient are the contract for the hire of a vessel and the fees for operating and maintaining the vessel respectively. The lease component is the predominant component and the Company accounts for the combined component as an operating lease in accordance with Topic 842. The most significant effects of adoption relate to the recognition of right-of-use assets and lease liabilities on the Company's balance sheet for operating leases where the Company is a lessee and providing new disclosures about the Company's leasing activities. The Company currently expects the right-of-use assets and lease liabilities as of January 1, 2019 to be approximately \$1.9 million based on the present value of the Company's remaining minimum lease payments, primarily due to the recognition of right of use assets and lease liabilities with respect to operating leases. The Company does not believe the adoption of ASC 842 will have a material effect on its consolidated results of operations or cash flows.

In August 2016, the FASB issued the ASU 2016-15 classification of certain cash payments and cash receipts. This ASU addresses certain cash flow issues with the objective of reducing the existing diversity in practice. This update was effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted this ASU on January 1, 2018. The impact of the adoption of this amended guidance did not result in any changes in the classification of cash receipts and cash payments.

In August 2017, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* ( ASU

2017-12 ). ASU 2017-12 is intended to (i) improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with those risk management activities and (ii) reduce the complexity of and simplify the application of hedge accounting by preparers. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods therein; however, early adoption by all entities is permitted. The adoption of this ASU is not expected to have a material effect on the Company's consolidated financial statements and accompanying notes.

**Table of Contents****3. Transactions with Related Parties**

The Manager provides the vessels with a wide range of shipping services such as chartering, technical support and maintenance, insurance, consulting, financial and accounting services, for a fixed daily fee of \$440 per vessel operating under a voyage or time charter or \$125 per vessel operating under a bareboat charter and a brokerage commission of 1.25% on freight, hire and demurrage per vessel, as per the management agreement between the Manager and the Company. The Manager has subcontracted the technical management of some of the vessels to an affiliated ship-management company, Brave Maritime Corp. Inc. ( Brave ). This company provides technical management to the Company's vessels for a fixed annual fee per vessel which is paid by the Manager. For the years ended December 31, 2016, 2017 and 2018, total brokerage commissions of 1.25% amounted to \$1,772,240, \$1,912,505 and \$2,037,917, respectively, and are included in Voyage expenses related party in the consolidated statements of operations. For the years ended December 31, 2016, 2017 and 2018, the management fees were \$7,346,180, \$7,205,490 and \$7,027,195, respectively and are included in Management fees related party in the consolidated statements of operations. In addition, the Manager arranges for supervision onboard the vessels, when required, by superintendent engineers and when such visits exceed a period of five days in a twelve month period, an amount of \$500 is charged for each additional day. For the years ended December 31, 2016, 2017 and 2018, the superintendent fees amounted to \$172,000, \$125,500 and \$137,000, respectively, and are included in Vessels operating expenses related party in the consolidated statements of operations.

Effective from 2018, the Manager provides crew management services to some of the Company's vessels. These services have been subcontracted by the Manager to an affiliated ship-management company, Navis Maritime Services Inc. The Company pays to the Manager a fixed monthly fee of \$2,500 per vessel. For the year ended December 31, 2018, the crew management fees amounted to \$377,500, and are included in Vessels operating expenses related party in the consolidated statements of operations.

The Manager also acts as a sales and purchase broker for the Company in exchange for a commission fee equal to 1% of the gross sale or purchase price of vessels or companies. For the years ended December 31, 2016, 2017 and 2018 commission fees relating to vessels purchased of \$421,639, \$525,978 and \$1,598,858, respectively, were incurred and capitalized to the cost of the vessels. For the years ended December 31, 2016, 2017 and 2018 the amounts of \$13,711, \$119,900 and \$184,000 were recognized as commission expenses relating to the sale of vessels and are included in the consolidated statements of operations under the caption Net (gain)/loss on sale of vessels . For the year ended December 31, 2018, commission expenses relating to the sale of vessels of \$212,650 are included in the consolidated statements of operations under the caption Impairment loss .

In addition to management services, the Company reimburses the Manager for compensation of its Chief Executive Officer, its Chief Financial Officer, its Internal Auditor, its Chief Technical Officer, its Finance Manager and its Deputy Chairman and Executive Director, which reimbursements were in the amounts of \$1,114,130, \$1,127,307 and \$1,210,036, for the years ended December 31, 2016, 2017 and 2018, respectively, and are included in the consolidated statements of operations under the caption General and administrative expenses .

The current account balance with the Manager at December 31, 2017 and at December 31, 2018 was a liability of \$14,209,624 and \$7,930,642, respectively. The liability represents payments made by the Manager on behalf of the ship-owning companies.

The Company rents office space that is owned by an affiliated company of the Manager. Rental expense for the years ended December 31, 2016, 2017 and 2018 amounted to \$72,907, \$82,192 and \$84,686, respectively, and is included in the consolidated statements of operations under the caption General and administrative expenses .

In April 2012, the Company entered into time charter agreements for two of the Company's vessels with Emihar Petroleum Inc., a company affiliated with members of the Vafias family incorporated in the Marshall Islands. The above time charter agreements expired in August 2016 and June 2017. Revenue from the related

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party amounted to \$7,592,784, \$1,973,643 and nil for each of the years ended December 31, 2016, 2017 and 2018, respectively, and are included in the consolidated statements of operations under the caption Revenues related party . In accordance with the time charter agreements for these vessels operating expenses, the Company paid to the Manager amounts of \$2,969,843, \$675,408 and nil for the years ended December 31, 2016, 2017 and 2018, respectively, which are included in the consolidated statements of operations under the caption Vessels operating expenses related party .

On May 26, 2014, the Company entered into an agreement with Brave for the supervision of the construction of eight of its vessels for a fixed fee of Euro 390,000 per vessel. On January 25, 2016, the Company entered into a new supervision agreement with Brave for the supervision of the construction of four of its newbuilding vessels for a fixed fee of Euro 490,000 per vessel. For the years ended December 31, 2016, 2017 and 2018, the supervision fees amounted to \$854,022, \$535,864, and \$1,790,789, respectively, and were capitalized to the cost of the respective vessels.

**4. Inventories**

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

	<b>December 31,</b>	
	<b>2017</b>	<b>2018</b>
Bunkers	1,312,116	1,082,384
Lubricants	1,450,183	1,264,339
<b>Total</b>	<b>2,762,299</b>	<b>2,346,723</b>

**5. Advances for Vessels Under Construction and Acquisitions**

The amount shown in the accompanying consolidated balance sheet as of December 31, 2017 of \$61,577,818 mainly represents advance payments to ship-builders for three LPG carriers under construction contracted in 2014.

On November 17, 2016 and on July 18, 2017, the Company agreed with the shipbuilder the postponement of the delivery dates of the four newbuildings for an additional charge. For the year ended December 31, 2018, these charges of \$146,667 (2017: \$863,333) were included in the accompanying consolidated statement of operations under the caption Other operating costs/(income) .

For the years ended December 31, 2017 and 2018, the movement of the account, advances for vessels under construction and acquisitions was as follows:

<b>Balance, December 31, 2016</b>	<b>55,785,801</b>
Advances for vessels under construction and acquisitions	57,805,820
Capitalized interest	813,423
Capitalized expenses	2,475,138
Vessels delivered	(55,302,364)
<b>Balance, December 31, 2017</b>	<b>61,577,818</b>

Advances for vessels under construction and acquisitions	102,597,821
Capitalized expenses	5,155,821
Vessels delivered	(169,331,460)

**Balance, December 31, 2018**

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**Table of Contents****6. Vessels, net**

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

	Vessel cost	Accumulated Depreciation	Net Book Value
<b>Balance, December 31, 2016</b>	<b>1,075,613,321</b>	<b>(211,913,582)</b>	<b>863,699,739</b>
Acquisitions (transfer from Advances for Vessels under Construction and Acquisitions)	55,302,364		55,302,364
Disposals	(11,557,252)		(11,557,252)
Impairment loss	(29,222,564)	22,761,291	(6,461,273)
Depreciation for the year		(38,921,672)	(38,921,672)
<b>Balance, December 31, 2017</b>	<b>1,090,135,869</b>	<b>(228,073,963)</b>	<b>862,061,906</b>
Acquisitions (transfer from Advances for Vessels under Construction and Acquisitions)	169,331,460		169,331,460
Vessels held for sale	(64,188,000)		(64,188,000)
Impairment loss	(60,018,802)	48,666,981	(11,351,821)
Disposal	(29,846,712)		(29,846,712)
Depreciation for the year		(41,258,142)	(41,258,142)
<b>Balance, December 31, 2018</b>	<b>1,105,413,815</b>	<b>(220,665,124)</b>	<b>884,748,691</b>

The additions in 2017 relate to the acquisition of vessel Eco Frost .

In April 2017, the Company entered into a memorandum of agreement for the disposal of the vessel Gas Icon , to an unaffiliated third party for \$2,900,000. The vessel, including her inventories on board, was classified as assets held for sale in the second quarter of 2017. As a result, the Company measured the vessel at the lower of its carrying amount and fair value less the cost associated with the sale and recognized an impairment charge of \$1,747,923 in its consolidated statement of operations for the year ended December 31, 2017. The vessel was delivered to her new owners on July 20, 2017.

In May 2017, the Company entered into a memorandum of agreement for the disposal of the vessel Gas Emperor , to an unaffiliated third party for \$2,900,000. The vessel, including her inventories on board, was classified as assets held for sale in the second quarter of 2017. As a result, the Company measured the vessel at the lower of its carrying amount and fair value less the cost associated with the sale and recognized an impairment charge of \$580,004 in its consolidated statement of operations for the year ended December 31, 2017. The vessel was delivered to her new owners on September 2, 2017.

In August 2017, the Company entered into a memorandum of agreement for the disposal of the vessel Gas Moxie , to an unaffiliated third party for \$2,575,000. The vessel, including her inventories on board, was classified as assets held for sale in the third quarter of 2017. As a result, the Company measured the vessel at the lower of its carrying amount and fair value less the cost associated with the sale and recognized an impairment charge of \$570,626 in its consolidated statement of operations for the year ended December 31, 2017. The vessel was delivered to her new

owners on November 7, 2017.

In September 2017, the Company entered into a memorandum of agreement for the disposal of the vessel Gas Nirvana , to an unaffiliated third party for \$3,675,000. The vessel, including her inventories on board, was classified as assets held for sale in the third quarter of 2017. As a result, the Company measured the vessel at the lower of its carrying amount and fair value less the cost associated with the sale and recognized an impairment charge of \$1,406,718 in its consolidated statement of operations for the year ended December 31, 2017. The vessel was delivered to her new owners on November 17, 2017.

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The Company decided to dispose the vessels Gas Icon , Gas Emperor , Gas Moxie and Gas Nirvana as the agreed selling price was a suitable opportunity for the Company and realized an aggregate loss from the sale of these vessels of \$77,314 which is included in the Company's consolidated statement of operations under the caption Net (gain)/loss on sale of vessels for the year ended December 31, 2017.

As a result of the impairment analysis performed for the year ended December 31, 2017, due to the prevailing conditions in the shipping industry, undiscounted net operating cash flows exceeded each vessel's carrying value with the exception of three vessels and therefore the Company identified and recorded an impairment loss of \$2,156,002 which is presented under the caption Impairment loss in its consolidated statement of operations.

The additions in 2018 relate to the acquisition of vessels Eco Arctic , Eco Ice and Eco Freeze .

In March 2018, the Company entered into a memorandum of agreement for the disposal of the vessel Gas Legacy , to an unaffiliated third party for \$4,990,000. The vessel, including her inventories on board, was classified as assets held for sale in the first quarter of 2018. As a result, the Company measured the vessel at the lower of its carrying amount and fair value less the cost associated with the sale and recognized an impairment charge of \$1,418,672 in its consolidated statement of operations for the year ended December 31, 2018. The vessel was delivered to her new owners on August 31, 2018.

At March 31, 2018, the Company decided to seek to dispose of the vessel Gas Enchanted . As a result of this decision, the undiscounted net operating cash flows of this vessel did not exceed its carrying value and the Company identified and recognized an impairment charge of \$1,937,822 in its consolidated statement of operations for the year ended December 31, 2018. In April 2018, the Company concluded a memorandum of agreement for the disposal of this vessel, to an unaffiliated third party for \$8,950,000. The vessel was delivered to her new owners on May 7, 2018.

In April 2018, the Company entered into a memorandum of agreement for the disposal of the vessel Gas Evoluzione , to an unaffiliated third party for \$3,575,000. The vessel, including her inventories on board, was classified as assets held for sale in the second quarter of 2018. The total impairment charge recognized in the Company's consolidated statements of operations for the year ended December 31, 2018 amounted to \$604,774. The vessel was delivered to her new owners on August 28, 2018.

At June 30, 2018, the Company decided to seek to dispose of the vessel Gas Sikousis . As a result of this decision, the undiscounted net operating cash flows of this vessel did not exceed its carrying value and the Company identified and recognized an impairment charge of \$842,332 in its consolidated statement of operations for the year ended December 31, 2018. In July 2018, the Company concluded a memorandum of agreement for the disposal of this vessel, to an unaffiliated third party for \$9,450,000. The vessel was delivered to her new owners on September 27, 2018.

In July 2018, the Company entered into three separate memoranda of agreement for the disposal of the vessels Gas Marathon , Gas Sincerity and Gas Texiana to unaffiliated third parties for a total of \$12,700,000. The vessels, including their inventories on board, were classified as vessels held for sale in the third quarter of 2018. The total impairment charge recognized in the Company's consolidated statements of operations for the year ended December 31, 2018 amounted to \$3,358,363. The vessels were delivered to their new owners on October 13, 2018, January 28, 2019 and February 13, 2019, respectively.

The Company decided to dispose the above mentioned vessels as the agreed selling price was a suitable opportunity for the Company and realized an aggregate loss from the sale of these vessels of \$763,925 which is included in the Company's consolidated statement of operations under the caption Net (gain)/loss on sale of vessels for the year ended

December 31, 2018.

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During the first quarter of 2019, the Company entered into four joint venture agreements with a third party investor based on which the third party investor acquired a 49.9% equity interest in four vessel owning companies of the Company and therefore gained co-ownership and joint control of the vessels Gas Defiance , Gas Shuriken , Gas Haralambos and Eco Lucidity . These agreements will be accounted for in the Company s financial statements as an equity investment since the Company and the third party investor will have joint control over these entities, with only the related profit share reflected. As a result, the vessels were classified as assets held for sale in the fourth quarter of 2018. The Company measured the vessels at the lower of their carrying amount and fair value less the cost associated with the transaction and recognized an impairment charge of \$3,189,858 in its consolidated statement of operations for the year ended December 31, 2018.

As of December 31, 2018, six vessels, together with their inventories on board amounting to \$718,448, were classified as assets held for sale in the accompanying consolidated balance sheet.

As of December 31, 2018 and 2017, 40 vessels with a carrying value of \$891,758,621 (2017: \$762,159,589) have been provided as collateral to secure the Company s bank loans as discussed in Note 11.

**7. Deferred Finance Charges**

Deferred finance charges amounting to \$941,760 and nil as of December 31, 2017 and December 31, 2018, respectively, represent fees paid to the lenders for undrawn facilities, and are presented on the balance sheet under non-current assets.

**8. Accrued Liabilities**

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

	<b>December 31,</b>	
	<b>2017</b>	<b>2018</b>
Interest on long-term debt	2,839,121	3,656,811
Administrative expenses	204,472	251,257
Other operating costs	563,333	660,000
Vessel operating and voyage expenses	2,273,553	2,311,420
<b>Total</b>	<b>5,880,479</b>	<b>6,879,488</b>

**9. Deferred Income**

The amounts shown in the accompanying consolidated balance sheets amounting to \$4,366,091 and \$5,191,654 represent cash related to time and bareboat charter revenues received in advance as of December 31, 2017 and as of December 31, 2018, respectively.

**10. Customer Deposits**

These amounts represent deposits received from charterers as guarantees and are comprised as follows:

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- (a) On October 12, 2015 an amount of \$736,000 was received from the bareboat charterer of Product carrier Stealth Falcon (ex. Navig8 Faith ) which is equal to three-months hire.
  
- (b) On February 24, 2015 an amount of \$1,820,700 was received from the bareboat charterer of Aframax tanker Stealth Berana (ex. Spike ) which is equal to five-months hire. An amount of \$1,220,700 was returned to the charterer at the end of the bareboat charter on March 7, 2018. The remaining amount of \$600,000 was kept as guarantee for the new bareboat charter commenced on March 7, 2018.

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**Table of Contents****11. Long-term Debt**

Term Loans		Drawn Amount	December 31, 2017	Movement in 2018		December 31, 2018
Issue Date	Maturity Date			Additions	Repayments	
February 12, 2008	February 19, 2020	40,250,000	14,375,000		(2,500,000)	11,875,000
July 30, 2008	November 4, 2020	33,240,000	15,789,000		(1,939,000)	13,850,000
October 9, 2008	October 9, 2020	29,437,000	6,310,000		(6,310,000)	
December 14, 2018	December 18, 2023	14,094,184	17,114,365		(3,020,181)	14,094,184
April 14, 2014	April 14, 2020	20,400,000	13,100,000		(1,400,000)	11,700,000
March 27, 2018	March 1, 2024	27,675,000	27,950,000		(2,750,000)	25,200,000
March 1, 2011	June 20, 2020	43,250,000	26,375,000		(3,000,000)	23,375,000
September 23, 2013	September 30, 2020	45,212,500	23,739,007		(8,494,310)	15,244,697
March 24, 2014	July 31, 2022	50,225,000	39,235,000		(3,605,000)	35,630,000
April 16, 2014	April 16, 2020	30,000,000	19,005,000		(2,705,000)	16,300,000
December 14, 2018	December 18, 2023	9,480,000	10,360,000		(880,000)	9,480,000
June 20, 2014	January 8, 2023	20,925,000	17,020,000		(1,420,000)	15,600,000
December 20, 2013	June 30, 2023	67,200,000	55,515,000		(3,960,000)	51,555,000
December 24, 2015	December 14, 2022	22,400,000	19,413,344		(1,493,328)	17,920,016
July 4, 2014	September 3, 2021	22,750,000	19,093,750		(1,625,000)	17,468,750
July 29, 2014	July 7, 2023	25,350,000	20,596,875		(2,112,500)	18,484,375
December 7, 2017	December 11, 2022	22,275,000	10,500,000	11,775,000	(2,755,000)	19,520,000
May 18, 2016	December 31, 2025	65,650,000	31,484,500	33,150,000	(3,585,240)	61,049,260
March 1, 2017	April 17, 2026	70,787,500		70,787,500	(3,162,501)	67,624,999
<b>Total</b>			<b>386,975,841</b>	<b>115,712,500</b>	<b>(56,717,060)</b>	<b>445,971,281</b>
Current portion of long-term debt						42,433,562
Current portion of long-term debt associated with vessels held for sale						30,150,000
Long term debt						373,387,719
<b>Total debt</b>			<b>386,975,841</b>			<b>445,971,281</b>
Current portion of deferred finance charges						706,725
Current portion of deferred finance charges associated with vessels held for sale						73,644
Deferred finance charges non-current						1,873,466
<b>Total deferred finance charges</b>			<b>2,067,393</b>			<b>2,653,835</b>
Total debt			386,975,841			445,971,281
Less: Total deferred finance charges			2,067,393			2,653,835
<b>Total debt, net of deferred finance charges</b>			<b>384,908,448</b>			<b>443,317,446</b>
Less: Current portion of long-term debt, net of						
current portion of deferred finance charges			41,966,607			41,726,837

<b>Less: Current portion of long-term debt associated</b>	
<b>with vessels held for sale, net of current</b>	
<b>portion of deferred finance charges</b>	<b>30,076,356</b>
	<b>342,941,841</b>
	<b>371,514,253</b>

The below are changes in term loans during the years ended December 31, 2017 and 2018.

On May 18, 2016 the Company entered into a term loan with a bank to partially finance the acquisition of two LPG carriers under construction, by two of the Company's wholly owned subsidiaries. The term loan is up to \$74,480,000 and was drawn down in two tranches upon the delivery of each vessel. The first tranche amounting

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to \$32,500,000 was drawn down on May 16, 2017 and the second tranche amounting to \$33,150,000 was drawn down on January 10, 2018.

On March 1, 2017 the Company, entered into a term loan with the bank to partially finance the acquisition of two LPG carriers on their delivery. The aggregate term loan is up to \$76,020,000 and was drawn down in two tranches upon the delivery of each vessel. The first tranche amounting to \$35,525,000 was drawn down on January 4, 2018 and on January 10, 2018 and the second tranche amounting to \$35,262,500 was drawn down on April 13, 2018 and on April 17, 2018.

On December 7, 2017, the Company entered into a term loan with a bank to repay amounts outstanding under existing loan and to refinance the cost of acquisition of one product carrier. The term loan is up to \$22,500,000 and was drawn down in two tranches. The first tranche amounting to \$10,500,000 was drawn down on December 11, 2017 and the second tranche amounting to \$11,775,000 was drawn down on February 8, 2018.

On March 27, 2018, the Company entered into a term loan amounting to \$27,675,000 with the same bank to refinance the existing term loan dated February 1, 2011. An installment amounting to \$275,000 was paid on January 22, 2018 relating to the existing term loan dated February 1, 2011.

On August 17, 2018, the Company voluntarily repaid the outstanding balance of the term loan dated October 9, 2008, amounting to \$5,920,000.

On December 14, 2018, the Company entered into a term loan with the same bank to refinance the existing term loans dated June 12, 2014 and September 15, 2016. The aggregate committed term loan is up to \$23,574,184 and was drawn down in two tranches at the signing date of the term loan.

On March 29, 2019, the Company entered into a term loan with a bank to refinance the existing term loans dated February 12, 2008 and September 23, 2013. Two installments amounting to \$625,000 and \$1,036,265 were paid on February 19, 2019 and on March 29, 2019, respectively, relating to the existing term loans. The new term loan is \$25,458,432 and will be repayable, with the first installment commencing three months after the drawdown, in fifteen consecutive quarterly installments. An amount of \$4,001,898 is repayable in 2019. Obligations with a maturity of less than one year amounting to \$981,895 have been presented as long-term in accordance with US GAAP as the Company refinanced these obligations on a long-term basis through the term loan that the Company has entered on March 29, 2019 discussed above.

On April 27, 2018, the Company voluntarily repaid \$4,122,370 being part of the outstanding balance of the term loan dated September 23, 2013.

On April 15, 2019, the Company signed a commitment letter with the same bank to refinance the existing term loan dated April 14, 2014. Two installments amounting to \$700,000 were paid on January 16, 2019 and April 16, 2019 relating to the existing term loan. The new term loan is up to \$11,000,000 and will be repayable, with the first installment commencing three months after the drawdown, in twenty consecutive quarterly installments plus a balloon payment payable together with the last installment. An amount of \$640,000 is repayable in 2019. Obligations with a maturity of less than one year amounting to \$60,000 have been presented as long-term in accordance with US GAAP as the Company had the intent and ability to refinance the obligation, on a long term basis through the commitment letter that the Company has entered on April 15, 2019 discussed above.

The above loans are generally repayable in quarterly or semi-annual installments and a balloon payment at maturity and are secured by first priority mortgages over the vessels involved, plus the assignment of the vessels' insurances,

earnings and operating and retention accounts with the lenders, and the guarantee of ship-owning

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companies, as owners of the vessels. The term loans contain financial covenants requiring the Company to ensure that:

the aggregate market value of the mortgaged vessels at all times exceeds a certain percentage of the amounts outstanding as defined in the term loans, ranging from 125% to 130%,

the leverage of the Company defined as Total Debt net of Cash should not exceed 80% of total market value adjusted assets,

the Interest Coverage Ratio of the Company which is EBITDA (as defined in the loan agreements) to interest expense to be at all times greater than 2.5:1,

at least a certain percentage of the Company is to always be owned by members of the Vafias family,

the Company should maintain on a monthly basis a cash balance amounting to \$3,002,490 representing a proportionate amount of the next installment and relevant interest plus a minimum aggregate cash balance amounting to \$11,930,059 in the earnings account with the relevant banks,

dividends paid by the borrower will not exceed 50% of the Company's free cash flow in any rolling 12 month period.

Gross deferred finance charges amounting to \$7,871,170 and \$8,374,435 as of December 31, 2017 and December 31, 2018, respectively, represent fees paid to the lenders for obtaining the related loans, and are presented on the balance sheet as a direct deduction from the carrying amount of the related loan and credit facility net of accumulated amortization. For the years ended December 31, 2016, 2017 and 2018, the amortization of deferred financing charges amounted to \$715,587, \$690,841 and \$858,582, respectively, and is included in interest and finance costs in the consolidated statements of operations.

The interest rates on the outstanding loans as of December 31, 2018 are based on Libor plus a margin which varies from 0.80% to 3.00%. The average interest rates (including the margin) on the above outstanding loans for the applicable periods were:

Year ended December 31, 2016: 3.43%

Year ended December 31, 2017: 3.97%

Year ended December 31, 2018: 5.34%

Bank loan interest expense for the above loans for the years ended December 31, 2016, 2017 and 2018 amounted to \$14,149,326, \$15,640,377 and \$22,150,386, respectively. Of these amounts, for the years ended December 31, 2016, 2017 and 2018, the amounts of \$1,660,802, \$813,423 and nil, respectively, were capitalized as part of advances paid for vessels under construction. Interest expense, net of interest capitalized, is included in interest and finance costs in the consolidated statements of operations.

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At December 31, 2018, the Company was in compliance with all of its debt financial covenants.

The annual principal payments to be made, for the abovementioned loans, after December 31, 2018 are as follows:

<b>December 31,</b>	<b>Amount</b>
2019	72,583,562
2020	59,421,264
2021	67,040,014
2022	86,626,911
2023	63,483,131
Thereafter	96,816,399
<b>Total</b>	<b>445,971,281</b>

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**Table of Contents****12. Derivatives and Fair Value Disclosures**

The Company uses interest rate swaps for the management of interest rate risk exposure. The interest rate swaps effectively convert a portion of the Company's debt from a floating to a fixed rate. The Company is a party to nine floating-to-fixed interest rate swaps with various major financial institutions at December 31, 2018 (2017: six swaps) covering notional amounts aggregating \$111,477,920 at December 31, 2018 (2017: \$68,935,006) pursuant to which it pays fixed rates ranging from 1.52% to 2.89% and receives floating rates based on the London Interbank Offered Rate (LIBOR) (approximately 2.04% at December 31, 2018). These agreements contain no leverage features and have maturity dates ranging from September 2020 to December 2025. All the derivative interest rate swap contracts for the periods presented qualified for hedge accounting since their inception. Details of interest rate swap agreements entered into during 2017 and 2018 are set out below.

On June 2, 2017, the Company as a condition of its term loan dated May 18, 2016, entered into an amortizing interest rate swap agreement for a notional amount of \$15,996,125. The agreement is effective from August 16, 2017 and expires on May 16, 2025; under this agreement the Company receives each quarter interest on the notional amount based on the three month LIBOR rate and pays interest based on a fixed interest rate of 2.12%.

On February 1, 2018, the Company as a condition of its term loan dated May 18, 2016, entered into an amortizing interest rate swap agreement for a notional amount of \$32,632,000. The agreement is effective from April 10, 2018 and expires on December 31, 2025; under this agreement the Company receives each quarter interest on the notional amount based on the three month LIBOR rate and pays interest based on a fixed interest rate of 2.74%.

On February 28, 2018, the Company as a condition of its term loan dated December 7, 2017, entered into an amortizing interest rate swap agreement for a notional amount of \$21,586,250. The agreement is effective from March 12, 2018 and expires on December 11, 2022; under this agreement the Company receives each quarter interest on the notional amount based on the three month LIBOR rate and pays interest based on a fixed interest rate of 2.74%.

On December 10, 2018, the Company as a condition of its term loan dated May 18, 2016, entered into an amortizing interest rate swap agreement for a notional amount of \$14,472,875. The agreement is effective from February 16, 2019 and expires on February 16, 2024; under this agreement the Company receives each quarter interest on the notional amount based on the three month LIBOR rate and pays interest based on a fixed interest rate of 2.89%.

The following tables present information on the location and amounts of derivatives' fair values reflected in the consolidated balance sheets and with respect to gains and losses on derivative positions reflected in the consolidated statements of operations or in the consolidated balance sheets, as a component of accumulated other comprehensive income.

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Tabular disclosure of financial instruments is as follows:

		December 31,			
		2017		2018	
Derivatives designated as		Asset	Liability	Asset	Liability
hedging instruments	Balance Sheet Location	Derivatives	Derivatives	Derivatives	Derivatives
Interest Rate Swap Agreements	Non current assets Fair value of derivatives	645,169		1,068,369	
Interest Rate Swap Agreements	Non current liabilities Fair value of derivatives		126,525		465,389
<b>Total derivatives designated as hedging instruments</b>		<b>645,169</b>	<b>126,525</b>	<b>1,068,369</b>	<b>465,389</b>

The effect of derivative instruments on the consolidated statements of operations for the years ended December 31, 2016, 2017 and 2018 is as follows:

Derivatives not designated as hedging instruments	Location of Gain/(Loss) Recognized	Year Ended December 31,	
		2016	2017/2018
Interest Rate Swap Change in Fair Value	Loss on derivatives	297,656	
Interest Rate Swap Realized loss	Loss on derivatives	(297,954)	
<b>Total loss on derivatives</b>		<b>(298)</b>	

Derivatives designated as hedging instruments	Location of Loss Recognized	Year Ended December 31,		
		2016	2017	2018
Interest Rate Swap Loss reclassified from OCI (Effective portion)	Loss on derivatives	(766,898)	(403,943)	(11,982)
<b>Total loss on derivatives</b>		<b>(766,898)</b>	<b>(403,943)</b>	<b>(11,982)</b>

The components of accumulated other comprehensive income included in the accompanying consolidated balance sheets consist of unrealized gain / (loss) on cash flow hedges and are analyzed as follows:

	Unrealized Gain/ (Loss) on cash flow hedges
Balance, January 1, 2016	(393,288)
	418,723

Effective portion of changes in fair value of interest swap contracts

Balance, December 31, 2016	25,435
Effective portion of changes in fair value of interest swap contracts	592,460
Balance, December 31, 2017	617,895
Effective portion of changes in fair value of interest swap contracts	56,084
Balance, December 31, 2018	673,979

***Fair Value of Financial Instruments and Concentration of Credit Risk:*** Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents, restricted cash, trade and other receivables, claims receivable, payable to related party, trade accounts payable and accrued liabilities. The Company limits its credit risk with respect to accounts receivable

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by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its trade accounts receivable. The Company places its cash and cash equivalents, time deposits and other investments with high credit quality financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions. The Company is exposed to credit risk in the event of non-performance by its counterparties to derivative instruments; however, the Company limits its exposure by transacting with counterparties with high credit ratings. The carrying values of cash and cash equivalents, restricted cash, receivables from related party, trade and other receivables, claims receivable, payable to related party, trade accounts payable and accrued liabilities are reasonable estimates of their fair value due to the short term nature of these financial instruments. Cash and cash equivalents and restricted cash are considered Level 1 items as they represent liquid assets with short-term maturities. The fair value of long term bank loans is estimated based on current rates offered to the Company for similar debt of the same remaining maturities. Their carrying value approximates their fair market value due to their variable interest rate, being LIBOR. LIBOR rates are observable at commonly quoted intervals for the full terms of the loans and hence floating rate loans are considered Level 2 items in accordance with the fair value hierarchy. Additionally, the Company considers the creditworthiness of each counterparty when determining the fair value of the derivative instruments. The Company's interest rate swap agreements are recorded at fair value. The fair value of the interest rate swaps is determined using a discounted cash flow method based on market-based LIBOR swap yield curves. LIBOR swap rates are observable at commonly quoted intervals for the full terms of the swap and therefore are considered Level 2 items.

**Fair Value Disclosures:** The Company has categorized assets and liabilities recorded at fair value based upon the fair value hierarchy specified by the guidance. The levels of fair value hierarchy are as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following table presents the fair values for assets and liabilities measured on a recurring basis categorized into a Level based upon the lowest level of significant input to the valuations as of December 31, 2017:

Description	Fair Value as of December 31, 2017	Fair Value Measurements Using Quoted Prices in Active Markets for		
		Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets/(Liabilities):				
Interest Rate Swap Agreements	645,169		645,169	
Interest Rate Swap Agreements	(126,525)		(126,525)	
<b>Total</b>	<b>518,644</b>		<b>518,644</b>	



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The following table presents the fair values for assets and liabilities measured on a recurring basis categorized into a Level based upon the lowest level of significant input to the valuations as of December 31, 2018:

Description	Fair Value Measurements Using			
	Fair Value as of December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets/(Liabilities):</b>				
Interest Rate Swap Agreements	1,068,369		1,068,369	
Interest Rate Swap Agreements	(465,389)		(465,389)	
<b>Total</b>	<b>602,980</b>		<b>602,980</b>	

The following tables present the fair values for assets measured on a non-recurring basis categorized into a Level based upon the lowest level of significant input to the valuations:

Description	Fair Value Measurements Using				Impairment Loss
	Fair Value as of June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Long-lived assets held and used	6,000,000		6,000,000		(897,965)
<b>Total</b>	<b>6,000,000</b>		<b>6,000,000</b>		<b>(897,965)</b>

The vessel Gas Monarch was recorded at its fair value of \$6,000,000 as of June 30, 2017. Depreciation amounting to \$255,015 was recorded in the period from July 1, 2017 to December 31, 2017 and the vessel was presented at its new deemed cost less depreciation of \$5,744,985 in the accompanying consolidated balance sheet as of December 31, 2017.

**Fair Value Measurements Using**



Description	Fair Value as of September 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Loss
Long-lived assets held and used	8,000,000		8,000,000		(1,258,037)
Total	<b>8,000,000</b>		<b>8,000,000</b>		<b>(1,258,037)</b>

The vessels Gas Pasha and Gas Evoluzione were recorded at their fair value of \$8,000,000 as of September 30, 2017. Depreciation amounting to \$200,130 was recorded in the period from October 1, 2017 to December 31, 2017 and the vessels were presented at their new deemed cost less depreciation of \$7,799,870 in the accompanying consolidated balance sheet as of December 31, 2017.

As a result of the impairment analyses performed for the year ended December 31, 2017, three of the Company's vessels (held and used) were written down to their estimated fair value as determined by the Company based on vessel valuations, obtained from independent third party shipbrokers, which are mainly based on recent sales and purchase transactions of similar vessels, resulting in an impairment charge of \$2,156,002. Furthermore, four of the Company's vessels were classified as held for sale during 2017 and were delivered to their new owners during 2017 resulting in an impairment charge of \$4,305,271 as their carrying amount.

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exceeded their fair value which was determined based on their transaction price, as the sale price was agreed with unaffiliated third parties. These impairment charges were included in the accompanying consolidated statement of operations under the caption "Impairment loss" for the year ended December 31, 2017.

<b>Description</b>	<b>Fair Value Measurements Using</b>				<b>Impairment Loss</b>
	<b>Quoted Prices in Active Markets</b>				
	<b>Fair Value as of June 30, 2018</b>	<b>for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
Long-lived assets held and used	9,400,000		9,400,000		(1,531,130)
<b>Total</b>	<b>9,400,000</b>		<b>9,400,000</b>		<b>(1,531,130)</b>

The vessels Gas Sincerity and Gas Texiana were recorded at their fair value of \$9,400,000 as of June 30, 2018. Following the memorandum of agreement for the disposal of these vessels in July 2018, Gas Sincerity and Gas Texiana were classified as held for sale as of September 30, 2018 and were recognized at their fair value less costs to sell. Fair value amounted to \$9,400,000 and costs to sell amounted to \$442,000. The vessels are classified as held for sale as of December 31, 2018 at fair value less costs to sell of \$8,958,000 in the accompanying consolidated balance sheet as of December 31, 2018.

<b>Description</b>	<b>Fair Value Measurements Using</b>				<b>Impairment Loss</b>
	<b>Quoted Prices in Active Markets</b>				
	<b>Fair Value as of December 31, 2018</b>	<b>for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
Long-lived assets held for sale	55,230,000		55,230,000		(3,189,858)
<b>Total</b>	<b>55,230,000</b>		<b>55,230,000</b>		<b>(3,189,858)</b>

The vessels Gas Defiance, Gas Shuriken, Gas Haralambos and Eco Lucidity were classified as held for sale as of December 31, 2018 and were recognized at their fair value of \$55,230,000 less costs to sell. Costs to sell amounted to nil.

During 2018, the Company recognized for eleven of its vessels an aggregate impairment charge of \$11,351,821. Seven of the Company's vessels were written down to their fair value as determined by the Company based on their transaction price, as the sale price was agreed with unaffiliated third parties. Remaining four vessels were written down to their estimated fair value as their carrying amount exceeded their fair value which was determined based on vessel valuations, obtained from independent third party shipbrokers, which are mainly based on recent sales and purchase transactions of similar vessels.

### **13. Capital Stock, Treasury Stock and Additional Paid-in Capital**

The amounts shown in the accompanying consolidated balance sheets as additional paid-in capital, represent payments made by the stockholders for the acquisitions of the Company's vessels, or investments in the Company's common stock.

On March 22, 2010, the Company's Board of Directors adopted a new stock repurchase plan for up to \$15,000,000 to be used for repurchasing the Company's common shares. For the year ended December 31, 2010, the Company completed the repurchase of 1,205,229 shares paying an average price per share of \$5.21. These shares were cancelled and removed from the Company's capital stock. During the year ended December 31, 2011, the Company completed the repurchase of additional 551,646 shares paying an average price per share of \$4.05. These shares are held as treasury stock by the Company. No shares were repurchased during the years ended December 31, 2012 and 2013.

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On April 30, 2013, the Company completed a follow-on public offering of 11,500,000 shares of common stock, par value of \$0.01, for \$10.00 per share. The gross proceeds from the offering amounted to \$115,000,000, while the net proceeds after the underwriters' discounts and commissions and other related expenses amounted to \$109,119,029.

On February 14, 2014, the Company completed an underwritten registered offering of 3,398,558 shares of common stock, par value of \$0.01, for \$9.71 per share. The gross proceeds from the offering amounted to \$32,999,998, while the net proceeds after the underwriters' discounts and commissions and other related expenses amounted to \$31,937,044.

On May 7, 2014, the Company completed an underwritten registered offering of 4,476,195 shares of common stock, par value of \$0.01, for \$10.50 per share. The gross proceeds from the offering amounted to \$47,000,047, while the net proceeds after the underwriters' discounts and commissions and other related expenses amounted to \$46,294,133.

On August 12, 2014, the Company completed an underwritten registered offering of 3,500,000 shares of common stock, par value of \$0.01, for \$10.00 per share. The gross proceeds from the offering amounted to \$35,000,000, while the net proceeds after the underwriters' discounts and commissions and other related expenses amounted to \$34,071,501.

On November 26, 2014, the Company's Board of Directors adopted a new stock repurchase plan for up to \$10,000,000 to be used for repurchasing the Company's common shares. For the year ended December 31, 2014, the Company completed the repurchase of 843,022 shares paying an average price per share of \$6.30. These shares are held as treasury stock by the Company.

On February 26, 2015, the Company's Board of Directors approved the extension of the existing stock repurchase plan for an additional amount of \$20,000,000 to be used for repurchasing the Company's common shares. For the year ended December 31, 2015, the Company completed the repurchase of 2,372,097 shares paying an average price per share of \$5.46. For the year ended December 31, 2016, the Company completed the repurchase of an additional 657,113 shares paying an average price per share of \$3.10. These shares are held as treasury stock by the Company. For the years ended December 31, 2017 and 2018, the Company has not made any repurchase of its common shares.

**14. Equity Compensation Plan**

In 2015 the Company's shareholders and board of directors adopted an Equity Compensation Plan (the Plan), which replaced the Company's previous equity compensation plan which was adopted in 2007 and expired in 2015 (the 2007 Plan) under which the Company's employees, directors or other persons or entities providing significant services to the Company or its subsidiaries are eligible to receive stock-based awards including restricted stock, restricted stock units, unrestricted stock, bonus stock, performance stock and stock appreciation rights. The Plan is administered by the Compensation Committee of the Company's board of directors and the aggregate number of shares of common stock reserved under this plan cannot exceed 10% of the number of shares of Company's common stock issued and outstanding at the time any award is granted. The Company's Board of Directors may terminate the Plan at any time. As of December 31, 2018, a total of 555,479 restricted shares had been granted under the 2007 Plan since the first grant in the third quarter of 2007 and 264,621 awards have been granted under the Plan.

On November 22, 2012, the Company granted 74,761 non-vested restricted shares to the Company's CEO, CFO, Executive and non-executive members of Board of Directors. The fair value of each share granted was \$7.26 which is equal to the market value of the Company's common stock on that day. The restricted shares vested on September 30, 2014.



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On November 20, 2014, the Company granted 230,713 of non-vested restricted shares under the 2007 plan to the Company's CEO and non-executive members of Board of Directors of the Company. The fair value of each share granted was \$7.58 which is equal to the market value of the Company's common stock on that day. The restricted shares vest over 3 years from the grant date (115,357 restricted shares on November 20, 2015, 57,678 restricted shares on November 20, 2016 and 57,678 restricted shares on November 20, 2017).

On August 23, 2018, the Company granted 264,621 of non-vested restricted shares under the Plan to the Company's CEO, non-executive members of Board of Directors of the Company and employees of the Manager. The fair value of each share granted was \$3.59 which is equal to the market value of the Company's common stock on that day. The restricted shares vest over one year from the grant date.

All unvested restricted shares are conditional upon the option holder's continued service as an employee of the Company, or as a director until the applicable vesting date. Until the forfeiture of any restricted shares, the grantee has the right to vote such restricted shares, to receive and retain all regular cash dividends paid on such restricted shares and to exercise all other rights provided that the Company will retain custody of all distributions other than regular cash dividends made or declared with respect to the restricted shares.

The Company pays dividends on all restricted shares regardless of whether they have vested and there is no obligation of the employee to return the dividend when employment ceases. The Company did not pay any dividends in the years ended December 31, 2016, 2017 and 2018. The Company accounts for forfeitures as they occur.

Management has selected the accelerated method allowed by the guidance with respect to recognizing stock based compensation expense for restricted share awards with graded vesting because it considers this method to better match expense with benefits received.

The stock based compensation expense for the vested and non-vested shares for the years ended December 31, 2016, 2017 and 2018 amounted to \$340,377, \$129,245 and \$338,356, respectively, and is included in the consolidated statements of operations under the caption "General and administrative expenses".

A summary of the status of the Company's non-vested restricted shares as of December 31, 2018, is presented below:

	Number of restricted shares	Weighted average grant date fair value per non-vested share
Non-vested, January 1, 2018		
Granted	264,621	3.59
<b>Non-vested, December 31, 2018</b>	<b>264,621</b>	<b>3.59</b>

The total fair value of shares vested during the years ended December 31, 2016, 2017 and 2018 was \$210,525, \$220,907 and nil, respectively, based on the closing share price at each vesting date. The remaining unrecognized compensation cost amounting to \$611,644 as of December 31, 2018, is expected to be recognized over the remaining period of 0.64 years, according to the contractual terms of those non-vested share awards.

**15. Earnings/(loss) per share**

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share give effect to all potentially dilutive securities. All of the Company's shares (including non-vested restricted stock issued under the Plan) participate equally in dividend distributions and in undistributed earnings.

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The Company applies the two-class method of computing earnings per share (EPS) as the unvested share-based payment awards that contain rights to receive non forfeitable dividends are participating securities. Dividends declared during the period for non-vested restricted stock as well as undistributed earnings allocated to non-vested stock are deducted from net income for the purpose of the computation of basic earnings per share in accordance with the two-class method. The denominator of the basic earnings per common share excludes any non-vested shares as such they are not considered outstanding until the time-based vesting restriction has elapsed.

For purposes of calculating diluted earnings per share, dividends declared during the period for non-vested restricted stock and undistributed earnings allocated to non-vested stock are not deducted from net income as reported since such calculation assumes non-vested restricted stock is fully vested from the grant date.

The Company calculates basic and diluted earnings per share as follows:

	<b>Year Ended December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Numerator</b>			
Net loss	(7,798,300)	(1,218,237)	(12,276,520)
Less: Undistributed earnings allocated to non-vested shares			
Net loss attributable to common shareholders, basic	(7,798,300)	(1,218,237)	(12,276,520)
<b>Denominator</b>			
Weighted average number of shares outstanding, basic and diluted	39,824,038	39,809,364	39,860,563
Loss per share, basic and diluted	(0.20)	(0.03)	(0.31)

Non-vested, participating restricted common stock does not have a contractual obligation to share in the losses and was therefore, excluded from the basic loss per share calculations.

The Company excluded the dilutive effect of 264,621 (2017: nil, 2016:57,678) non-vested share awards in calculating dilutive EPS for its common shares as of December 31, 2018, as they were anti-dilutive.

**16. Revenues**

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

	<b>Year ended December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Time charter revenues	81,621,851	96,339,915	104,099,818
Time charter revenues related party	7,592,784	1,973,643	
Bareboat revenues	29,422,512	27,647,268	24,646,311
Voyage charter revenues	23,210,618	26,924,708	34,266,082
Other income	2,284,418	1,426,387	1,317,991



<b>Total</b>	<b>144,132,183</b>	<b>154,311,921</b>	<b>164,330,202</b>
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The amounts in the accompanying consolidated statements of operations are analyzed as follows:

<b>Voyage Expenses</b>	<b>Year ended December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Port expenses	3,306,157	2,546,926	2,841,661
Bunkers	6,117,326	6,668,126	11,641,615
Commissions	4,259,812	4,584,612	4,796,483
Other voyage expenses	1,706,970	1,916,873	1,407,416
<b>Total</b>	<b>15,390,265</b>	<b>15,716,537</b>	<b>20,687,175</b>

<b>Vessels Operating Expenses</b>	<b>Year ended December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Crew wages and related costs	36,821,527	37,345,800	36,628,082
Insurance	2,421,948	2,016,647	2,068,485
Repairs and maintenance	5,724,148	6,424,557	7,359,816
Spares and consumable stores	8,514,293	8,508,276	8,907,211
Miscellaneous expenses	5,340,920	5,124,154	5,471,184
<b>Total</b>	<b>58,822,836</b>	<b>59,419,434</b>	<b>60,434,778</b>

**18. Income Taxes**

Under the laws of the countries of the companies' incorporation and/or vessels' registration, the companies are not subject to tax on international shipping income, however, they are subject to registration and tonnage taxes, which have been included in Vessel operating expenses in the consolidated statements of operations.

Pursuant to the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operations of ships is generally exempt from U.S. tax if the Company operating the ships meets certain requirements. Among other things, in order to qualify for this exemption, the Company operating the ships must be incorporated in a country which grants an equivalent exemption from income taxes to U.S. corporations. All the Company's ship-operating subsidiaries satisfy these initial criteria. In addition, these companies must be more than 50% owned by individuals who are residents, as defined, in the country of incorporation or another foreign country that grants an equivalent exemption to U.S. corporations. These companies also currently satisfy the more than 50% beneficial ownership requirement.

In addition, the management of the Company believes that by virtue of a special rule applicable to situations where the ship-operating companies are beneficially owned by a publicly traded company like the Company, the more than 50% beneficial ownership requirement can also be satisfied based on the trading volume and the anticipated widely-held ownership of the Company's shares, but no assurance can be given that this will remain so in the future, since continued compliance with this rule is subject to factors outside the Company's control.

## 19. Commitments and Contingencies

Future minimum contractual charter revenues, gross of commissions, based on vessels committed to non-cancellable, time and bareboat charter contracts as of December 31, 2018, amount to \$91,040,878 during 2019, \$22,782,759 during 2020, \$10,970,170 during 2021, and \$3,519,740 during 2022.

In March and December 2018, the Company chartered in the vessels Astrid and Kazak. The Company entered into time charter agreements to lease the vessels for a period of twelve months. Lease payments relating to the time charters of the vessels Astrid and Kazak, amounted to \$2,906,617 for the year

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ended December 31, 2018 and are included in Charter hire expenses in the consolidated statements of operations. Future lease payments as of December 31, 2018, until the expiry of the charter back agreements, amount to \$4,703,679 during 2019.

**20. Sale and Leaseback of Vessels**

In November and December 2014, the Company sold the vessels Gas Premiership and Gas Cathar and realized a total gain of \$780,695. The Company entered into bareboat charter agreements to leaseback the vessels for a period of four years. The charter back agreements are accounted for as operating leases and the gain on the sale was deferred and is being amortized to income over the four-year lease period. On December 16, 2016, the bareboat charter agreement for Gas Cathar was amended resulting in the extension of the charter period to five years and three months from the delivery date and to the reduction of monthly charter hire. For the years ended December 31, 2016, 2017 and 2018, the amortization amounted to \$195,574, \$195,040 and \$190,087, respectively, and is included in Charter hire expenses in the consolidated statements of operations. Lease payments relating to the bareboat charters of the vessels amounted to \$4,249,961, \$3,719,810 and \$3,434,250 for the years ended December 31, 2016, 2017 and 2018 and are included in Charter hire expenses in the consolidated statements of operations. Future lease payments as of December 31, 2018, until the expiry of the charter back agreements, amount to \$1,560,000 during 2019 and \$390,000 during 2020.

**21. Subsequent Events**

- (a) On March 27, 2019, the Company voluntarily repaid the outstanding balance of the term loan with dated April 16, 2014, amounting to \$15,780,000.